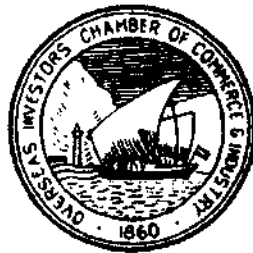


# OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

Chamber of Commerce Building  
Talpur Road  
Karachi-74000

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**ANNUAL REPORT  
FOR THE YEAR  
1999**

# **OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY**

## **ANNUAL REPORT 1999**

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## MANAGING COMMITTEE OF THE CHAMBER FOR THE YEAR 1999



### Office Bearers:

**MUNNAWAR HAMID, OBE**

*PRESIDENT*

ICI Pakistan Limited

**TARIQ AMIN**

*VICE PRESIDENT*

Rhone Poulenc Group

**ZAHID ZAHEER**

*SECRETARY GENERAL*

### Members:

**PHILIPPE A. BOVAY**

Procter & Gamble Pakistan Pvt. Ltd.

**MOIN M. FUDDA**

CGU International Insurance Co. Plc

**NASIR ALI SHAH BUKHARI**

Khadim Ali Shah Bukhari & Company Limited

**MICHAEL PAUL FENN**

Pakistan Tobacco Company Limited

**ZAFFAR A. KHAN**

Engro Chemical Pakistan Limited

**ALAN R. ELDRIDGE**

Glaxo Wellcome Pakistan Limited

**ZAHID RAHIM**

Standard Chartered Bank

**SYED ALI RAZA**

Bank of America N.A.

## CHAIRMEN AND PRESIDENTS OF THE CHAMBER

### CHAIRMEN

D. MCLVER	-	1860/61	F. CLAYTON C.I.E., M. L. C.	-	1922/23/24/25
W. NICHOL	-	1861/62	F. CLAYTON C.I.E., M. L. C.		
A. STEWART	-	1862/63/64	R. D. ENGLAND	-	1925/26
A. E. DENSO	-	1864/65/66	F. CLAYTON C.I.E., M. L. C.	-	1926/27/28
W. G. HALL	-	1866/67/68	F. CLAYTON C.I.E., M. L. C.		
J. G. TINDAL	-	1866/69/70	J. R. N. GRAHAM V.C.	-	1928/29
MAX DENSO	-	1870/71/72	E. A. PEARSON	-	1929/30
F. MASOTTI	-	1872/73	E. A. PEARSON	-	1930/31
W. THORBURN	-	1873/74	H. G. COOPER,		
W. M. MACAULAY	-	1874/75	M.C.D.C.M.	-	1930/31
W. THORBURN	-	1875/76	H. S. BIGG - WITHER,		
MAX DENSO	-	1876/77	O.B.E.	-	1931/32
JAMES GRANT	-	1877/78	J. R. N. GRAHAM, V.C.	-	1932/33
A. MCHINCH	-	1878/79/80	G. H. RASCHEN		
MAX DENSO	-	1880/81	R. H. MARTIN	-	1933/34
MAX DENSO	-	1881/82	H. S. BIGG - WITHER		
JAMES GRANT			O.B.E.	-	1934/35/36
JAMES GRANT	-	1882/83/84	G. H. RASCHEN C.B.E.	-	1936/37/38
MAX DENSO	-	1884/85	G. H. J. RICHMOND		
MAX DENSO	-	1885/86	R. H. MARTIN	-	1938/39
A. THOLE			J. H. BLACKWELL,		
A. THOLE	-	1886/87	C.B.E., M.C.	-	1939/40
A. MCHINCH	-	1887/88 TO 1889/90	J. HUMPHREY, O.B.E.	-	1940/41/42
JAMES CURRIE	-	1890/91 TO 1894/95	A. T. ORR DEAS, M.C.	-	1942/43
T. R. MCLELLAN	-	1895/96 TO 1898/99	J. H. BLACKWELL,		
T. L. F. BEAUMONT	-	1899/1900	C.B.E., M.C.		1943/44
D. MCLVER	-	1900/01 TO 1902/03	W. J. CULLEN, M.B.E.		
HON'ABLE W. T. O' BRIEN	-	1903/04	J. HUMPHREY,		
M. DE P. WEBB, C.I.E.	-	1904/05 TO 1909/10	C.B.E., J.P.	-	1944/45
M. DE P. WEBB, C.I.E.	-	1910/11	LT. COL W.B. HOSSACK,		
H. T. ROBSON			M.L.A.	-	1945/46
M. DE P. WEBB, C.I.E.	-	1911/12/13	B. R. GRAHAM		1946/47
M. DE P. WEBB, C.I.E.	-	1913/14	E. J. PAKES		
W. U. NICHOLAS			R. L. COGLAN	-	1947/48
M. DE P. WEBB, C.I.E.	-	1914/15/16	B. R. GRAHAM, O.B.E.	-	1948/49/50
M. DE P. WEBB, C.I.E.			J. N. KERR	-	1950/51
W. U. NICHOLAS	-	1916/17	D. B. ASHWORTH		
M. DE P. WEBB, C.I.E.	-	1917/18/19	B. R. GRAHAM, C.B.E.	-	1951/52/53
H. G. JAUGHTON	-	1919/20	T. W. CREE	-	1953/54
SIR MONTAGUE WEBB			B. FANE SAUNDERS, C.B.E.	-	1954/55
KT., C.I.E., C.B.E., M.L.C.	-	1920/21/22	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.,	-	1966/66
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

## LIST OF SECRETARIES

### Secretaries

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

### Secretary General

Zahid Zaheer	1991-99
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**CIRCULAR NO. 66**

**19TH MAY, 2000.**

**CEO'S OF MEMBER FIRMS**

**NOTICE OF 140TH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 140TH 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, Taipur Road, Karachi-74000 on THURSDAY 29TH JUNE, 2000 at 11 AM to transact the following business:

1. To confirm and sign the Minutes of the 139th Annual General Meeting held on Tuesday 29th June, 1999 at 11 AM.
2. To receive the Report of the Managing Committee for the year 1999.
3. To pass the Audited Accounts for the year ending 31st December, 1999.
4. To appoint Auditors for the Chamber for the year 2000 and to fix their remuneration.
5. To receive Report of the Scrutineers on the ballot for the election of 8 (Eight) Members of the Managing Committee and announce the results of the election.
6. To consider, and if found fit, approve the attached Resolution which would be moved as a SPECIAL RESOLUTION by the Managing Committee, notice of which is being sent to all Members vide Circular No. 65 dated 19th May, 2000.
7. 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**

**CIRCULAR NO. 65**

**19TH MAY, 2000.**

**CEO'S OF MEMBER FIRMS**

**NOTICE**

**140TH ANNUAL GENERAL MEETING OF THE CHAMBER**

NOTICE is hereby given that at 140th Annual General Meeting of the Members of the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY to be held in the Registered Office, Chamber of Commerce Building, Talpur Road, Karachi - 74000 on THURSDAY 29TH JUNE, 2000 at 11 AM, it is proposed to consider and if thought fit, to pass the following Resolution which would be moved as SPECIAL RESOLUTION by the Committee:

QUOTE:

**1. Article 18 (c) - The following be added as a new Sub Clause (xix):**

To co-opt upto three additional Members onto the Committee for a period of one year.

Co-option shall only be done by a unanimous vote of the elected Members of the Committee present at the meeting in which co-option is proposed.

No person shall be co-opted on the committee for more than one year in succession.

Co-opted members shall exercise the same rights as other elected members and the period served on the committee as a co-opted member for all purposes shall be considered the same as that of an elected member.

**2. Article 1 (j) - to be deleted and substituted as hereunder:**

J) 'Foreign national' means any party:

(i) in the case of a firm or partnership or other unincorporated association 50% or more of whose partners or members as the case may be are citizens of a country or countries other than Pakistan; and

(ii) In case of a body corporate:

a) which is incorporated outside Pakistan with a minimum paid up share capital outside Pakistan of US \$ 500,000 or equivalent provided that the owners of such body corporate are either foreign citizens or a foreign holding company

b) which if incorporated in Pakistan -

i) has 100% of its paid up share capital owned by a foreign holding company but with the proviso that the paid up foreign share capital in the said company is not less than US \$ 200,000 or equivalent.

ii) has more than 50% of its paid up share capital owned by a foreign holding company but with the proviso that the paid up foreign share capital in the company which is incorporated in Pakistan is not less than US \$ 500,000.



(iii) a) is a Pakistani body corporate in which the Member has a shareholding such that the Member's shareholding calculated on a prorata basis would be deemed to constitute paid up foreign share capital of more than 50%. For example if a Member with 50% foreign share capital owns 50% shareholding in a Pakistani body corporate then on a prorata calculation the foreign share capital for the said Pakistan body corporate shall be taken to be 25%.

b) or in cases where the Member's holding is less than 50% but the Member's holding alongwith the shareholding of another foreign holding company or companies calculated on a prorata basis (as explained above) would cumulatively exceed 50% shareholding in the Pakistan body corporate.

c) where foreign share capital is less than 50% because a Government policy/directive/regulation limits the percentage of foreign shareholding in a body corporate provided the committee is satisfied that the Management control in this case is held by the foreign holding company.

In order to qualify for membership the body corporate must in addition to fulfilling the aforesaid criteria meet the condition laid down in Article 5.

For the purposes of these presents the following expressions shall have the following meaning:

- a) 'foreign citizens' - citizens of a country or countries other than Pakistan
- b) "foreign holding company" - a body corporate
  - i) which is incorporated in at least one additional jurisdiction/country other than Pakistan and other than its original jurisdiction / country of incorporation and
  - ii) is owned by foreign citizens or a foreign body corporate the owners of which are also foreign citizens.
- c) 'foreign share capital' - foreign capital of sponsors or their assigns or successors in interest which is registered with the State Bank of Pakistan for purposes of remittance of dividend.

FURTHER RESOLVED that the above amendments will not apply to those members who were admitted to the Membership prior to the adoption of this Resolution.

FURTHER RESOLVED that in the event that the foreign paid-up capital of any member changes and falls below the stipulated limit, applicable at the time of its election such member shall cease to remain members without any further resolution or act being required.

### **3. Article 17 - to be deleted and substituted as hereunder:**

Not more than one representative of any member shall serve on the committee at any one time.

Only Executive Heads of Organizations will be eligible for election under Article 14 to serve on the Committee

**4. Article 5 (a) - to be deleted and substituted as hereunder:**

Ordinary membership

a) Any party being a foreign national which

- i) is not ineligible as defined in Article 1(d) and
- ii) has a permanent place of business in Pakistan and is engaged in commerce and industry within Pakistan.

shall be eligible for ordinary membership.

b) Ordinary members shall be entitled to all the rights, privileges and advantages of the membership of the chamber.

UNQUOTE:



**MUNNAWAR HAMID, OBE  
PRESIDENT**

**MINUTES of the 139<sup>th</sup> Annual General Meeting of the  
OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY  
held in the Council Hall of the Chamber at Chamber of Commerce Building,  
Taipur Road, Karachi on Tuesday, 29<sup>th</sup> June, 1999 at 11.00 AM**

**PRESENT IN PERSON**

**MR. TARIQ AMIN  
(VICE PRESIDENT ELECT)  
RHONE POULENC GROUP**

**MEMBERS**

- |   |                        |
|---|------------------------|
| 1. BANK OF AMERICA NT & SA                            | MR. SYED ALI RAZA      |
| 2. BARRETT HODGSON PAKISTAN (PRIVATE) LIMITED         | MR. M. H. MANSURI      |
| 3. BAYER PAKISTAN (PRIVATE) LIMITED                   | MR. NADEEM ABBAS       |
| 4. BRISTOL-MYERS SQUIBB PAKISTAN (PRIVATE) LIMITED    | MR. ANJUM FASIH        |
| 5. CADBURY PAKISTAN LIMITED                           | MR. ROBERT JONES       |
| 6. CIGNA INSURANCE ASIA PACIFIC LIMITED               | MR. SYED UMER ALI SHAH |
| 7. EMIRATES BANK INTERNATIONAL PJSC                   | MR. TIMOTHY P. GIBBS   |
| 8. ENGRO CHEMICAL PAKISTAN LIMITED                    | MR. ZAFFAR A. KHAN     |
| 9. GESTETNER (PRIVATE) LIMITED                        | MR. K. M. AMINULLAH    |
| 10. GLAXO WELLCOME PAKISTAN LIMITED                   | MR. ALAN R. ELDRIDGE   |
| 11. HUB POWER COMPANY LIMITED (THE)                   | MR. S. K. HUSSAIN      |
| 12. IBM   | MR. NISAR A. MEMON     |
| 13. NEW HAMPSHIRE INSURANCE COMPANY                   | MR. MUJIB KHAN         |
| 14. NOVARTIS (PAKISTAN) LIMITED                       | MR. K. ARNOLDI         |
| 15. NOVARTIS PHARMA (PAKISTAN) LIMITED                | MR. K. ARNOLDI         |
| 16. ORIX LEASING PAKISTAN LIMITED                     | MR. HUMAYUN MURAD      |
| 17. PAKISTAN PETROLEUM LIMITED                        | MR. S. MUNSIF RAZA     |
| 18. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LIMITED | MR. JAVED IQBAL        |
| 19. PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED       | MR. PHILIPPE BOVAY     |
| 20. ROYAL EXCHANGE ASSURANCE                          | MR. A. SALAHUDDIN      |

**PRESENT BY PROXY:**

1. ABBOTT LABORATORIES (PAKISTAN) LIMITED
2. ABN AMRO BANK N.V.
3. ALBARAKA ISLAMIC BANK B.S.C. (E.C.)
4. ALCATEL PAKISTAN LIMITED
5. COMMERCIAL UNION ASSURANCE COMPANY PLC
6. COMMONWEALTH DEVELOPMENT CORPORATION
7. DOHA BANK LIMITED
8. DOW AGROSCIENCES B.V.
9. ENGRO ASAHI POLYMER & CHEMICAL (PRIVATE) LIMITED
10. EXIDE PAKISTAN LIMITED
11. FILTRONA INTERNATIONAL LIMITED
12. ICI PAKISTAN LIMITED
13. INDUS MOTOR COMPANY LIMITED
14. ITOCHU CORPORATION
15. J. & P. COATS PAKISTAN (PRIVATE) LIMITED
16. JAMES FINLAY PLC
17. KHADIM ALI SHAH BUKHARI & COMPANY LIMITED
18. KNOLL PHARMACEUTICALS LIMITED
19. KOT ADDU POWER COMPANY LIMITED
20. LEVER BROTHERS PAKISTAN LIMITED
21. LEVER CHEMICALS (PRIVATE) LIMITED
22. MACKINNON, MACKENZIE & COMPANY OF PAKISTAN (PRIVATE) LIMITED
23. MITSUBISHI CORPORATION
24. NESTLE MILKPAK LIMITED
25. ORGANON PAKISTAN (PRIVATE) LIMITED
26. P & O CONTAINERS PAKISTAN (PRIVATE) LIMITED
27. PAKISTAN CABLES LIMITED
28. PAKISTAN TOBACCO COMPANY LIMITED
29. RHODIA PAKISTAN (PRIVATE) LIMITED
30. ROCHE PAKISTAN LIMITED
31. ROYAL EXCHANGE ASSURANCE
32. SHELL PAKISTAN LIMITED
33. SIEMENS PAKISTAN ENGINEERING COMPANY LIMITED
34. SOCIETE GENERALE
35. STANDARD CHARTERED BANK
36. UNITED LINER AGENCIES OF PAKISTAN (PRIVATE) LIMITED

Deputy Secretary Mr. Mohammad Aslam invoked the meeting, with a recitation from the Holy Quran. In the absence of the President Mr. I. S. Sangster, OBE and Mr. Munnawar Hamid, OBE President Elect, Vice President Mr. Tariq Amin, chaired the meeting. He addressed:

Gentlemen,

I welcome you to the 139<sup>th</sup> Annual General Meeting of the Chamber. In addition to the Members present in person, we have received 36 proxies from Members. These are as prescribed in Article 36 of the Chamber's Articles of Association. The quorum prescribed under Article 31 is 25% of total membership, which is 47 including Proxies. We, therefore, constitute the necessary quorum.

The Notice convening the meeting having already been circulated, I propose that this be taken as read. The first item on the Agenda is to confirm and sign the Minutes of the 138<sup>th</sup> Annual General Meeting held on Tuesday 23<sup>rd</sup> June, 1998 at 11 AM. These have already been circulated to all Members and if there are no comments, I propose that these be taken as confirmed and I will now sign the Minutes.

CHAIRMAN OF THE MEETING MR. TARIQ AMIN (VICE PRESIDENT ELECT) SIGNED THE MINUTES OF THE 138<sup>TH</sup> ANNUAL GENERAL MEETING

The second item on the Agenda is to receive your Committee's Annual Report for the year 1998. President's 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, may I PROPOSE that the Report of the Committee for the year 1998 as circulated to Members be ADOPTED.

#### RESOLUTION

"THAT THE REPORT OF THE COMMITTEE FOR THE YEAR 1998 AS CIRCULATED TO MEMBERS, BE AND IS HEREBY ADOPTED".

PROPOSED BY Mr. Nisar A. Memon of IBM

AND

SECONDED BY Mr. Timothy Gibbs of Emirates Bank International PJSC, was carried.

The next item on the Agenda is to pass the Audited Accounts for the year 1998. Copies are already with you and if there are any questions, I shall endeavor to reply to them.

As there are no questions, may I request a Member to PROPOSE the adoption of the Accounts for the year ended 31<sup>st</sup> December, 1998 and another Member to SECOND the RESOLUTION.

#### RESOLUTION

"THAT THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 1998 BE AND ARE HEREBY ADOPTED"

PROPOSED BY Mr. K. Arnoldi of Novartis (Pakistan) Limited

AND

SECONDED BY Mr. K. M. Aminullah of Gestetner (Private) Limited, was carried.

The Fourth item on the Agenda is to consider appointment of Auditors for the year 1999. 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 1999 AT A FEE OF Rs.23,000 PER ANNUM".

PROPOSED BY Mr. Humayun Murad of Orix Leasing Pakistan Limited

AND

SECONDED BY Mr. Nisar A. Memon of IBM, was carried.

The Fifth item on the Agenda is to record the election of the Vice President and Eight Members of the Managing Committee for the year 1999 - 2000.

Vice President, Mr. Munnawar Hamid, OBE, Chairman & Chief Executive, ICI Pakistan Limited succeeds Mr. I. S. Sangster, OBE and would assume the Office of the President on 1st July 1999. Unfortunately he had to proceed to the UK and is not present today.

Since I, Tariq Amin, Chief Representative / Chief Executive, Rhone Poulenc Group / Rhone Poulenc Rorer Pakistan (Private) Limited was the only candidate whose nomination has been received for the Office of the Vice President, an election was therefore not necessary. Mr. Tariq Amin, is accordingly ipso facto Vice President of the Chamber for the year 1999 / 2000.

Appended below are the names of Representatives of Members who have forwarded their nominations to contest for election of Eight (8) Members of the Managing Committee for the year 1999 / 2000:

MR. PHILIPPE A. BOVAY  
MR. NASIR ALI SHAH BUKHARI  
MR. ALAN R. ELDRIDGE  
MR. MICHAEL PAUL FENN  
MR. MOIN M. FUDDA  
MR. ZAFFAR A. KHAN  
MR. ZAHID RAHIM  
MR. SYED ALI RAZA

Only Eight (8) Nominations have been received for the Election of Eight (8) Members of the Managing Committee. An election for the Members of the Managing Committee, for the year 1999-2000, was therefore not required. The above gentlemen stand elected and I congratulate them.

The Sixth Item on the agenda is to consider if found fit approve the following ordinary Resolution proposed by the Committee already circulated to members about increase in subscription. I invite discussions on the proposed Resolution.

## Record of Discussion

Mr. Nisar A. Memon asked for the Resolution to be read. The Chairman read out the proposed Resolution.

RESOLUTION

"RESOLVED that under the powers given to Members of the Chamber under Article 11 (a) of the Chamber's Articles of Association, the under mentioned Annual Subscription shall be payable by Ordinary Members of the Chamber with effect from 1st July, 1999:

## ANNUAL SUBSCRIPTION

<u>TOTAL NUMBER OF EMPLOYEES:</u>	<u>ANNUAL SUBSCRIPTION:</u>
UPTO 100	RS. 13,600
FROM 101 TO 300	RS. 21,800
OVER 300	RS. 36,300"

Mr. Nisar A. Memon and several other members participated in the discussion. Mr. Nisar A. Memon said that the Chamber had recorded a surplus of Rs. 4.75 million of income over expenditure in the current year and questioned the need for the subscription increase.

It was explained that the Chamber had not increased subscriptions since July 1995, and although the operating expenses of the Chamber have been increasing every year, the operating income has not increased in the same proportion. The surplus of Rs. 4.75 million reflected in this year's accounts has arisen because of investment and rental income accruing to the Chamber. At the operating level the Chamber has incurred a deficit of Rs. 5.4 million, as it has also recorded an operating deficit in earlier years.

It was also pointed out that the Chamber's reserve fund created over the years should not be allowed to deplete, and if the subscription's were not increased, this is likely to happen. The invested funds which today stands at Rs. 25 million are insufficient to cover the approved capital expenditure on the annexe building. This annexe building was approved at the Extraordinary General Meeting held on 20<sup>th</sup> March, 1997 in which Rs. 40 million was approved for this capital project. The building is now expected to cost in the range of Rs. 70 million, and the committee is still deliberating on the commencement of this project.

Another member commented that before funds are committed to a major capital project the committee should come back to a general meeting. Several members participated in the discussion. Some members suggested that the proposed increase was insufficient. Mr. Nisar A. Memon wished that the discussion be recorded.

End of Discussion

Mr. Humayun Murad of Orix Leasing Pakistan Limited PROPOSED

AND

Mr. Alan R. Eldridge of Glaxo Wellcome Pakistan Limited SECONDED that the resolution proposed by the Committee be adopted.

The Resolution was carried.

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.

**Comments from Members**

Mr. Umer Ali Shah raised the issue of geopolitical situation prevailing and inquired if the Chamber had taken up this issue with the Government. Chairman replied that these are recent events and the new committee if it considers it appropriate will take up the matter. A delegation of the Chamber went to Islamabad meet the Finance Minister on the Fiscal Budget proposals. Mr. Ali Raza on behalf of the Committee responded that the Chamber is not a political think tank, but any issues that directly effect trade, industry and economic prosperity will be taken up by the new committee.

**End of comments**

I would like to thank all members, on my own behalf and on behalf of Mr. Munnawar Hamid, OBE in the confidence reposed in us in electing us to the office of Vice President and President. The last six months of the millenium and the year that lies ahead poses many challenges for Pakistan and for trade and Industry. You are all aware of the serious setback the Pakistan economy has received. Hopefully when the new year begins, we shall be out of the recession. The prosperity of our members is closely linked to that of Pakistan and it will be your Chamber's intention towards achieving this goal.

The business of the Annual General Meeting having finished, I invite members to join me for tea.

A member proposed that a vote of thanks be recorded for the outgoing President, Mr. I. S. Sangster, OBE and to the outgoing committee for their contributions.

**ZAHID ZAHEER  
SECRETARY GENERAL**

**TARIQ AMIN  
VICE PRESIDENT**



## PRESIDENT'S REVIEW 1999

Gentlemen,

I welcome you to the 140th Annual General Meeting on Thursday 29th June, 2000. Although the new committee did not take up office till 1st July, 1999 because of the earlier departure of the outgoing President, I have had the pleasure of leading your Chamber since 17th May, 1999.

The year that has gone by has been one of uncertainty and will go down in history as one of the most eventful years. The Kargil conflict, its aftermath and change in the government on 12th October in a quasi - military coup are some of the significant events which have changed the political and economic scenario.

It was early in the year that the Government managed to reschedule debt service payments of \$ 3.1 Billion under the aegis of the Paris Club. Additionally London Club creditors agreed to reschedule commercial debt of \$ 834 Million. Both these reschedulings brought relief to a government that was tottering on the verge of default. The burden of debt servicing continues to be the most challenging problem for Pakistan.

Following the reschedule, Government of Pakistan managed to revive the \$ 1.6 Billion ESAF funding programme with the IMF, but not for very long. IMF funding stopped in July, 1999 when a \$ 280 Million tranche was delayed, ostensibly because of the unrealistic and over optimistic target set for revenue collection.

The mid year (June 1999) balance of payment deficit was exceptionally large at \$ 3.277 Billion. Both foreign and domestic debt rose to Rs. 2927 Billion (96.7% of GDP). The budget deficit according to the Government of Pakistan declined, but has been a subject of controversy (adjustments for one time receipts) and continues to remain an area of concern, as does the continued reduction in development expenditure at 3% GDP.

Beginning November, 1999 a seven point agenda has been announced by the new government, which has revival of the economy as a priority item. Other agenda items across the board are accountability, provincial harmony, politicization of institutions, devolution of power to grass root level and speedy dispensation of justice. The canvas is wide and the task formidable.

To fulfill the objective of revival of the economy, a revival plan (ERP) was launched on 15th December, 1999. The ERP was well deliberated between 15th October and 15th December by about two hundred economic managers and reflects the collective wisdom of an Economic Advisory Board (EAB). The ERP has laid priorities, some of which are agricultural production and boosting of software exports.

The immediate problems faced by the economic managers such as levying GST across the board, imposing agricultural tax, broadening the tax base through a rigorous drive and measures to document the economy have yet to be addressed and await the forthcoming mid year budget. These have not been implemented in the past, despite IMF conditionalities for the fear of political backlash against the government. Instead the standard recipe of increasing prices of POL products and GST on utilities has been repeatedly followed.

Since the change in government in October, 1999, the IMF team has visited Pakistan to review steps taken by the new government to address the issues that had been raised earlier. These include resolution of the IPP crisis, widening the tax base and applying GST across the board, hiking petroleum prices and cutting non developing expenditures. So far the funding has not been resumed despite the IMF visit to Pakistan in early April and now again in May 2000. It is expected that the \$ 1.65 Billion ESAF funding programme will be replaced by Poverty Reduction & Growth Facility Programme (PRGF).

It is against this backdrop that your committee has continued to interact with the government. The fact that both myself and Mr. Zaffar Khan were selected and invited to join the EAB has facilitated this interaction.

Very early in the year a delegation of Managing Committee Members including myself and led by Mr. Sangster called on Federal Finance Minister (Mr. Ishaq Dar) and Investment Minister (Mr. Humayun Akhtar). This was followed by a position paper on rehabilitating the economy and expressing the concerns of Foreign investors, which was sent to the Government.

The Chamber sent in proposals for the Federal Budget 1999 - 2000 and these were advocated at the Advisory Council meeting in Islamabad on 5th May, 1999. Vice President and Secretary General attended the meeting.

Soon after the Federal Budget 1999 / 2000 was enacted, I along with my colleagues from the committee called on the Federal Finance Minister with the request that the harsh measures on taxation of salaried individuals be reviewed, and as a consequence of this, the maximum tax rate of salaried individuals was brought down from 35% to 30%.

I addressed the Federal Finance Minister again on 9th July and 11th August on the issue of taxation of reserves. This was followed by Chamber's delegation to Islamabad on 12th August led by the Vice President and two other Managing Committee members which met with Finance Minister and CBR officials. The matter was amicably resolved on 27th August vide SRO 969 (1) 99 which exempted listed companies which distribute 40% of the years earnings from the levy of tax on reserves.

Your Chamber also made recommendations for the Trade Policy 1999-2000 and the Vice President and the Secretary General advocated these at the Advisory Council meeting of the Ministry of Commerce in Islamabad on 2nd June, 1999.

I was also nominated to the Board of Investment and Trade, Punjab where I represented the Chamber on 23rd June 1999. The Government of Pakistan formed a Business Council under the chairmanship of the Prime Minister in which the President of the Chamber was made the Co-Chairman. Although your chamber sent in proposals for the first such meeting proposed in September 1999, the meeting could not be held.

Your Chamber also interacted with the Ministry of Commerce on the proposed changes in the Insurance Act 1938 at a meeting in Islamabad on 18th August, 1999.

Your Chamber also took several initiatives with the Government of Punjab to fight the menace of counterfeit products.

Yet another initiative was taken by your chamber in organizing a seminar on 2nd September seeking Y2K Compliance from all major public sector companies.

Immediately after the new Finance Minister, Mr. Shaukat Aziz took office in early November the Vice President representing the Chamber at the Annual Conference of Society of Development Economies, addressed the inaugural session in which the new Federal Finance Minister presided. Soon thereafter the Federal Finance Minister was invited to the Chamber to interact with the members of the OICC&I. Frank and candid discussions took place and I am glad to say the some of the points raised have been reflected in the Economic Revival Plan (EPR) introduced by the Government.

The new year that has set in has shown some twilight. As at end March, 2000 agricultural sector has shown improved growth performance, cotton, wheat and rice crops have pushed the growth rate upwards. However, given the present stagflation in the economy and the continued uncertainty in the external environment, it is unlikely that essential areas like exports and foreign investment which show significant improvement in the short term. Revival of the industrial sector is yet to take place, and the economy continues to sail through troubled waters. Hard economic decisions such as privatization, structural reforms in state run enterprises to make them profitable, and re-negotiating IMF conditionalities are yet to be tackled.

The time and effort devoted by many members who participated in the various deliberations of the Sub Committees and my colleagues on the Managing Committee who chaired these meetings needs to be recognized. Their support has been a source of strength to me, as has the contributions of the co-opted members, Mr. M. Moonis, Mr. M. Sulger, Mr. David Weston and Mr. J. M. Delpon De Vaux. I wish to thank them. The contributions of the Secretary General have been of benefit to me and the committees, and also need to be recognized.

The Vice President, Mr. Tariq Amin succeeds me as the President of your Chamber, and I feel happy in leaving the Chamber in his capable hands. I also welcome the Members of the new committee as they start the new term in office.

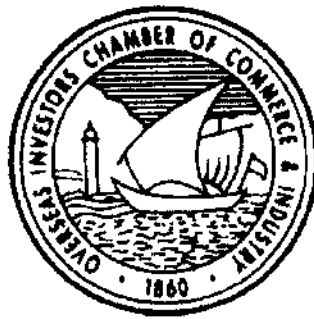


**MUNNAWAR HAMID, OBE  
PRESIDENT**

**MAY, 2000**

# **REPORT OF THE COMMITTEE**

**FOR THE YEAR 1999**



THE MANAGING COMMITTEE SUBMITS TO MEMBERS  
THEIR ANNUAL REPORT UPON SOME OF THE IMPORTANT  
SUBJECTS DEALT WITH BY THE CHAMBER DURING THE YEAR  
ENDED 31ST DECEMBER, 1999

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## ➤ CHAMBER MEMBERSHIP

### ▪ NEW MEMBERS

During the period January 1999 to December 1999, following eight members were elected as new members of the Chamber:

#### 1. TAPAL ENERGY (PRIVATE) LIMITED

F-25, Block-5  
 Kehkashan  
 Clifton  
 Karachi  
 Telephone No : 5876994 – (4 Lines)  
 Fax No. : 5876991 & 5876993  
 Email : telcoff@tapalenergy.com.pk

##### CHIEF EXECUTIVE

Mr. Syed Hassan Nawab  
 Chief Executive

#### 2. CARGILL PAKISTAN CITRUS LIMITED

76-Shadman II,  
 Canal Bank,  
 Lahore -  
 P O Box No. 3309  
 Telephone No : 042-7576522, 7585062, 7588330  
 Fax No. : 042-7589653

##### CHIEF EXECUTIVE

Mr. S. Kamran Haider  
 Chief Executive

#### 3. KARACHI INTERNATIONAL CONTAINER TERMINAL LIMITED

Administration Building,  
 Berth Nos. 28 - 30  
 Dockyard Road,  
 West Wharf  
 Karachi - 74000  
 Telephone No : 2316410,  
 Fax No. : 2313816

##### CHIEF EXECUTIVE

Mr. Changez Hasan Niazi  
 Chief Executive

#### 4. RAFHAN BEST FOODS LIMITED

1<sup>st</sup> Floor, Pakland House  
 200 - Ferozpur Road  
 Lahore  
 Telephone No : 042 - 7561626, 7561724  
 Fax No. : 042 - 7561678

##### CHIEF EXECUTIVE

Mr. Suleman Daud  
 Chief Executive & Managing Director

**5. CUPOLA PAKISTAN LIMITED**

The Point, Shara-e-Firdousi,  
Clifton,  
Karachi.  
Telephone No : 5877976  
Fax No. : 5877998  
Email. : cupola@cyber.net.pk

CHIEF EXECUTIVE

Mr. Arshad Anis  
Chief Executive Officer

**6. PAKISTAN MOBILE COMMUNICATIONS (PRIVATE) LIMITED**

Head Office:  
12<sup>th</sup> Floor, UBL Building,  
Jinnah Avenue, Blue Area,  
Islamabad.  
Telephone. : 051-273984-89  
Fax. : 051-273982

CHIEF EXECUTIVE

Mr. Graham Burke  
President

**7. PREMIERE & SHELL PAKISTAN B.V.**

4<sup>th</sup> Floor (West Half)  
Jang building  
Fazal-e-Haq Road, Blue Area  
P O Box 2438  
Islamabad  
Telephone No : 051 - 823814 / 111211311

CHIEF EXECUTIVE

Mr. Peter Cockcroft  
General Manager

**8. S. C. JOHNSON & SON OF PAKISTAN (PRIVATE) LIMITED**

F - 17 / 1 Clifton Block - 4  
KDA Scheme - 5  
Karachi - 75600  
Telephone No : 5875174 (3 Lines)  
Fax : 5836186

CHIEF EXECUTIVE

Mr. Mahmoud Haidari  
Chief Executive

**MEMBER RE-INSTATED**

Membership of Lufthansa Cargo, was reinstated on their request made to the Managing Committee.

## ▪ OUTGOING MEMBERS

The following five members resigned during the year.

- |       |  |   |                     |
|-------|--|---|---------------------|
| (i)   | Monotype Systems Limited                 | - | Business Constrains |
| (ii)  | Marubeni Corporation                     | - | Business Constrains |
| (iii) | Philips Electrical Co. of Pak. Pvt. Ltd. | - | Reorganization      |
| (iv)  | Dow Agro-sciences                        | - | Business Constrains |
| (v)   | Domestic Appliances Ltd.                 | - | Business Constrains |

## ▪ CHANGE IN NAMES OF MEMBERS

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

	<u>Previous name</u>	<u>Present name</u>
1.	Rhone-Poulenc Chemical Private Limited	<b>Rhodia Pakistan (Pvt.) Ltd.</b>
2.	Albaraka Islamic Investment Bank B.S.C. (E.C.)	<b>Albaraka Islamic Bank B.S.C (E.C)</b>
3.	Bank of America N.T. & N.A.	<b>Bank of America, N.A.</b>
4.	CPC Rafhan Ltd.	<b>Rafhan Maize Products Company Limited</b>
5.	Commercial Union Assurance Plc	<b>CGU International Insurance Plc</b>
6.	UBS Securities Pakistan Ltd.	<b>Global Securities Pakistan Ltd.</b>
7.	Cigna Insurance Asia Pacific Limited	<b>ACE Insurance Limited</b>



## ▪ CLASSIFICATION OF MEMBERS

The Membership of the Chamber as on 31<sup>st</sup> December 1998 stands to 184. List of Members in alphabetical order appearing at the next page.

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

### Country Wise

BRITISH	52
AMERICAN	45
SWISS	15
GERMAN	14
JAPANESE	11
DUTCH	8
FRENCH	10
BELGIAN	4
U.A.E	3
HONG KONG	5
CANADIAN	1
SAUDI	2
SWEDISH	2
BANGLADESH	2
AUSTRALIAN	2
DOHA	1
BAHRAIN	3
SINGAPORE	2
GREEK	1
SRI LANKA	1
OTHERS	2
	<b>186</b>

### Category Wise

1. CHEMICAL / PESTICIDES / FERTILIZERS / PAINTS	14
2. BANKING	21
3. INSURANCE	5
4. LEASING & FINANCIAL COMPANIES	14
5. PHARMACEUTICAL INDUSTRIES	29
6. FOOD & CONSUMER PRODUCTS	16
7. SHIPPING & AIRLINES	9
8. TRADING & OTHER SERVICES	28
9. OIL / GAS & ENERGY	23
10. ENGINEERING & INDUSTRIAL PRODUCTS	18
11. TOBACCO & OTHER MANUFACTURING COMPANIES	9
	<b>186</b>

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

**▪ LIST OF MEMBERS – AS AT 31<sup>ST</sup> DECEMBER 1999**

1. ABBOTT LABORATORIES (PAKISTAN) LIMITED
2. ABN AMRO BANK N.V.
3. ACE INSURANCE LIMITED
4. AES LAL PIR LIMITED
5. ALBARAKA ISLAMIC BANK B.S.C. (E.C.)
6. ALCATEL PAKISTAN LIMITED
7. ALSTOM PAKISTAN (PRIVATE) LIMITED
8. AMERICAN EXPRESS BANK LIMITED
9. ANZ GRINDLAYS BANK PLC
10. ATLAS INVESTMENT BANK LIMITED
11. ATLAS LEASE LIMITED
12. ATTOCK CEMENT PAKISTAN LIMITED
13. ATTOCK INDUSTRIAL PRODUCTS LIMITED
14. ATTOCK OIL COMPANY LIMITED (THE)
15. ATTOCK REFINERY LIMITED
16. AVENTIS CROPSCIENCE PAKISTAN(PRIVATE)LTD.
17. BANK OF AMERICA, N.A
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 PAKISTAN (PRIVATE) LIMITED
24. BEECHAM PAKISTAN (PRIVATE) LIMITED
25. BERGER PAINTS PAKISTAN LIMITED
26. BHP MINERALS INTERNATIONAL EXPLORATION INC.
27. BLACKWOOD HODGE (PAKISTAN) (PRIVATE) LIMITED
28. BOC PAKISTAN LIMITED
29. BRINKS PAKISTAN (PRIVATE) LIMITED
30. BRISTOL-MYERS SQUIBB PAKISTAN (PRIVATE) LIMITED
31. BURMAH OIL COMPANY (PAKISTAN TRADING) LIMITED
32. CADBURY PAKISTAN LIMITED
33. CALTEX OIL (PAKISTAN) LIMITED
34. CARGILL PAKISTAN CITRUS LIMITED
35. CASTROL LIMITED
36. CGU INTERNATIONAL INSURANCE PLC
37. CITIBANK N.A.
38. CITICORP INVESTMENT BANK (PAKISTAN) LIMITED
39. CLARIANT PAKISTAN LIMITED
40. COCA-COLA BEVERAGES PAKISTAN LIMITED
41. COCA-COLA EXPORT CORPORATION (THE)
42. COMMONWEALTH DEVELOPMENT CORPORATION
43. CONTINENTAL BISCUITS LIMITED
44. COX & KINGS (AGENTS) LIMITED
45. CUPOLA PAKISTAN LTD.

46. CREDIT AGRICOLE INDOSUEZ (*The Global French Bank*)
47. CYANAMID (PAKISTAN) LIMITED
48. DADEX ETERNIT LIMITED
49. DAWOOD HERCULES CHEMICALS LIMITED
50. DEUTSCHE BANK A.G.
51. DOHA BANK LIMITED
52. DUPONT FAR EAST INC.
53. ELI LILLY PAKISTAN (PRIVATE) LIMITED
54. EMIRATES BANK INTERNATIONAL PJSC
55. ENGRO ASAHI POLYMER & CHEMICAL LIMITED
56. ENGRO CHEMICAL PAKISTAN LIMITED
57. ENGRO PAKTANK TERMINAL LIMITED
58. EQUITY INTERNATIONAL (PRIVATE) LIMITED
59. EXIDE PAKISTAN LIMITED
60. FAYSAL BANK LIMITED
61. FILTRONA INTERNATIONAL LIMITED
62. GEC AVERY (PRIVATE) LIMITED
63. GENERAL TYRE & RUBBER COMPANY OF PAKISTAN LIMITED (THE)
64. GESTETNER (PRIVATE) LIMITED
65. GETZ PHARMA PAKISTAN (PRIVATE) LIMITED
66. GHANDHARA NISSAN DIESEL LIMITED
67. GILLETTE PAKISTAN LIMITED
68. GLAXO WELLCOME PAKISTAN LIMITED
69. GLOBAL SECURITES PAKISTAN LIMITED
70. HABIB BANK AG ZURICH
71. HINOPAK MOTORS LIMITED
72. HOECHST MARION ROUSSEL (PAKISTAN) LIMITED
73. HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE)
74. HUB POWER COMPANY LIMITED (THE)
75. IBM
76. ICI PAKISTAN LIMITED
77. ICI PAKISTAN POWERGEN LIMITED
78. INDOSUEZ W.I. CARR SECURITIES PAKISTAN (PRIVATE) LIMITED
79. INDUS MOTOR COMPANY LIMITED
80. INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LIMITED
81. INTERNATIONAL FINANCE INVESTMENT AND COMMERCE BANK LIMITED
82. INTERNATIONAL HOUSING FINANCE LIMITED
83. ITOCHU CORPORATION
84. J. & P. COATS PAKISTAN (PRIVATE) LIMITED
85. JAMES FINLAY PLC.
86. JARDINE FLEMING PAKISTAN BROKING (PRIVATE) LIMITED
87. JOHNSON & JOHNSON PAKISTAN (PRIVATE) LIMITED
88. JOHNSON & PHILLIPS (PAKISTAN) LIMITED
89. KARACHI INTERNATIONAL CONTAINER TERMINAL LIMITED
90. KELLER GRUNDBAU GmbH
91. KHADIM ALI SHAH BUKHARI & COMPANY LIMITED
92. KLM ROYAL DUTCH AIRLINES
93. KNOLL PHARMACEUTICALS LIMITED

94. KODAK LIMITED
95. KOT ADDU POWER COMPANY LIMITED
96. KSB PUMPS COMPANY LIMITED
97. LAKSON TOBACCO COMPANY LIMITED
98. LASMO OIL PAKISTAN LIMITED
99. LEVER BROTHERS PAKISTAN LIMITED
100. LEVER CHEMICALS (PRIVATE) LIMITED
101. LUCAS SERVICE PAKISTAN (PRIVATE) LIMITED
102. LUFTHANSA CARGO
103. 3M PAKISTAN (PRIVATE) LIMITED
104. M-I OVERSEAS LIMITED
105. MACKINNON, MACKENZIE & COMPANY OF PAKISTAN (PRIVATE) LIMITED
106. MASHREQBANK PSC
107. MERCK MARKER (PRIVATE) LIMITED
108. MERCK SHARP & DOHME OF PAKISTAN LIMITED
109. MITSUBISHI CORPORATION
110. MITSUI & COMPANY LIMITED
111. MULLER & PHIPPS PAKISTAN (PRIVATE) LIMITED
112. NALCO GULF LIMITED
113. NATIONAL CARBON COMPANY PAKISTAN (PRIVATE) LIMITED
114. NATIONAL POWER INTERNATIONAL
115. NCR CORPORATION
116. NESTLE MILKPAK LIMITED
117. NEW HAMPSHIRE INSURANCE COMPANY
118. NICHIMEN CORPORATION
119. NOVARTIS (PAKISTAN) LIMITED
120. NOVARTIS PHARMA (PAKISTAN) LIMITED
121. OERLIKON-WELDING LIMITED – ZURICH
122. OMAN INTERNATIONAL BANK SAOG
123. ORGANON PAKISTAN (PRIVATE) LIMITED
124. ORIX LEASING PAKISTAN LIMITED
125. OTSUKA PAKISTAN LIMITED
126. OXFORD UNIVERSITY PRESS
127. P&O CONTAINERS PAKISTAN (PRIVATE) LIMITED
128. PAKCOM LIMITED
129. PAK WATER BOTTLERS (PRIVATE) LIMITED
130. PAKISTAN CABLES LIMITED
131. PAKISTAN CREDIT RATING AGENCY [PRIVATE] LIMITED
132. PAKISTAN GUM & CHEMICALS LIMITED
133. PAKISTAN GUM INDUSTRIES (PRIVATE) LIMITED
134. PAKISTAN INTERNATIONAL COMPUTERS LIMITED
135. PAKISTAN MOBILE COMMUNICATIONS (PRIVATE) LIMITED
136. PAKISTAN OILFIELDS LIMITED
137. PAKISTAN PETROLEUM LIMITED
138. PAKISTAN TOBACCO COMPANY LIMITED
139. PAKTEL LIMITED
140. PARKE, DAVIS & COMPANY LIMITED
141. PEPSI-COLA INTERNATIONAL (PRIVATE) LIMITED

142. PFIZER LABORATORIES LIMITED
143. PHARMACIA & UPJOHN (PRIVATE) LIMITED
144. PHARMATEC PAKISTAN (PRIVATE) LIMITED
145. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LIMITED
146. PREMIER & SHELL PAKISTAN B.V
147. PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED
148. QASIM INTERNATIONAL CONTAINER TERMINAL PAKISTAN LIMITED
149. RAFHAN BEST FOODS LIMITED
150. RAFHAN MAIZE PRODDUCTS COMPANY LIMITED
151. RAY SHIPPING ENTERPRISES LIMITED
152. RECKITT & COLMAN OF PAKISTAN LIMITED
153. REFRIGERATORS MANUFACTURING COMPANY PAKISTAN LIMITED
154. REUTERS LIMITED
155. RHODIA PAKISTAN (PRIVATE) LIMITED
156. RHONE POULENC (PRIVATE) LIMITED
157. RHONE POULENC RORER PAKISTAN (PRIVATE) LIMITED
158. ROCHE PAKISTAN LIMITED
159. ROUSCH (PAKISTAN) POWER LIMITED
160. ROYAL EXCHANGE ASSURANCE
161. ROYAL & SUN ALLIANCE INSURANCE PLC
162. RUPALI BANK LIMITED
163. SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY (PRIVATE) LIMITED
164. S. C. JHONSON & SON INC.
165. SCHERING ASIA GmbH
166. SECURITY LEASING CORPORATION LIMITED
167. SGS PAKISTAN (PRIVATE) LIMITED
168. SHEIKHOO SUGAR MILLS LIMITED
169. SHELL GAS LPG(PAKISTAN) LIMITED
170. SHELL PAKISTAN LIMITED
171. SIEMENS PAKISTAN ENGINEERING COMPANY LIMITED
172. SINGER PAKISTAN LIMITED
173. SKF SOUTH EAST ASIA & PACIFIC (PTE) LIMITED
174. SMITH & NEPHEW PAKISTAN (PRIVATE) LIMITED
175. SMITH KLINE & FRENCH OF PAKISTAN LIMITED
176. SOCIETE GENERALE
177. STANDARD CHARTERED BANK
178. STAR PARK GROUP (PVT) LTD.
179. TAPAL ENERGY (PRIVATE) LIMITED
180. TETRA PAK PAKISTAN LIMITED
181. TOMEN CORPORATION
182. TOTAL ATLAS LUBRICANTS PAKISTAN (PRIVATE) LIMITED
183. UNION TEXAS PAKISTAN, INC.
184. UNISYS PAKISTAN (PRIVATE) LIMITED
185. UNITED LINER AGENCIES OF PAKISTAN (PRIVATE) LIMITED
186. W. WOODWARD PAKISTAN (PRIVATE) LIMITED

## ➤ **MANAGING COMMITTEE**

### ▪ **MEETINGS OF THE MANAGING COMMITTEE**

During the period under review the Managing Committee held its meetings on 8<sup>th</sup> January, 2<sup>nd</sup> February, 3<sup>rd</sup> March, 6<sup>th</sup> April, 7<sup>th</sup> May, 1<sup>st</sup> June,

At the 139<sup>th</sup> Annual General Meeting held on 29<sup>th</sup> June, 1999, following Members were elected to the Managing Committee for the year 1999-2000.

NAME		ORGANIZATION
MR. MUNNAWAR HAMID O.B.E.	President	ICI PAKISTAN LIMITED
MR. TARIQ AMIN	Vice President	RHONE POULENC (PRIVATE) LIMITED
MR. PHILIPPE A. BOVAY	Member	PROCTER & GAMBLE PAKISTAN PVT. LTD.
MR. NASIR ALI SHAH BUKHARI	Member	KHADIM ALI SHAH BUKHARI & CO.
MR. ALAN R. ELDRIDGE	Member	GLAXO WELLCOME PAK LTD.
MR. MICHAEL PAUL FENN	Member	PAK TOBACCO CO. LTD.
MR. MOIN M. FUDDA	Member	CGU INTERNATIONAL INS. CO. PLC
MR. ZAFFAR A. KHAN	Member	ENGRO CHEMICAL PAKISTAN LIMITED
MR. ZAHID RAHIM	Member	STANDARD CHARTERED BANK
MR. SYED ALI RAZA	Member	BANK OF AMERICA N. A.

The new Managing Committee held meetings on 7<sup>th</sup> July, 3<sup>rd</sup> August, 1<sup>st</sup> September, 5<sup>th</sup> October, 11<sup>th</sup> & 25<sup>th</sup> November 1999, and 7<sup>th</sup> December 1999. Minutes of the meetings have duly been circulated to the members.

### ▪ **MANAGING COMMITTEE CO-OPTION**

The following members were co-opted to the Managing Committee during the year.

MR. M. MOONIS	Managing Director United Liner Agencies of Pakistan (Private) Limited
MR. MARTIN SULGER	Managing Director & Chief Executive Siemens Pakistan Engineering Company Limited
MR. J. M. DELPON DE VAUX	Chairman & Chief Executive Lever Brothers Pakistan Limited
MR. DAVID M. WESTON	Chairman & Managing Director Shell Pakistan Limited

### ▪ **SPECIAL MEETINGS OF THE MANAGING COMMITTEE**

- A Special Managing Committee Meeting was held on Tuesday 15<sup>th</sup> June 1999 at 9 AM in the Council Hall of the Chamber to consider Federal Budget 1999-2000. Thereafter an OICC&I's delegation met with the Finance Minister and Central Board of Revenue on Friday 18<sup>th</sup> June, 1999 in Islamabad.

Prior to meeting the Finance Minister, a preliminary meeting was held with Special Secretary Finance, Mr. Ghafoor Mirza. Meeting with Finance Minister which included whole of Central Board of Revenue was satisfactory, Finance Minister stated that if the revenue collection improves, he would consider reduction in the personal income tax rate in the next fiscal budget.

Copy of President's letter to the Finance Minister dated 24<sup>th</sup> June, 1999 summarizing the meeting can be seen in **Appendix 1**

Two Special meetings of the Managing Committee were held on 6<sup>th</sup> & 10<sup>th</sup> August to consider new legislation attempting to tax Excess Reserves. It was followed by a meeting on 12<sup>th</sup> August in Islamabad with the Finance Minister. The Managing Committee was led by Mr. Tariq Amin, Vice President.

Another Special Meeting of the Managing Committee was held on 15<sup>th</sup> November 1999 in the Chamber premises to discuss the issues that need to be raised with Mr. Shaukat Aziz Finance Minister when he visits the Chamber on 17<sup>th</sup> November 1999. A copy of the Speech can be seen in **Appendix 2**

## ▪ ACTIVITIES OF THE MANAGING COMMITTEE

### FEDERAL BUDGET 1999 - 2000

#### PRE BUDGET ACTIVITIES

Proposals for the Federal Budget 1999 were duly approved by the Standing Sub Committee for Taxation and the Managing Committee was submitted to the Ministry of Finance. A copy of the Proposal for the Federal Budget has been circulated to all members.

Mr. Tariq Amin, the Vice President and the Secretary General represented the Chamber in the Advisory Council meeting of Ministry of Finance held at Islamabad on 5<sup>th</sup> May 1999, at which the Budget Proposals were advocated.

#### - POST BUDGET ACTIVITIES

The Chamber view was that a very ambitious target has been set to collect Rupees one hundred billion as additional revenue in the forth coming year.

The Chamber raised following points in this respect, with the Ministry.

- (a) Harassment to meet revenue target
- (b) Delaying assessments where refunds are due.
- (c) Non-payment of assessed refunds.

A copy of the letter written by member companies can be seen in **Appendix 3**.

An OICC&I's delegation met with the Finance Minister and Central Board of Revenue on 18<sup>th</sup> June 1999 in Islamabad. In the meeting the Finance Minister assured that if the revenue collection improves, he would consider reduction in the rates of personal income tax in next fiscal budget.

Chamber's letter dated 19<sup>th</sup> June 1999 to CBR on Taxation of salaried employees and a copy of President's letter dated 24<sup>th</sup> June, to the Finance Minister on this subject can be seen in **Appendix 1 & 1 A**

The Chamber made a strong representation to the Ministry of Finance outlining the negative consequences of Section 12 (9A) - Taxation of Excess Reserves in the Finance Act 1999. President's letters dated 9th July and 11th August addressed to Mr. Ishaq Dar may be seen in **Appendix 4 & 5**.

A meeting with Central Board of Revenue and Finance Minister was held in Islamabad on Thursday 12th August, 1999 at 4 PM on Taxation of Reserves which was attended by the following Members of the Managing Committee:

MR. TARIQ AMIN	VICE PRESIDENT	RHONE POULENC
MR. ALAN R. ELDRIDGE		GLAXO WELLCOME
MR. DAVID WESTON		SHELL

The Government of Pakistan then issued SRO No. 969(1)99 dated 27th August, 1999 which exempts listed companies who distribute 40% of the after tax profit (of the relevant year) from the provisions of Sub Section (9A) of Section 12, that is payment of tax on excess reserves. Another SRO No. 970(1)/99 amends Income Tax Rules 1982 and introduces a new Rule No. 203AA which defines reserves for the purpose of Sub Section (9a) of Section 12.

### **REGISTRATION WITH PAKISTAN ENGINEERING COUNCIL**

Subsidiaries of multinational companies incorporated in Pakistan are being asked to register as foreign contractors Registration of companies having foreign investment as contractors and operators with Pakistan Engineering Council on 'contract to contract' basis is improper and reflects adversely on the government's policy of encouraging foreign investors in the country. Few Chamber's members having large investments in Pakistan since considerably long time have no reason to be treated by the Government as a contractor confining their activities to 'project to project basis only.

The Chamber has taken up this matter at different levels in Islamabad and with Pakistan Engineering Council. A meeting was held with Dr. Jamil Ahmed Khan, Chairman, Pakistan Engineering Council on 18th May. The Secretary General led the OICC&I delegation. Copy of Chamber's letter dated 26th May is attached **Appendix 6**

### **OICC&I POSITION PAPER SENT TO GOVERNMENT**

A Position Paper entitled 'Rehabilitating Investors Confidence in Pakistan' was developed and sent to the Government of Pakistan for the first time in February, 1999 preceding the jointly meeting with the Minister of Finance and Minister of Investment in Islamabad. The paper was sent again in September to the then Minister, Ahsan Iqbal as a working paper for the agenda for the first Pakistan Business Council meeting planned in September, 1999. Ref: **Appendix 7**

### **COUNTERFEIT PRODUCTS**

To fight the menace of Counterfeits in Pakistan the Chamber in co-ordination with American Business Council held series of meeting with the Federal Government at highest level and with the Chief Minister of Punjab. The COUNTERFEIT encompass products sold in legitimate packing discarded by consumers after use, counterfeit products sold in counterfeit packing, and trademark abuse by selling product in packaging and graphics which are very similar to existing brands.

The ineffective laws to counter the counterfeit existing in Pakistan need more teeth and determination as the part of the government and private sector. The OICCI and ABC are encouraging the Government to appoint a Task Force solely dedicated to eradicating counterfeits.

### **Y2K COMPLIANCE**

The Chamber arranged a network meeting of member companies for Senior Information Technology Managers in Pakistan on 29<sup>th</sup> July 1999. This was followed by a Seminar arranged by the Chamber on 2<sup>nd</sup> September 1999. A copy of the minutes can be seen in **Appendix 8**

### **INFLATION COST OF LIVING**

Recognizing the desirability of conducting the inflation cost of living survey the Managing Committee appointed Ferguson Associates to conduct the survey again this year in December 1999. The participating member were duly provided with a copy of the report.



**CHAMBERS REPRESENTATION ON VARIOUS BODIES**

The Managing Committee approved names of Chamber's representation on various Government / Semi Government Autonomous Bodies and the Employers Federation of Pakistan for the year 1999/2000. Details can be seen in **Appendix 8 A**

- **OTHER SIGNIFICANT MEETINGS**

**PAKISTAN BUSINESS SUMMIT - 1999 AT ISLAMABAD ON 17TH FEBRUARY, 1999**

The Secretary General representing the Chamber attended the above summit at Islamabad and read a paper on contributions of foreign investors to the economic development of Pakistan. See **Appendix 9**

**MEETING WITH FINANCE MINISTER & MINISTER OF INVESTMENT AT ISLAMABAD ON 12TH FEBRUARY, 1999**

A meeting was held with Federal Ministers, Mr. Ishaq Dar and Mr. Humayun Akhtar Khan at Islamabad on 12th February, 1999 with Members of OICC&I and ABC. OICC&I was represented by Mr. I. S. Sangster, OBE, Mr. Munnawar Hamid, OBE, Mr. Alan Eldridge and Mr. Zaffar A. Khan. The Federal Finance Ministers sought proposals specially on measures required to stimulate the economy through incentives for housing construction. It was agreed and an OICC&I position paper was sent to the Government of Pakistan and can be seen in **Appendix 10**.

**ADVISORY COUNCIL. MINISTRY OF COMMERCE MEETING AT ISLAMABAD ON 2ND JUNE, 1999.**

Mr. Tariq Amin, Vice President and the Secretary General attended the meeting of the Advisory Council, Ministry of Commerce at Islamabad on 2nd June, 1999.

Trade Policy proposals 1999 - 2000 submitted by the Chamber have already been circulated to the Members.

**SEMINAR OF PAKISTAN SOCIETY OF ACTUARIES AT KARACHI ON 11TH AUGUST, 1999.**

A seminar on proposed new Insurance Act arranged by Pakistan Society of Actuaries on proposed repeal and reenactment of insurance act 1938 was attended by the Secretary General and Mr. Moin Fudda.

**MEETING OF MINISTRY OF COMMERCE AT ISLAMABAD ON 18<sup>TH</sup> AUGUST, 1999.**

A meeting was held at Islamabad on 10<sup>th</sup> August, 1999 organized by the Ministry of Commerce to discuss repeal and reenactment of the Insurance Act 1938. The meeting was attended by the following Chamber's representatives:

MR. MOIN M. FUDDA	COMMERCIAL UNION
MR. MUJIB KHAN	NEW HAMPSHIRE
DR. MUMTAZ HASHMI	ROYAL & SUNALLIANCE

**MEETING WITH CHIEF SECRETARY SINDH AT KARACHI ON 26TH AUGUST, 1999.**

A meeting was held with the Chief Secretary Sindh at Sindh Secretariat, Karachi. It was attended by the Vice President, Secretary General, Mr. S. Ali Raza and Mr. Shahzad Naqvi on the subject of payment of stamp duty on financing documents.

**ANNUAL CONFERENCE OF PAKISTAN SOCIETY OF DEVELOPMENT ECONOMICS AT ISLAMABAD ON 5TH NOVEMBER, 1999.**

Vice President and Secretary General attended the annual conference of Pakistan Society of Development Economics held on 5th November, 1999 at Islamabad which was inaugurated by the Finance Minister, Mr. Shaukat Aziz. A copy of the speech delivered by Vice President at the inaugural session of PIDE Conference on "Governance, Institutional Reforms and Economic Development" may be seen in **Appendix 11**. Secretary General read a paper on 'Governance Issues in Development' with special emphasis on Corporate Governance.

**6TH MEETING OF NATIONAL STATISTICAL COUNCIL AT ISLAMABAD ON 3RD SEPTEMBER, 1999.**

Secretary General attended the above meeting at Islamabad.

**SEMINAR ON MATTERS RELATED TO WTO BY EXPORT PROMOTION BUREAU AT KARACHI ON 28TH SEPTEMBER, 1999.**

On behalf of the Chamber, Secretary General attended the seminar held at Karachi on 28th September, 1999.

**MEETING WITH CHAIRMAN, SECURITIES & EXCHANGE COMMISSION AT KARACHI ON 15TH SEPTEMBER, 1999.**

A Dinner meeting with Mr. Shamim Ahmed Khan and members of the Chamber's Standing Sub Committee on Corporate Law was held at Sind Club on 15th September, 1999. Issues of common interest were discussed.

**MEETING WITH REGIONAL COMMISSIONERS OF INCOME TAX AT KARACHI ON 30TH SEPTEMBER, 1999.**

On Chamber's invitation, Mr. Malik M. Shafi and Mr. Mohammad Akhtar Nazar Mian, Regional Commissioners of Income Tax attended a luncheon meeting arranged in the Chamber with members of Chamber's Standing Sub Committee on Taxation. Concerns of member companies were raised and discussed at the meeting.

**MEETING WITH THE FEDERAL MINISTER OF FINANCE, MR. SHAUKAT AZIZ AT KARACHI ON 17TH NOVEMBER, 1999.**

Members of the Managing Committee had a luncheon meeting with Mr. Shaukat Aziz, Federal Minister of Finance at Karachi on 17th November, 1999. President's speech delivered on the occasion can be seen in **Appendix 2**.

**MEETING OF BOARD OF INVESTMENT & TRADE PROMOTION PUNJAB AT LAHORE ON 23RD JUNE, 1999.**

The President, Mr. Munnawar Hamid, OBE nominated as a member of the above Board attended a meeting with the Board of Investment & Trade Promotion, Government of Punjab.

**▪ SIGNIFICANT CORRESPONDENCE ON VARIOUS ISSUES****(i) DILAPIDATED CONDITION OF OIL TERMINAL ROADS IN KEAMARI**

The road condition from Shirin Jinnah Colony to Oil Terminal points in Keamari area need immediate attention and major repair work. The Chamber has drawn the attention of Administrator KMC through letter dated 4<sup>th</sup> February 1999 ref **Appendix 12**

**(ii) CHAMBER'S COMMENTS ON THE DRAFT OF PROCEDURE / GUIDE LINE FOR PRIVATE SECTOR INVESTMENTS ON BOO / BOT BASIS**

On request the Chamber commented in the proposal to constitute a committee for prequalification bid evaluation Award of Contract. Chamber's letter addressed to the Director Board of Investment can be seen in **Appendix 13**.

**(iii) SUPPLEMENTARY PROPOSALS IN CONNECTION WITH FORMULATION OF TRADE POLICY 1999-2000**

Anomalies discouraging the growth of local industries were pointed out by the Chamber by Fax dated 24<sup>th</sup> June 1999 to Joint Secretary (Imports) Government of Pakistan vide **Appendix 14**.

**(iv) AMENDMENT PROPOSED IN INSURANCE ACT.**

Chamber's recommendation on Proposed Insurance Act 1999 was forwarded to Mr. Shamim Ahmed Khan, Chairman Securities and Exchange Commission of Pakistan Islamabad vide letter dated 20<sup>th</sup> October 1999. A copy of the Proposal can be seen in **Appendix 15**

**(v) CHAMBER'S SUGGESTION FOR THE BUSINESS COUNCIL MEETING AT ISLAMABAD**

On request from the Mr. Ahsan Iqbal Deputy Chairman Planning Commission, the Chamber forwarded documents containing following on 10<sup>th</sup> September 1999.

1. Twelve Barriers to Private Sector Industrial Development.
2. Disadvantages for local manufacturing which increases cost of production and inhibit export and industrial growth.
3. OICC&I's Position paper on the concerns of the foreign investors.

**See Appendix 7**

**➤ VISITORS TO THE CHAMBER**

During the period under review, the following persons visited the Chamber:

**2ND FEBRUARY, 1999      MR. KHURSHID HUSAIN**

Mr. Khurshid Husain, Chief Executive Officer of The Hub Power Company Limited met with the Managing Committee Members and briefed the Committee on the IPP controversy.

**4TH FEBRUARY, 1999      WORLD BANK'S PERSONNEL**

Messrs. Robert Anderson and Donald McIsaac of World Bank, Washington alongwith Mr. Mudassar of World Bank, Islamabad held a meeting with the Members of Chamber's Standing Sub Committees on Banking & Finance and Insurance to discuss and exchange views on matters related to insurance industry, industrial competitiveness and issues related to selective financial sector.

**15TH FEBRUARY, 1999      MANAGING DIRECTOR, MARUBENI CORPORATION**

Mr. Hideya Taida, Managing Director & Executive Officer, Corporate Strategies along with Mr. Toshio Higaki, General Manager for Pakistan Marubeni Corporation visited the Chamber and discussed with the Secretary General matters of mutual interest.

**16TH FEBRUARY, 1999      CONSULAR & ECONOMIC ATTACHE,  
FEDERAL REPUBLIC OF GERMANY**

Mr. Peter H. Muerz, Counsellor, Head of Economic & Commercial Section and Mr. Carsten Fischer, Consular & Economic Attache, Embassy of the Federal Republic of Germany met the Secretary General and discussed the investment climate.

**23RD FEBRUARY, 1999      KODAK LIMITED**

Country Manager of Kodak Limited, Mr. S. Awais Ahmed discussed matters of taxation and commercial policy with the Secretary General in course of his visit to the Chamber.

**5TH MARCH, 1999      BRITISH EXECUTIVE SERVICE OVERSEAS**

Mr. John Walker, Regional Director, British Executive Service Overseas, London met Mr. I. S. Sangster, President and discussed matters of mutual interest.

**8TH MARCH, 1999      COMMERCIAL ADVISOR FOR FOREIGN COUNTRIES**

Mr. Vandoorne Laurent, Commercial Advisor for Foreign Countries, Belgian Embassy and Mr. L. G. M. Vandoorne, General Manager, Vipatex Inc., Karachi discussed matters of mutual interest with the Secretary General.

**17TH MARCH, 1999      ADVISOR, INVESTMENT PROMOTION OF JAPAN**

Mr. Mikio Kataoka, Advisor, Investment Promotion, Japan International Cooperation Agency visited the Chamber and discussed matters of mutual interest with the Secretary General.

**19TH MARCH, 1999****CONFEDERATION OF INDIAN INDUSTRY**

Mr. Ajay Khanna, Senior Director and Mr. T. K. Bhaumik, Senior Advisor, Confederation of Indian Industry visited the Chamber and met the Secretary General and discussed matters relating to furthering trade relations with India and assisting the Task Force formed for this purpose.

**8TH APRIL, 1999****I M F TECHNICAL ASSISTANCE MISSION**

A mission of International Monetary Fund consisting of Professor Michael Keen, Mr. Rick Kreyer and Mr. Ben Bingham visited the Chamber and met members of the Managing Committee and a select group of CEO's of foreign banks.

**3RD MAY, 1999****CONSUL GENERAL OF SULTANATE OF OMAN**

H. E. Usama Q. Al Jamali, Consul General of Sultanate of Oman had a meeting in the Chamber with the Secretary General and discussed matters of mutual interest.

**7TH MAY, 1999****B O I T, PUNJAB**

On Chamber's invitation, Mr. Rashid Mansur, Chairman & CEO and Mr. Ahmad Umar, Investment Coordinator, Infra Structure & Communication, Board of Investment & Trade Promotion - Punjab visited the Chamber and met the members of the Managing Committee and elucidated the activities of the Board.

**7TH MAY, 1999****JAWAHARIAL NEHRU UNIVERSITY, NEW DELHI**

Mr. Jibby Thomas, PH.D. Scholar, Jawaharlal Nehru University, New Delhi visited the Chamber and discussed with the Secretary General matters related to foreign investment.

**12TH MAY, 1999****ECONOMIC & COMMERCIAL COUNSELLOR OF EMBASSY OF FRANCE**

Mr. Hubert Colaris, Economic & Commercial Counsellor of Embassy of France, Islamabad and Mr. Francois Matraire, Attache Commercial, French Trade Commission, Consulate General of France, Karachi met the Secretary General in the Chamber and discussed the business environment.

**26TH MAY, 1999****CONSUL GENERAL OF SWITZERLAND**

Mr. Roland Fischer, Consul General of Switzerland visited the Chamber and discussed matters of mutual interest with Mr. Munnawar Hamid, Mr. Moin Fudda and the Secretary General.

**23RD JUNE, 1999****DELEGATES FROM INTERNATIONAL CAPSULE COMPANY LIMITED, BANGKOK, THAILAND**

Mr. Kriengsak Piyathanavong, Director of Sales & Marketing and Mr. Dhamanoon Rojanadamkerngchoke, Business Development & Sales Manager from International Capsule Company Limited, Bangkok, Thailand visited the Chamber and discussed with the Secretary General matters of mutual interest.

**7TH JULY, 1999****PRESENTATION FROM THE CITIZENS FOUNDATION**

The Chief Executive of The Citizens Foundation, Lt. General @ Sabeeh Qamar uz Zaman met the members of the Managing Committee to seek Chamber's support.

**13TH JULY, 1999****DEPUTY HIGH COMMISSIONER OF U K**

Mr. Richard Hyde, Acting British Deputy High Commissioner in Pakistan visited the Chamber and met the Secretary General in the Chamber.

**3RD AUGUST, 1999****JAPAN INTERNATIONAL COOPERATION AGENCY**

Mr. M. Kataoka, Advisor, Investment Promotion, Japan International Cooperation Agency, attached to Board of Investment, Islamabad visited the Chamber and discussed business promotional matters with the Secretary General.

**11TH AUGUST, 1999****FRENCH COMMERCIAL COUNSELLOR**

Mr. Hubert Colaris, Economic & Commercial Counsellor and Mr. Lucien Sergio, Consellor Commercial, Consulate General of France visited the Chamber and met the President and Secretary General and discussed industrial and commercial investment environment in Pakistan.

**6TH OCTOBER, 1999****FAR EASTERN ECONOMIC REVIEW**

Mr. Ahmed Rashid, Correspondent, Far Eastern Economic Review met with the Secretary General on general economic activities.

**11TH OCTOBER, 1999****BRITISH DELEGATION**

Lord Swraj Paul, Ambassador for British Business and Mr. Richard Hyde, Deputy Head of Mission, British Deputy High Commission visited the Chamber and met Mr. Tariq Amin, Vice President, Secretary General and heads of several British firms.

**10TH NOVEMBER, 1999****AUSTRALIAN HIGH COMMISSION**

Mr. George Beardsley, Deputy High Commissioner, Australian High Commission had a meeting with the Secretary General in the Chamber to discuss investment environment.

**26TH NOVEMBER, 1999****STANDARD CHARTERED BANK LONDON**

Ms. Gill James, Economist, Standard Chartered Bank, London visited the Chamber and met the Secretary General.

**15TH DECEMBER, 1999****QASIM INTERNATIONAL TERMINAL**

Mr. Ali Hyder Stanhope, Terminal Manager, QICT visited the Chamber and met the Secretary General.

## ➤ **ACTIVITIES OF CHAMBER'S STANDING SUB COMMITTEES**

### **CHAMBER'S STANDING SUB COMMITTEES FOR 1999-2000**

The following were appointed by the President and approved by committee to be the Chairman and Co-Chairmen of the following Sub Committees. Chairman of each Sub Committee along with the Secretary General was authorized to constitute the Sub Committees:

	<b>CHAIRMAN</b>	<b>CO-CHAIRMAN</b>
1. Banking & Finance	Mr. Zahid Rahim	Mr. Ali Raza
2. Commercial & Industrial	Mr. Zaffar Khan	Mr. Philippe Bovay
3. Port Trust & Communications	Mr. M. Moonis	To be appointed
4. Taxation	Mr. Nasir Bukhari	Mr. Azhar Malik
5. Corporate Law	Mr. Tariq Amin	To be appointed
6. Environment	Mr. Zaffar Khan	Mr. Javed Akbar
7. Insurance	Mr. Moin M. Fudda	To be appointed
8. Labour	Secretary General	To be appointed
9. Pharma	Mr. Alan Eldridge	To be appointed

A detailed list of the members of the Chamber's Standing Sub Committees can be seen in **Appendix 50**

#### ▪ **ADMINISTRATION SUB COMMITTEE**

Following Members were appointed on this Sub Committee.

MR. MUNNAWAR HAMID	PRESIDENT
MR. TARIQ AMIN	VICE PRESIDENT
MR. ALI RAZA	MEMBER

#### ▪ **BUILDING**

The Following were appointed Members of the Building Sub Committee.

MR. MUNNAWAR HAMID	PRESIDENT
MR. TARIQ AMIN	VICE PRESIDENT
MR. MOIN M. FUDDA	MEMBER
MR. MARTIN SULGER	CO-OPTEE

## ▪ **BANKING & FINANCE**

During the period under review the Committee held its meetings on 3<sup>rd</sup> February, 10<sup>th</sup> March, 25<sup>th</sup> June, 26<sup>th</sup> July 17<sup>th</sup> August, 11<sup>th</sup> October and on 20<sup>th</sup> December 1999. Copies of the minutes of the meetings can be seen in:

<b>Appendix 16 (i) &amp; (ii)</b>	<b>Appendix 20 (i) &amp; (ii)</b>
<b>Appendix 17 (i) to (iii)</b>	<b>Appendix 21 (i) &amp; (ii)</b>
<b>Appendix 18 (i) to (iii)</b>	<b>Appendix 22 (i) &amp; (ii)</b>
<b>Appendix 19 (i) &amp; (ii)</b>	

## ▪ **COMMERCIAL & INDUSTRIAL MATTERS**

The Committee held its meetings on 11<sup>th</sup> January, 17<sup>th</sup> February, 1<sup>st</sup> April, 21<sup>st</sup> April, 7<sup>th</sup> September and on 29<sup>th</sup> October 1999, as appearing in the following Appendices:

<b>Appendix 23 (i) &amp; (ii)</b>	<b>Appendix 26 (i)</b>
<b>Appendix 24 (i) &amp; (ii)</b>	<b>Appendix 27 (i) &amp; (ii)</b>
<b>Appendix 25 (i) &amp; (ii)</b>	<b>Appendix 28 (i)</b>

The committees recommendations pertaining to the Trade Policy for year 1999-2000 were finalized and have been circulated to members.

## ▪ **CORPORATE LAW**

Two meetings of the Committee were convened during the year i.e. on 20<sup>th</sup> April, and 23<sup>rd</sup> August 1999. Their minutes can be seen in following appendices:

<b>Appendix 29 (i) &amp; (ii)</b>	<b>Appendix 30 (i) &amp; (ii)</b>
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## ▪ **ENVIRONMENT**

Meetings of the Committee were held on 5<sup>th</sup> of April, 7<sup>th</sup> June, 8<sup>th</sup> September, 5<sup>th</sup> October and on 28<sup>th</sup> October. Minutes of the meetings can be seen in following appendices.

<b>Appendix 31 (i) &amp; (ii)</b>	<b>Appendix 34 (i) &amp; (ii)</b>
<b>Appendix 32 (i)</b>	<b>Appendix 35 (i) &amp; (ii)</b>
<b>Appendix 33 (i) &amp; (ii)</b>	

## ▪ **INSURANCE**

During the year the committee met on 6<sup>th</sup> May, 15<sup>th</sup> September and on 16<sup>th</sup> December. Refer appendices.

<b>Appendix 36 (i) &amp; (ii)</b>	<b>Appendix 38 (i)</b>
<b>Appendix 37 (i)</b>	

## ▪ **LABOUR**

The Committee's meeting were held on 1<sup>st</sup> of March and 21<sup>st</sup> October. Following appendices may be referred

<b>Appendix 39 (i)</b>	<b>Appendix 40 (i) to (iii)</b>
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## ▪ PORT, SHIPPING & COMMUNICATIONS

The Committee held its meetings during the year i.e. on 28<sup>th</sup> January, 27<sup>th</sup> May, 19<sup>th</sup> August and on 14<sup>th</sup> December. Minutes of the meetings can be seen in appendices:

**Appendix 41 (i)**  
**Appendix 42 (i) & (ii)**

**Appendix 43 (i) & (ii)**  
**Appendix 44 (i) & (ii)**

## ▪ TAXATION

The taxation committee met on 9<sup>th</sup> February, 10<sup>th</sup> February, 17<sup>th</sup> February, 9<sup>th</sup> of August and on 9<sup>th</sup> of September 1999. The following appendices are related to aforesaid meetings.

**Appendix 45 (i)**  
**Appendix 46 (i)**  
**Appendix 47 (i)**

**Appendix 48 (i) & (ii)**  
**Appendix 49 (i) & (ii)**

The Committee in its deliberation in the above meetings finalized Chamber's proposals for the Federal Budget 1999-2000. Chamber's recommendations have been circulated to all members, separately.

## ➤ ADMINISTRATION AND OTHER MATTERS

### 1. ANNUAL GENERAL MEETING & ELECTIONS

139<sup>th</sup> Annual General Meeting of the Chamber was held in the Chamber on Tuesday 29<sup>th</sup> June, 1999 and was chaired by Mr. Munnawar Hamid.

Vice President, Mr. Munnawar Hamid, OBE of ICI Pakistan Limited succeeded Mr. I. S. Sangster OBE as President of the Chamber for 1999 - 2000.

Mr. Tariq Amin, Chief Executive Officer of Rhone Poulenc Group being the only candidate for the post of Vice President was elected ipso facto Vice President of the Chamber for the year 1999 - 2000 while eight members were elected as Members of the Managing Committee.

Minutes of the meeting can be seen on page IX

### 2. MEASUREMENT DEPARTMENT'S ACTIVITIES

In the year 1999 the Measurement Department posted a revenue of Rs.1,183,365/- compared to 1998 figures of Rs. 1,323,900. Revenues of the earlier years were:

1989	RS. 355,000	1995	RS. 938,000
1990	RS. 327,000	1996	RS. 1,042,000
1991	RS. 727,000	1997	RS. 1,055,000
1992	RS. 967,000	1998	RS. 1,323,900
1993	RS. 958,000	1999	RS. 1,183,365
1994	RS. 993,000		

### 3. KARACHI CHAMBER HOSPITAL ASSOCIATION

The Hospital Association's affairs are conducted by a Managing Committee of the Association, elected annually. The Chairman of the Association is nominated by the Chamber. Mr. S. H. A. Bukhari of Mackinnon Mackenzie was nominated as the Chairman of the Association for 1998. The Deputy Secretary of the Chamber acts as Secretary to the Association. The secretarial services are provided by the Chamber. This Association held its Annual General Meeting on 30th December, 1998. Copy of the report is available.

### 4. BUSINESS TRAVEL - FOREIGN EXCHANGE & VISAS

The Chamber as usual, continued to endorse certificates attached to T-2 forms of the State Bank of Pakistan till in the month of September, 1999 when the issue of T-2 forms was stopped by State Bank of Pakistan. Very few members availed this facility during the year.

### 5. REMEMBRANCE DAY - 1999

Mr. Zahid Zaheer, Secretary General attended the ceremony on Sunday 14th November, 1999 and a wreath was laid on behalf of the Overseas Investors Chamber of Commerce & Industry at the Karachi War Cemetery.

### 6. MERCHANTS GOLF CUP 1999

Karachi Merchants Golf Cup Competition was held on Sunday 14th March, 1999 at Karachi Golf Club. Ever since 1923 this tournament is sponsored by Overseas Investors Chamber of Commerce & Industry regularly every year.

A large number of entries were received. Mrs. I. S. Sangster gave away the prizes to the following winners:

#### CHAMBER'S TROPHY

**WINNERS:** MR. PERVEZ GHIAS & MR. JAVED AKBER  
ENGRO CHEMICAL PAKISTAN LIMITED

**RUNNERS UP:** MR. KEVIN FLANNERY & MR. DAVID KORIN  
EMIRATES BANK INTERNATIONAL PJSC

#### NON MEMBERS TROPHY

MR. MANSOOR S. SULTAN & MR. ARIF ALAM

Mr. I. S. Sangster thanked the participants and the audience and wished better luck next year for those who came close to the winning.

**12th April, 2000.**

Overseas  
Investors  
Chamber of  
Commerce  
& Industry.

**COMMITTEE REPORT ON THE ACCOUNTS FOR 1999**

The audited accounts of the Chamber for the year ended 31st December, 1999 together with Auditors Report thereon, are attached.

The current year's working has resulted in excess of income over expenditure amounting to Rs. 5,871,033 as compared to Rs. 4,774,939 for last year. After providing for Income Tax for the year amounting to Rs. 1,800,000 this surplus is reduced to Rs. 4,071,033.

The income of the Chamber increased by Rs. 1,096,094 compared to previous year. The major increase arose from return on investments and exchange gain.

The expenditure for the year compared to previous year increased by Rs. 1,350,578. Increases have been recorded in travelling, entertainment, motor car maintenance, printing & stationery, utility charges and insurance expenses. There are also some increases in personnel cost.

**MUNNAWAR HAMID, OBE  
PRESIDENT**

**ZAHID ZAHEER  
SECRETARY GENERAL**

**TARIQ AMIN  
VICE PRESIDENT**

**A. F. FERGUSON & CO.**  
CHARTERED ACCOUNTANTS

OTHER OFFICES AT  
LAHORE - RAWALPINDI - ISLAMABAD

STATE LIFE BUILDING 1-C  
OFF I. I. CHUNDRIGAR ROAD  
P. O. BOX 4716  
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PAKISTAN


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(021) 242 6711 - 5  
Fax : (021) 241 5007 Audit  
(021) 242 7938 Tax  
Telex : 21155 AFFCO  
E-mail : affco-abs@cyber.net.pk  
affco-tax@cyber.net.pk

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Overseas Investors Chamber of Commerce and Industry as at December 31, 1999 and the related income and expenditure account together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and income and expenditure account together with notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and income and expenditure account together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 1999 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.

  
Chartered Accountants

 02 MAY 2000

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

BALANCE SHEET AS AT DECEMBER 31, 1999

	Note	1999 Rupees	1998 Rupees
<b>SURPLUS ACCOUNT</b>			
Balance as at January 1		21,928,426	17,463,487
Surplus for the year		<u>4,071,033</u>	<u>4,464,939</u>
		25,999,459	21,928,426
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
	4	1,169,659	1,169,659
<b>DEFERRED INCOME</b>			
	1(c) & 2	12,560	25,120
<b>DEFERRED LIABILITY</b>			
Provision for staff gratuity		2,422,799	1,980,576
<b>CURRENT LIABILITIES</b>			
Creditors		523,580	321,065
Accrued liabilities		965,621	3,219,619
Subscription received in advance		2,052,900	1,720,125
Retention money		130,720	112,866
Rentals received in advance		4,373,891	3,810,757
Other liabilities		401,226	320,031
Taxation		2,174,328	1,365,512
		10,622,266	10,869,975
<b>COMMITMENTS</b>			
	3		
		<u>40,226,743</u>	<u>35,973,756</u>

	Note	1999 Rupees	1998 Rupees
<b>FIXED ASSETS</b>	4	2,210,929	2,203,857
<b>CAPITAL WORK-IN-PROGRESS</b>			
Civil works		1,164,841	1,164,841
<b>INVESTMENTS</b>	5	21,243,120	4,997,800
<b>LONG-TERM DEPOSITS</b>		764,460	764,460
<b>CURRENT ASSETS</b>			
Stationery - at cost		155,810	210,019
Sundry debtors - considered good		294,130	237,270
Accrued mark up		3,280,186	2,344,780
Advances, short-term prepayments and other receivables	6	243,797	221,440
Cash and bank balances	7	10,869,470	23,829,289
		14,843,393	26,842,798
		<u>40,226,743</u>	<u>35,973,756</u>

The annexed notes form an integral part of these accounts

*Mumtaz Ahmad*  
President

*Talib Talib*  
Secretary General


*Ahmed*  
Member

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1999

	Note	1999 Rupees	1998 Rupees
<b>INCOME</b>			
Membership subscription and entrance fee		4,070,676	3,971,293
Fees for measurement, etc.		1,183,365	1,323,900
Secretarial fees		60,000	60,000
Commission on sale of publications		6,450	4,248
Building Fund Contributions		403,086	393,274
Surplus on compilation of cost of living index		71,500	50,500
Rent		3,380,723	2,939,762
Airconditioning charges		4,690,837	4,078,988
Return on investments		2,565,459	1,020,145
Interest on deposit accounts		240,206	1,502,716
Deferred income	2	12,560	12,560
Exchange gain		1,809,950	640,949
Other income		112,855	161,660
		<u>18,607,667</u>	<u>16,160,995</u>
<b>EXPENDITURE</b>			
Salaries and allowances		4,950,434	4,490,050
Contributions to provident fund		234,353	210,226
Contribution to Employees' Old Age Benefits Institution		39,150	44,130
Medical expenses		268,836	234,290
Provision for staff gratuity		450,504	349,420
Cost of staff uniforms		35,900	44,550
Entertainment expenses		212,398	167,445
Insurance [net of recoveries Rs. 10,131; (1998: Rs. 10,137)]		310,196	224,038
Electricity and gas [net of recoveries Rs. 130,150; (1998: Rs. 108,026)]		1,269,199	918,294
Municipal taxes and ground rent [net of recoveries Rs. 87,462; (1998: Rs. 107,192)]		67,307	72,016
Repairs to building, furniture, equipment and airconditioning plant.		511,260	521,240
Postage, telegrams and telephone		428,063	384,994
Printing and stationery		465,242	388,224
Books and periodicals		48,665	45,287
Subscriptions		41,300	41,300
Travelling expenses		321,706	158,704
Lease rentals [net of recoveries Rs. NIL; (1998: Rs. 158,873)]		2,137,775	2,104,251
General expenses [net of recoveries Rs. 67,520; (1998: Rs. 56,905)]		377,796	375,653
Motor car maintenance		171,091	98,543
Depreciation		99,428	92,391
Generator running expenses		56,158	30,069
Loss on disposal of fixed assets		-	14,689
Legal and professional charges		46,640	145,200
Auditors' remuneration	8	73,000	95,540
Golf Club competition		130,236	135,512
		<u>12,736,634</u>	<u>11,386,056</u>
<b>SURPLUS BEFORE TAXATION FOR THE YEAR</b>		<b>5,871,033</b>	<b>4,774,939</b>
<b>Taxation</b>			
- current		1,800,000	985,000
- prior year		-	(675,000)
		<u>1,800,000</u>	<u>310,000</u>
<b>SURPLUS AFTER TAXATION FOR THE YEAR</b>		<b>4,071,033</b>	<b>4,464,939</b>

The annexed notes form an integral part of these accounts.

  
Humayun Ahmad  
President

  
Tameem Tameem  
Secretary General

  
Member

**OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1999**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Overall valuation policy**

These accounts have been prepared under the historical cost convention except that leasehold land shown under fixed assets has been included at revaluation referred to in notes 1(c) and 4.

**(b) Staff gratuity**

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

**(c) Fixed assets**

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

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

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

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

**(d) 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 those prevailing on the balance sheet date.

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

	1999 Rupees	1998 Rupees
2. DEFERRED INCOME		
Balance as at January 1	25,120	37,680
Less: Credited to Income and expenditure account	12,560	12,560
	<u>12,560</u>	<u>25,120</u>

## 3. COMMITMENTS

Commitments for rentals payable under operating lease agreements in respect of vehicle, office equipment and air conditioning are as follows:

Year Ending December 31,	1999 Rupees	1998 Rupees
1999	-	2,137,320
2000	2,137,320	2,137,320
2001	2,051,160	2,051,160
2002	1,809,635	1,809,635
2003	849,330	849,330
	<u>6,847,445</u>	<u>8,984,765</u>

## 4. FIXED ASSETS

	Cost or revaluation as at January 1, 1999	Additions/ (disposals)	Cost or revaluation as at December 31, 1999	Accumu- lated deprecia- tion as at January 1, 1999	Deprecia- tion for the year/ (on dispo- sals)	Accumula- ted deprecia- tion as at December 31, 1999	Written down value as at December 31, 1999	Rate of depreciation %
Leasehold land	2,406,909	-	2,406,909	1,014,546	24,745	1,039,291	1,367,618	-
Building on lease- hold land	457,958	-	457,958	207,618	5,007	212,625	245,333	2
Electrical installations	355,272	-	355,272	259,864	7,156	267,020	88,252	7.5
Office furniture, fittings and equipments	1,012,237	106,500	1,118,737	546,491	62,520	609,011	509,726	5 & 15
Rupees	<u>4,232,376</u>	<u>106,500</u>	<u>4,338,876</u>	<u>2,028,519</u>	<u>99,428</u>	<u>2,127,947</u>	<u>2,210,929</u>	
1998 Rupees	4,476,181	15,195 (259,000)	4,232,376	2,110,439	92,391 (174,311)	2,028,519	2,203,857	

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

5. INVESTMENTS

	1999 Rupees	1998 Rupees
Defence Savings Certificates	2,000,000	2,000,000
NDFC - Golden Jubilee Certificates of deposit	3,456,461	2,997,800
Special US Dollar Bonds	15,786,659	-
	<u>21,243,120</u>	<u>4,997,800</u>

6. ADVANCES, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES

	1999	1998
Advances to employees	15,075	17,885
Advances to suppliers	535	53,198
Short-term prepayments	217,148	142,833
Other receivables	11,039	7,524
	<u>243,797</u>	<u>221,440</u>

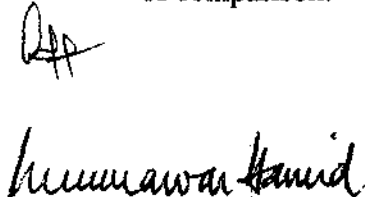
7. CASH AND BANK BALANCES


With banks		
on deposit accounts		
local currency	10,357,029	7,900,000
foreign currency	-	14,618,555
on current accounts	507,745	1,309,811
Cash in hand	4,696	923
	<u>10,869,470</u>	<u>23,829,289</u>

	1999 Rupees	1998 Rupees
8. AUDITORS' REMUNERATION		
Audit fee	23,000	23,000
Tax services	50,000	72,540
	<u>73,000</u>	<u>95,540</u>

## 9. CORRESPONDING FIGURES

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

  
Muhammad Hanid  
President

  
Tahirul Tahir  
Secretary General

  
Member

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24th June, 1999.

**Mr. M. Ishaq Dar,  
Minister of Commerce,  
Ministry of Finance,  
Government of Pakistan,  
ISLAMABAD.**

Dear Sir,

I am writing to thank you very much personally as well as on behalf of the Overseas Investors Chamber of Commerce & Industry for the very kind consideration you gave to the issue of personal taxation as represented by myself on behalf of the Chamber on Friday 18th June and the consequent relief you offered to give us on the issue. I would like to thank you for the considerable amount of time you spent together with the senior officials of the Central Board of Revenue in giving this matter full consideration despite your pressing agenda on that day.

I would also like to take this opportunity to thank you on behalf of the Chamber on some of the other measures in the current Finance Bill which have a positive effect on the Corporate Sector, but unfortunately I did not get the opportunity of mentioning to you on that day. These positive measures include the removal of Octroi and Zilla Tax, the reduction of Excise Duty on telephone calls, buy back of Treasury stocks, the task force on multiplicity of taxes, and the relief given on personal tax to the low paid salaried employees. These measures together with the concession offered on Friday will go a long way in supporting the Corporate Sector and as such the Chamber would like to record its appreciation.

Finally, may I take this opportunity of assuring you of our best co-operation at all times.

With best regards.

MUNNAWAR HAMID, OBE  
PRESIDENT

c.c.: Mr. Humayun Akhtar Khan,  
Minister of State / Chairman,  
Board of Investment,  
ISLAMABAD.

c.c.: Mr. Iqbal Farid,  
Chairman,  
Central Board of Revenue,  
ISLAMABAD.

c.c.: Mr. Yusuf Abdullah,  
Secretary,  
Board of Investment,  
ISLAMABAD.

19th June, 1999.

**Mian Iqbal Farid,  
Chairman,  
Central Board of Revenue,  
CBR House,  
New Building,  
Opposite Supreme Court,  
ISLAMABAD.**

Dear Sir,

### **CHANGES IN TAX BURDEN ON SALARIED EMPLOYEES**

Through the proposed Finance Bill 1999, the rates of tax on the category of assesseees which includes salaried individuals has been enhanced drastically from a maximum rate of 20 percent to 35 percent. This increase is inordinately high and there appears to be no reason for this sudden burst in the rate especially in the case of individuals deriving income from salary.

It is generally accepted that salaried individuals fall in the category of those representing most honest tax payers. Moreover, their income is documented and taxes are deducted at source. Due to the heavy penal provisions for non-deduction or short deduction of tax at source, there is no way in which salary income can escape taxation. In fact, it is in the interest of the employer to record the full remuneration paid to enable him to claim it a deductible charge.

The proposed changes in the Finance Bill 1999 on taxation of salaries are very drastic and the increase is as high as 75% for employees in the higher income bracket. There appears to be no logical reason for equating the documented income of a salaried individual with that of other businessmen, the vast majority of whose accounts are not documented. The purpose of these changes we are informed was aimed at reducing the disparity between tax rates paid by sole proprietorships / partnerships and the tax rate paid by private limited companies, and to encourage corporatisation. Salaried individuals you will appreciate cannot corporatise.

It is our estimate that these measures would effect employees of the multinational sector more so than those employed by Pakistani companies.

In any case in our opinion the Government will only collect Rs. 300 Million additional taxation from salaried employees. It is important that the perception about inconsistencies in Government taxation policies be removed. The reduced rate of individual taxation have hardly been in vogue for two years, when this reversal is being envisaged.

The philosophy of reducing rate of taxation was to achieve better compliance. We believe that insofar as direct taxes is concerned, this has been achieved in the last two years, and has broadened the tax base. This proposed significant increase in the incidence of tax on salaried employees may result in the brain drain of qualified people from the Country.

We therefore request you to rectify the above inequitable taxation on salaried employees by considering the following amendments in the Finance Act 1999.

- A) There should be separate slab rates for salaried incomes.
- B) The maximum rate of tax for salaried income should not be more than 22%.
- C) The incidence of tax on perquisites should be gradual.

We trust you will find these proposals constructive and will be able to incorporate these changes. We believe that these changes if implemented will give a boost to professional management in the Country, the absence of which has been a major impediment to investment and economic growth in this Country.

Kind regards.

Yours sincerely,

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

c.c.: **Mr. Ghafoor Mirza,**  
**Special Secretary,**  
**Ministry of Finance,**  
**ISLAMABAD.**

**WELCOME ADDRESS ON THE OCCASION OF  
MR. SHAUKAT AZIZ, FINANCE MINISTER'S VISIT ON WEDNESDAY 17TH  
NOVEMBER, 1999**

**BMR AA**

**Honorable Minister, Mr. Shaukat Aziz**

We are delighted with your visit and with the opportunity to share with you our views on Pakistan's business environment. I welcome you most heartily to this chamber which is the oldest chamber of commerce in Pakistan. It was formed in 1860 by British businessmen, and till today British businesses maintain a dominant presence amongst the membership.

The membership is growing and stands at one hundred and ninety of which one hundred and six are industrial undertakings, thirty three in trading, thirty seven in banking & financial services and fourteen in insurance, shipping & airlines. It is a mix of large and small international enterprises. The following countries are represented:

53 British	09 Middle East
52 Continental European	01 Canadian
45 American	14 others
16 Japanese	

The sales of member companies constitute 8% of the total GDP of the country and nearly 25% of the GDP of the manufacturing sector. They contribute nearly one sixth of the total tax revenue of the government of Pakistan, and employ around 50,000 people (exclusive secondary employment).

The chamber's main function is to promote and protect the commercial, industrial and financial interests of foreign investors engaged in commerce and industry in Pakistan. It also cooperates with the government in promoting private foreign investment. Furthermore we see our role as being instrumental in providing information and help to potential foreign investors. After all there is a wealth of experience amongst our members.

Our chamber always has, and more so now, continues to promote foreign investment in Pakistan. The chamber offers to work closely with your government to promote the needs of foreign investment. We offer a partnership leading to mutual growth since we firmly believe that what is good for the country is good for the business.

Honorable Minister, the new government has inherited an economy which is plagued with huge debts, deficits of trade and balance of payments and enormous balance of irrecoverable rupee assets. The domestic economy has been in slumber because of poor domestic demand, as a result of the large cuts in government's development programme and erosion of the purchasing power of the currency. These factors combined with smuggling, and gingerly treatment of the informal sector on the matter of its GST obligations, have created an uneven playing field for the large sub segments of the formal industrial sectors, which continues to operate inefficiently in an unjust taxation system that taxes income from different sectors differently.

The economy needs large capital inflows, in addition to the need to improve domestic savings. Both of these require restoration of investors confidence which your government has correctly identified as top priority.

Before I endeavor to suggest solutions, a few words about what has eroded business confidence. The slow down in economic activity following the may 1998 events, the poor law and order situation, the prolonged IPP controversy, the lack of credibility in the continuance of the governments policy, and the poor implementation have all contributed to this low level of confidence.

Honorable Minister, Pakistan must allow **trade and economic goals to shape its future political agenda**, and the first step must be the restoration of investors confidence.

This Sir, will be restored rapidly if **signs of good governance become visible**. The essentials of good governance are credibility, integrity, predictability, speedy dispensation of justice and effective and rapid implementation of policies. These have been put on your agenda.

The action against loan defaulters, tax evaders and corrupt officials are all part of the much talked about accountability, and this will enhance the credibility of your 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 enhance the investment environment further. Some of the areas that need to be addressed in this connection are:

- Credibility in the continuance and implementation of the government's policies.
- Rationalization of tariffs so that manufacturing in Pakistan does not attract more levies, than those levied on the import of the same product
- Rationalization of overprotective labour laws, that inhibit productivity and discourages employment
- A lean and clean government. Government has become bigger but not better.
- 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. Lowering of tax rates will result in better compliance.
- Barriers to success of existing companies

One of the easiest 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.

#### **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 need to contain discretionary power of tax officials**

Expecting business and industry to pay arbitrary taxes up front even before the appeals are heard can hardly be described as a confidence building measure. The commissioner of income tax appeal and income tax tribunals should function under the ministry of law. This would make the appeal procedure more equitable.

**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 education fee and a 1% fee charged for R&D to all pharmaceutical companies, workers participation and Welfare funds.

**There is need to enhance confidence between the business community and the government**

Government needs to take certain confidence building measures. Business and industry must not be made to feel that it is them only who must suffer the burden of tax. All sectors of the economy must be made to share this burden, and the largest sector of the economy agriculture must be no exception. The payment of GST by all sectors must be ensured. Taxation of company reserves in a discriminatory manner in the last budget did not help to enhance confidence.

Some of the concerns of the foreign investors have been **documented in a position paper** which has been given to the Minister of investment and board of investment. **We have a copy for you today.** These need to be addressed.

The BOI which was established to serve as one window operation to encourage investment has not achieved this purpose. It is therefore, recommended that the BOI be made a statutory corporation defining its function and composition. The chairperson of the board should be the Finance Minister. The corporation should be parastatal, with equal representation on the board from the private sector. The staff of the BOI should be professional. The chief executive officer should be from the private sector and a professional manager. The representatives of the concerned ministries should have a seat on the board with full mandate to take decision on behalf of their respective ministries. In so doing, the BOI can be turned into a truly "one window operation" institution preferably located in Karachi.

Mr. Minister, your government has been very brave and has chosen the right path, even though the agenda is very ambitious. We in the business community support you in your efforts to restore business confidence, but foreign capital will only come to the country when domestic entrepreneurs are no longer reluctant to invest in the economy. Foreign investment will only complement domestic investment.

We recognize that it will take time to restore business confidence of the private sector even if the original conditions which caused the stagnation are removed. We are with you Minister and wish you success in your efforts.

13th May, 1999.

**Mr. M. Ishaque Dar,  
Minister of Finance,  
Ministry of Finance,  
Government of Pakistan,  
Block "Q" Pak Secretariat,  
ISLAMABAD.**

Dear Sir,

We write to bring to your attention our deep concern over a recent change in the stance of the tax collectorate which is posing a threat to our respective companies.

- A) Tax Collectorate officials in their eagerness to meet budgetary targets for tax collection, have started making exaggerated and arbitrary claims on multinational companies. Threats are being made. Their behavior is tantamount to harassment.
- B) Yet another example of unreasonable attempts to achieve unrealistic tax collection targets is to deliberately delay assessments where refunds are due.
- C) The Government is committed to "good governance" yet we have several examples of non payment of assessed refunds.

We seek your intercession in this matter as harassment to companies such as ours does not auger well for the future nor to the image of Pakistan with the shareholders and potential foreign investors.

Yours truly,

9th July, 1999.

**Mr. M. Ishaq Dar,  
Minister of Commerce,  
Minister of Finance,  
Government of Pakistan,  
ISLAMABAD.**

Dear Sir,

### **TAXATION OF RESERVES**

The Finance Act, 1999 has interalia introduced a tax at the rate of 10 percent on the amount of undistributed reserves in those cases where reserves exceed 50 percent to the paid up capital. As per your Budget Speech, the aforesaid action has been undertaken in order to protect the small shareholders in those cases where the companies have not been declaring dividends but creating the reserves. This measure has, therefore, been proposed to encourage a reasonable distribution of cash dividends by companies earning profits. The Chamber agrees, in principle, the concept of a reasonable distribution of dividends to the shareholders, however, it very strongly considers that the amendments introduced by the Finance Act are not in line with the spirit for which these amendments have been made. This aspect has been explained below.

1. Under the amended law, in every case, a company would be required to pay a tax equal to 10 percent of the reserves if such reserves exceed 50 percent of the paid up capital irrespective of the fact whether or not reasonable cash dividends have been paid by the company during that year. In other words, it would not be possible for the companies to plough back its profits for expansion and investment of any amount in excess of 50 percent for the paid up capital. You would agree that the amendment in the Finance Act is not in line with the spirit for which this amendment has been made and requires clarification / amendment.
2. In view of the above, it is suggested, that by way of an amendment in Income Tax Ordinance, it should be laid down that the provisions of Section 12(9A) would not be applicable for any company which distributes a "reasonable" dividend as may be prescribed.
3. The amendment introduced if not appropriately amended would have following negative inferences on the economy:
  - a) Companies would not be encouraged to re-invest the profits in expansion, renovation and re-investment of existing facilities. Thus it would discourage industrial / economic growth.
  - b) in those cases, where the majority shares are held by non-residents, the amount of dividends, if so mandatorily distributed to avoid tax on reserves, would be remitted out of Pakistan causing major outflow of the foreign exchange.
  - c) it will make companies more dependent on borrowing rather than equity financing for future investments. Expensive borrowings will make the industry less competitive and will erode profitability. The government may not even get the enhanced revenue.



- d) the imposition of Prudential Regulations require Companies to build up equity reserves, which this concept of taxing reserves contradicts. In essence the company's borrowing ability will be restricted making investment difficult even through debt.
  - e) taxation of undistributed profit earned in earlier years tantamounts to double taxation as these profits have already been subjected to Corporate tax.
  - f) paying further dividends per force to meet the above provisions will create a cash squeeze for progressive companies who have been paying reasonable dividends.
4. It is accordingly suggested by the Chamber that necessary amendments be introduced in the law to the effect that the provisions of Section 12 (9A) would not be applicable for those companies which distribute a reasonable amount (to be prescribed) out of the profit for the year as cash dividend provided the company has not brought forward losses. Moreover, if the cash dividend paid is less than the prescribed limit the difference between the profit for the year and the dividend prescribed to be taxed at the rate of 10 percent.

If you require we can present to you the detail working of the consequences and the effects arising out of the aforesaid amendment. Your kind consideration in the matter will be highly appreciated.

With kind regards.

**MUNNAWAR HAMID, OBE  
PRESIDENT**

11th August, 1999.

**Mr. M. Ishaq Dar,  
Minister of Finance & Economic Affairs,  
Ministry of Finance,  
Government of Pakistan,  
ISLAMABAD.**

Dear Sir,

### **TAXATION OF RESERVES**

Further to my letter of 9th July, 1999, I am very grateful for your response and for the meeting you have called on 12 August 1999 at 4 PM to consider the matter. In order that discussion at this meeting is facilitated, we think it appropriate to send the Chamber's point of view to you and other senior Government officials involved, in advance, as under.

In principle, whereas the Chamber fully supports the impact of the recent change in the law on taxation of reserves in so far as improvement of Corporate Governance and assurance that profit-making Companies pay dividends regularly to its shareholders is concerned. However, we feel that as it is currently designed it may lead to other implications which may be detrimental to the long term strengthening of the Corporate sector, as detailed in our letter of 9th July, 1999. As such we wish to propose to you the following amendments for your kind consideration:

- a) The law should be effective for the income years ending after June 30, 1999 instead of the present position of retrospective effect for income years already ended on or prior to June 30, 1999.
- b) no tax should be paid on reserves if a company distributes, whether as cash and or bonus shares, an amount equal to 50 percent of the profit for the year, or an average dividend equal to 25% of the net income for the year and the immediately preceding two years, or there is a loss for the year.
- c) the provisions of law should be applicable only for companies listed on stock exchange in Pakistan.
- d) whilst defining 'reserves' under the explanation to Section 12(a) following should be excluded.
  - I. Capital reserves and share premium, and
  - II. Income on account of extra ordinary events such as sale of a subsidiary or sale of equity in a joint venture.

Yours truly,

**MUNNAWAR HAMID, OBE  
PRESIDENT**

c.c.: Chairman,  
Central Board of Revenue,  
ISLAMABAD.

c.c.: Chairman,  
Securities & Exchange Commission of Pakistan,  
ISLAMABAD.

c.c.: Secretary,  
Board of Investment,  
ISLAMABAD.

26th May, 1999.

**Dr. Jamil Ahmad Khan,**  
Chairman,  
Pakistan Engineering Council,  
C/o NED University of Engineering & Technology,  
KARACHI.

Dear Dr. Khan,

**PAKISTAN ENGINEERING COUNCIL - CHANGE OF BY-LAWS**

I wish to thank you for the courtesy extended to us when we visited your office on 18th May, 1999 and the opportunity given to us to discuss the proposed changes in the by-laws.

In the earlier meeting called by the Pakistan Engineering Council in Islamabad on 5th May, 1999, we had expressed our reservations about the amendments proposed in Clause 2 (p) and Clause 7 (2) which in our views were discriminatory and not in harmony with the investment policy and the company laws of Pakistan.

During our meeting on 18th May, 1999 in Karachi, we heard your apprehensions. We therefore like to suggest the following changes in the proposed amendment:

**CLAUSE 2 (p)**

The definition of Pakistani constructors / operators as it reads in the proposed amendment is too restrictive. 100% ownership by Pakistani citizens would render companies like Pakistan Telecommunication Corporation Limited, Pakistan Petroleum Limited, Pakistan State Oil Limited, Pak Arab Refinery Limited, Telephone Industry of Pakistan Limited and Carrier Telephone Industries Limited and many others to be treated as foreign constructors. Surely this cannot be the intention of the change in the by-laws.

We therefore suggest that the proposed addition of a new clause (p) which presently reads:

"Pakistani constructors / operators" means the enterprise fully owned by the Pakistani nationals

should read:

**"Pakistani constructors / operators" means a firm, company or any other legal entity registered in Pakistan under the Companies Ordinance 1984 which own fixed assets in Pakistan of a value not less than Rs. 50 Million, and is registered in Pakistan as a resident company under the Income Tax Ordinance, 1979 and employs atleast fifty Pakistani nationals.**

This definition should allay most of the apprehensions expressed to us at our meeting on 18th May, 1999 and will recognize only those entities as Pakistani who have a permanent presence and stake in Pakistan.

Similarly the proposed amendment in Clause 7 Sub Section 2 places an unrealistic restriction on the joint venture foreign constructors or operator to offer 51% share to the Pakistani constructors / operators and to make him the lead constructor / operator.

As you will appreciate much as we desire to allocate maximum work content to local constructors / operators, this may not be possible due to limitations of availability of locally manufactured equipment required for major projects.

In our view the original Clause 7 (2) as it stands is sufficient to protect the interest of the local constructors / operators and **there is no need to specify any limits on the respective share in the joint venture.**

I trust you will find the comments constructive and will support our point of view in bringing about changes in the by-laws.

Kind regards.

Yours sincerely,

**ZAHID ZAHEER  
SECRETARY GENERAL**

10<sup>th</sup> September, 1999

**Mr. Ahsan Iqbal  
Deputy Chairman  
Planning Commission  
Government of Pakistan  
Islamabad**

**Dear Ahsan Iqbal Sahib,**

The Chamber wishes to acknowledge your letter dated 19<sup>th</sup> August 1999 informing us of the forthcoming Business Council meeting.

In this connection we are forwarding to you a three page document which covers ten issues that need to be considered by the council.

We also attach three other summaries which cover:

1. Twelve Barriers to private sector industrial development.
2. Disadvantages for local manufacture which increases cost of production and inhibit exports and industrial growth.
3. Position Paper prepared by OICC&I on the concerns of the foreign investors.

I trust you will find these remarks constructive, and the Chamber looks forward to participating in the forthcoming meeting.

Kind regards,

Yours sincerely,

**ZAHID ZAHEER  
SECRETARY GENERAL**

**Attachments:**

### **ISSUES FOR CONSIDERATION AT THE FIRST BUSINESS COUNCIL MEETING**

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

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

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

The following specific issues need your consideration:

1. **Credibility in the continuance of the Government's policies**  
Businessmen look for predictability in the Government's policy and this seems to be missing. Economic policies must be insulated from the political uncertainties. All sides of the political divide must agree on a common economic agenda. The need for national unity cannot be over emphasized. The Government must ensure consistent policies and resist pressures to make frequent adhoc changes in taxes and the legal environment governing economic activity.
2. The burden of taxation on local manufacturing, makes import more attractive, despite current tariff barriers. See Appendix I for details. In our opinion the local manufacturing must have a 35% advantage in government levies that are payable. The products that have negative advantage, must be provided relief immediately. The rationale for seeking this is shown in Appendix II which covers all the non tariff disadvantages.
3. Imports tariff on capital plant and machinery have discouraged investment, more so in Pakistan where capital is scarce and cost of borrowing high. Such tariffs should not be used for revenue generating purposes, and should only be used to offer protection to local manufacturers of plant and machinery. Because of this high cost, manufacturers are discouraged to modernize and the quality of local industry products are artificially restricted against international competition.
4. **Brand imitation counterfeiting and imports through irregular channels**  
Smuggling and the misuse of Afghan Transit is threatening closure of local industry and discouraging legitimate imports causing severe loss of revenue to the Government. Although some measures were taken in budget 1994 - 95, but still local industry and importers are finding it difficult to fight smuggling. The cost of operation of these irregular channels is very low. Brand imitation and counterfeiting is also a major problem.

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

#### 6. Tax Anomalies

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

The prevailing position can be summarized as:

- a. Colossal tax evasion
- b. Taxation measures are not related to the overall economic policies.
- c. There is total lack of confidence between the Tax payer and the Tax collector.

Resulting in :

- a. Decline in investment with slowing down of economic activity.
- b. Expansion of parallel economy and black money - extent of which is difficult to assess
- c. The flight of capital from the country
- d. Diversion of business activities leading to short term windfall gains i.e. trading, instead of industrialization, which has led to rise in unemployment.

Fresh and bold initiatives are required. Tax payers should be offered incentives and encouraged to pay taxes. Coercive measures to a very great extent having failed. One meaningful incentive is the reduction in the tax rate to a level which is in line with the cost of concealment, because it cannot be overlooked that tax evasion involves costs. This requires a lower base rate of tax and on top of this there should be incentives for increase tax payments.

The suggestion made by the Chamber is that for any increase in total payments over the base, tax payer ought to receive a rebate on the differential. This would create greater activity and would increase Government revenue and expand the taxable income base which is most desirable.

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

- a) The imposition of Excise Duty in addition to a uniform Sales Tax is aimed at discouraging the consumption of luxury goods. There is little justification, however, for the imposition of Excise Duties on essential capital goods such as Paints, Electrical Wire and Cables, and other hygiene items, like Detergents, Toilet Soaps, Powder, Shampoos and Creams. The Excise Duties on such goods should be withdrawn.
- b) Generally, the levy of Sales Tax & Excise Duty gives an unfair advantage to small scale unorganized sector manufacturers that do not record their transactions. These manufacturers are often less efficient, than their larger tax

paying competitors. One such example is the Thread industry. To remove this unfair and costly advantage, Excise Duties on luxury items should be replaced with Sales Tax at the import stage.

**7. There is need to contain discretionary power of tax officials**

Expecting business and industry to pay arbitrary taxes up front even before the appeals are heard can hardly be described as a confidence building measure. The imposition of levy on imports, and exorbitant enhancement of Professional Tax by the Sind Government are inappropriate and need to be withdrawn. The Commissioner of Income tax Appeal and Income Tax Tribunals should function under the Ministry of Law. This would make the appeal procedure more equitable.

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

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

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

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

**10. There is need to address factors that inhibit industrial growth.**

Some of these are :

- a) The Government excessively uses indirect taxes as revenue generating instruments and also continually increases the cost inputs of public sector goods and services like Petrol, Electricity, Gas and Water. This resulted in escalating costs and reducing profit margins and has a dampening effect on individual incomes and consumption. The rise in the cost of living index has also eroded the purchasing power of the Rupee again resulting in a demand squeeze, with all the negative consequences for industrial growth.
- b) Shortage of low risk capital for financing new investment is yet another factor. Depreciation of the Rupee has increased the cost of new investment, as has the imposition of Import Duty on Plant and Machinery. Few entrepreneurs are willing to risk their own capital in new ventures and rely heavily on bank borrowings. Financial institutions are bleeding through non performing loans granted on the basis of patronage or political largesse and are unable to provide capital for new ventures. The insatiable appetite of the Government to borrow from the banking system in addition to squeezing worthy private sector borrowers out of the credit market, has resulted in upward pressure on the interest rates.
- c) An important element of inward investment is the cost of investment. To enhance the attractiveness for such investment all capital goods and related spare parts should be rated at zero import duty. To minimize misuse of this facility a minimum investment of say Rs.2 Million should be specified.



**BARRIERS TO PRIVATE SECTOR INDUSTRIAL DEVELOPMENT**

1. High costs of local production including low marginal productivity of labour.
2. Bureaucratic barriers although now reduced, there are still requirements of various permissions, and dealing with numerous agencies which increase the cost of doing business.
3. Poor infrastructure, especially in telecommunications, transportation and electrical power greatly add to the cost of doing business.
4. Antiquated, numerous overprotective labour laws, and multifarious levies on employment inhibit business expansion and job creation.
5. Small market size. Rapid rise in prices not accompanied by increased incomes result in tremendous drop in purchasing power, resulting in a demand squeeze and reducing market sizes.
6. Inaccurate and unreliable statistical information. Without proper and timely information market sizes cannot be assessed and business cannot flourish.
7. High interest and inflation rates are also a major deterrent to private industrial development. Profit potential if lower than the inflation rate does not offer much incentive for doing business.
8. High rate of taxation for private firms is major disincentive for potential foreign and domestic investment.
9. Personal and Corporate savings are low as a result there is serious lack of start up capital for most new entrepreneurs. With lack of access to capital, potential entrepreneurs have limited choices for initial financing. Banks prefer to lend to larger established companies and are not interested in the small entrepreneurs. There are hardly any companies offering start up venture capital.
10. Negative attitude towards small entrepreneurs engineered by years of distrust and disinformation about private enterprise.
11. The pace and extent of privatization and the controversy over spontaneous privatization and lack of transparency and the unclear rules about the privatization process reduces business confidence and delays the development of one of the greatest areas of potential expansion.
12. Credibility in the continuance of the government policies.

### **COMPARATIVE NON TARIFF DISADVANTAGES FOR LOCAL MANUFACTURE**

1. Economies of scale are a major factor in manufacturing costs.
2. Presumptive Withholding Tax (Corporate) at import stage presents a cash flow problem to local industry. Payment of advance taxes also present the same problem and add to the cost.
3. Local components purchased from vendors have an element of sales tax and excise duty, which is not allowed to be adjusted, against the sales tax paid on finished product(due to lack of documentation). This ends up as an additional cost in the product.
4. Local manufacturing has to suffer additional costs arising out of contributions to Workers Profit and Welfare Fund which are as much as 7% of pre tax profit and accrue almost entirely to the government.
5. Local manufacturing has to suffer extra burden of costs arising out of deficiencies and poor infrastructure, such as:
  - Interruption in power
  - High port handling costs
  - High transportation costs due to poor roads
  - High telecommunication costs
6. The capital costs of plant and machinery is inflated by various levies at import stage resulting in a higher investment, which is also reflected as a higher depreciation cost in the product. The element of servicing the higher investment costs is also a disadvantage.
7. The high cost of borrowing money and the scarcity of capital are also impediments to local manufacture.
8. The low productivity arising out of over-protective labour laws also adds to the costs and also denies manufacturers the flexibility in employment. Terminating costs can also be very high. Go slows and strikes also add to the costs, in as much as hartals and law and order problems resulting in absenteeism.

9<sup>th</sup> September, 1999

### Concerns of Foreign Investors Position paper of the OICC&I

Concerns of foreign investors have been categorized and summarized below:

#### 1. Balance of payments

- In the medium term, Pakistan has to make a sustained effort to contain the trade imbalance, in order to reduce the vulnerability of its balance of payments position. Home-grown efforts to achieve this objective will be more robust than mere reliance on assistance from the IFIs.
- In this context, promoting exports should continue to be emphasised. The duty drawback system should be streamlined to help existing exporters. However, it should be realized that achieving export growth in the light of sluggish conditions in the global economy will be difficult. Hence, the more prudent course of action would be to contain (non-essential) imports.
- To achieve this objective, and to follow-through on its demonstrated commitment to trade liberalization, the government should implement its policy on cascading tariffs, and lacunae in this regard should be removed. This will ensure an essential degree of protection to the domestic industrial base.
- Nonetheless, a fine balance needs to be maintained between protecting domestic manufacturers through an optimal tariff structure, and ensuring that tariffs are not excessively high such that smuggling is encouraged.
- The import duty tariff regime in the country must recognise the need to be supportive of local manufacture and the degree of local value addition made by the local manufacture in addition to realistic cost anomalies between Pakistan and other economies.

Secondly, it must be rationalised to recognise each successive stage of value addition in a particular product chain e.g. raw materials should not have higher duties than the finished product, etc., and other such anomalies.

Finally capital goods must be dutied at the minimum as they are the "engine" for value addition.

#### 2. Taxation – incidence & implementation

To meet the government's laudable objective of broad-basing the tax revenue base, tax administration requires a fundamental revamping. In this context, and from the perspective of attracting foreign investment into Pakistan, the following critical issues need to be addressed:

- Retroactive taxes: Taxes levied on past incomes should be avoided at all costs. This creates an unexpected burden on current operations, and restrict the ability of companies to undertake capital expenditure programs. It also does not bode well for existing investors as it can be construed as a breach of goodwill with the government.

#### 2. Taxation – incidence & implementation continued

- Presumptive taxes: Locally incorporated companies have to pay withholding taxes on the import of final goods. For companies that are fully documented (which is certainly the case with the members of the OICCI), such presumptive taxes are inappropriate. Documented companies must have all their operations evaluated according to Pakistan's corporate tax system, and presumptive taxes where levied must be made adjustable in the overall tax liability.

- **Advance tax:** The recent change in the basis for calculating a company's advance tax (from income to sales turnover), is ad hoc, inflexible and penalizes existing tax payers.

What is even more damaging, is the fact that in this new assessment system, entities including banks are not being given the option to declare tax losses. Given the uncertainty that businesses operate with, mandatory tax payments (even when operations are likely to be less profitable in the immediate future) compounds the problem and could almost become a self-fulfilling prophecy. Although it is true that in such a scenario, the corporate that has paid this advance tax is eligible for a full refund of the overpaid tax, such refunds are not forthcoming from CBR.

The tendency to place a heavier burden on existing payers (even if this incidence is short-term in nature, in the sense that CBR is building up arrears), is pushing incumbent firms to a point where they will not be able to sustain their existing operations.

In effect, it is of vital importance that the government break out of this vicious spiral. The only way out is to be conservative with revenue targets or to be firmer in terms of capturing new payers in the tax net.

### 3. Growth and investment

- The performance of the agricultural sector has played a critical role in anchoring overall GDP growth, and is likely to continue doing so. The government must remain committed to this sector.
- In the short-term, foreign investment must be encouraged in agri-businesses. The government's efforts to provide better support prices for agricultural produce should be continued.
- In the medium term, the government should be cognizant of the fact that a very limited number of potential areas for foreign investment in Pakistan exist currently.

Old practices of farming that are steeped in tradition and culture have resulted in stagnant yields per acre vis-à-vis India (which shares a very similar terrain to Pakistan). It is strongly felt that commercial farming should be encouraged, with active public-private sector interaction.

- It is noteworthy that the government has taken a bold step in establishing trade ties with India by expressing the desire to export power. Trade ties between the two countries should be augmented to include mutually beneficial categories of items that do not disrupt, or make redundant, existing manufacturing concerns.

In the long run, having a vibrant trade arrangement with India will be a salutary development for domestic industry and domestic consumers.

- Privatization and deregulation process should continue and be accelerated.

#### 4. Public utilities

- The issue of restructuring WAPDA and KESC is being accorded the utmost priority, and should be followed-up vigorously.
- However, the tussle between the government and the IPPs should be brought to an amicable and expeditious close. Needless to say, the perception of Pakistan as a safe and profitable destination for foreign investment has been severely dented.

#### 5. The financial sector

- The banking system has been adversely impacted by the events since May 1998. Confidence of ordinary depositors has been undermined, and the ability of banks to lend has been hampered. Additionally, the existence of high-cost government savings schemes (NSS) is likely to promote a degree of financial disintermediation in the economy, which will impact prospects for fixed investment.
- Recent developments in the crisis-hit East Asian economies, and Japan have amply demonstrated the long term risks to an economy from a stressed and weak financial system. The role of NSS should be re-evaluated in this context.
- Additionally, in the case of Banks, provision for Bad Debts and interest suspended in classified accounts, is made in accordance with Prudential Regulations, but these amounts are disallowed for tax purposes, and added back to taxable income. This is unjust and penalises Banks in excessive taxation, when their current rate of tax is already highest at 58%.
- It is fundamentally important to Pakistan, that we continue to maintain the perception that trade commitments for consumables / commodities are being met by the Government. In a few cases, the Ministry of Finance has withheld forex payments to Banks who have financed commodity imports (largely oil), and the matter needs urgent redressal, to bring about complete normalcy in trade lines and its pricing, particularly as arrangements with IMF have been concluded.

#### 6. Governance

Under this broad categorization, the OICCI feels that 3 issues need to be addressed:

##### 1. Law and order

The situation in Karachi over the last few years is at the top of the list of concerns. The Federal government has already taken meaningful steps to check the rampant lawlessness in Karachi. The results appear to be encouraging, with a perceptible easing of tension in the city.

However, the coverage in the international media regarding the Karachi situation has bordered on being alarmist. This has fostered a perception abroad that is far worse than the reality on the ground.

The OICCI feels that the government should take concerted measures to project the return of normalcy in Karachi.

##### 2. Counterfeit/property rights

As discussed with the Government of Punjab, the OICCI feels that for Pakistan to maintain and attract reputable multinationals into Pakistan, the issue of counterfeiting products needs to be tackled sternly.

Existing laws on this matter are not rigorously enforced, which suggests that these laws must be changed to make the penalties harsher and also to streamline the procedure. The OICCI strongly supports a two-stage strategy:

Stage 1: New laws should be passed by an Ordinance, and a press campaign should be used to increase awareness within the marketplace.

Stage 2: The government should act swiftly and sternly against perpetrators who are identified in the first stage. Perhaps the government should identify and take action in each of the initial categories that have been identified by the Punjab Chief Minister's office.

### 3. Consistency of government policies

The importance of having consistent government policies in attracting investment is well-known and cannot be overstated. This issue assumes greater relevance since the Government of Pakistan implements its growth/investment policies on the basis of tax concessions (e.g. accelerated depreciation, tax holidays, tax credits & rebates, etc.). If these incentives are not implemented, and the tax authorities have to be reminded that these concessions are still in effect, this results in confusion. This not only undermines investment but, equally importantly, also government credibility.

- It is most important that official Government policies are fully implemented in a transparent and consistent manner. Inequitable decisions such as the one to ignore, in recent years, the annual pharmaceutical price adjustments mandated by SRO 1038(1)/94, have made forward investment planning even more uncertain and have severely damaged investor confidence.

9<sup>th</sup> September, 1999

**Mr. Ahsan Iqbal**  
**Deputy Chairman**  
**Planning Commission,**  
**Government of Pakistan,**  
**Islamabad :**

Dear Sir,

**Y2K COMPLIANCE SEMINAR**

The Chamber wishes to thank you for the support extended by you in organising the Y2K compliance seminar in OICC&I on Thursday 2<sup>nd</sup> September, 1999. Dr. Ijaz Khawaja also needs to be commended for his support.

This seminar was well attended and in this connection attach herewith a copy of the Minutes for your information.

Regards,

Yours truly,

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

**Attachments:**

9TH SEPTEMBER, 1999.

**MINUTES OF MEETING HELD ON THURSDAY 2ND SEPTEMBER, 1999**  
**AT 9 AM IN THE CHAMBER'S PREMISES ON Y2K COMPLIANCE**

01 AIR COMMODORE © V. A. ABDI IN CHAIR PAKISTAN INTERNATIONAL COMPUTERS LT

**INVITEES PRESENT:**

02 DR. IJAZ H. KHAWAJA	DIRECTOR GENERAL, PAKISTAN COMPUTER BUREAU PAKISTAN TELECOMMUNICATION CO. LTD
03 MR. MUHAMMAD SARWAR	- DO -
04 MR. MAEHAR UL HASSAN	- DO -
05 MR. ABDUL QADIR	STATE BANK OF PAKISTAN
06 MR. MANSOOR ALAM	- DO -
07 MR. DESMOND FERNANDES.	WATER & POWER DEVELOPMENT AUTHORI
08 MR. SALAHUDDIN RAFI	- DO -
09 MR. MAIRAJ UDDIN	CIVIL AVIATION AUTHORITY
10 MR. TAHIR OMAR	- DO -
11 MR. ZUBAIR SIDDIQUI	KARACHI WATER & SEWERAGE BOARD
12 MR. MUNAWAR HUSSAIN	SUI SOUTHERN GAS COMPANY LIMITED
13 DR. M. Z. MALIKANA	KARACHI ELECTRIC SUPPLY CORPORATIO
14 MR. JAWAID SIBTAIN	- DO -
15 MR. SAJJAD HUSSAIN	PORT QASIM AUTHORITY
16 MR. JAVED AHMED KHAN	PAKISTAN INTERNATIONAL AIRLINES
17 MR. MALIK TAHIR HUSSAIN	

**INVITEES WHO REGRETTED:**

01 MR. MASOOD AHMAD	SUI NORTHERN GAS COMPANY LIMITED
02 CHIEF COMPUTER PROGRAMMER	KARACHI CUSTOMS
03 MR. NIAZ MOHAMMAD CHOCHAN	KARACHI PORT TRUST

**OICC&I MEMBERS PRESENT:**

18 MR. SHAFIQUE S. MIRZA	PROCTER & GAMBLE PAKISTAN (PRIVATE) L
19 MR. M. ATHAR KHAN	PAKISTAN PETROLEUM LIMITED
20 MR. ARIF AAWAN	NOVARTIS (PAKISTAN) LIMITED
21 MR. IQBAL PANJWANI	BEECHAM PAKISTAN (PRIVATE) LIMITED
22 MR. IQBAL H. RIZVI	GLAXO WELLCOME PAKISTAN LIMITED
23 MR. MUZAFFARUDDIN SIDDIQUI	MERCK SHARP & DOHME OF PAKISTAN LTD
24 MR. MOHAMMAD ABID NOON	- DO -
25 MR. IRFAN AHMAD	P & O CONTAINERS PAKISTAN (PVT) LTD
26 MR. WASIM QURESHI	NEW HAMPSHIRE INSURANCE COMPANY
27 MR. S. IMRANUL HAQUE	ENGRO CHEMICAL PAKISTAN LIMITED
28 MR. AZHER ALI SHOAIB	KARACHI INTL CONTAINER TERMINAL LTD
29 MS. SABAA AHSAN	ALSTOM PAKISTAN (PVT) LTD
30 MR. MAQBOOL MAHMOOD	STANDARD CHARTERED BANK
31 MR. ARIF SIDDIQ	- DO -
32 MR. M. SALEEM YUSUF	HABIB BANK AG ZURICH
33 MR. S. A. TUFAIL	- DO -
34 MR. FAISAL MAHMOOD	KNOLL PHARMACEUTICALS LIMITED
35 MR. M. FAIZ SIDDIQUI	SOCIETE GENERALE
36 MS. FARAH QURESHI	RHONE POULENC (PRIVATE) LIMITED
37 MR. DOUG NORRIS	SHELL PAKISTAN LIMITED
38 MR. SOHAIL KABONI	QASIM INTL CONTAINER TERMINAL PAK LT
39 MR. ASLAM ALI	ABBOTT LABORATORIES (PAKISTAN) LTD
40 MR. J. MERCHANT	ICI PAKISTAN LIMITED
41 MR. FERAZ RIZVI	- DO -



42 MR. JAMIL A. RASHID  
 43 MR. AFROZ QURESHI  
 44 MR. RAZI FAROOQUI  
 45 MR. AMIR ALI LALJI  
 46 MR. LIU FAR KING  
 47 MR. JAHANZEB  
 48 MR. REHAN ASHRAF  
 49 MR. AKBAR JAFFER  
 50 MS. AYLAKHAN  
 51 MR. KAZI M. NOUMANI

LEVER BROTHERS PAKISTAN LIMITED  
 ROYAL & SUN ALLIANCE INSURANCE PLC  
 UBS SECURITIES (PAKISTAN) LIMITED  
 - DO -  
 JARDINE FLEMING PAK BROKING (PVT) LTD  
 - DO -  
 REUTERS LIMITED  
 3M PAKISTAN (PRIVATE) LIMITED  
 ABN AMRO BANK N. V.  
 DEUTSCHE BANK A. G.

The meeting was chaired by Air Commodore © V. A. Abdi. He stated that most Members of the Chamber are involved in manufacturing and distribution of their products, while there are others which are financial companies such as Banks, Leasing and Insurance, associated with key financial transaction within and outside the Country. With the approaching end of the millennium, such companies are concerned. Their concern is heightened more so because of the state of Y2K preparation in certain key national utility services have not been propagated well. In various seminars and national level Computer conferences mixed and confused signals have been generated.

What Members need to know is the state of readiness in key sector like Energy and communication in respect of Y2K compliance. Based on this information they can make their own plans. They need to know the weaknesses if any to prepare their own contingencies such as keeping sufficient stock of oil for self power generation and any type of communication support they may need.

The date is not negotiable and we may not have any second chance after this. The most important services for which we need answers are power, communication, aviation, energy and water supply. We cannot ignore the importance of PCs and recognize that in some key networks even an old and uncorrected PC may create a disaster.

Chairman requested Dr. Ijaz Khawaja, Director General, Pakistan Computer Bureau and the delegates of public sector services to give their accurate and frank assessment to the representatives of various companies. Thereafter he will request Members to put their questions to the invitees. Such questions be addressed in a manner that brings out the facts enabling Members to prepare their own plans.

#### **PAKISTAN COMPUTER BUREAU**

Dr. Ijaz Khawaja, Director General, Pakistan Computer Bureau gave a presentation detailing the effort of PCB, the creation of national awareness cell in late 1997, and formation of National Task Force on Y2K in 1999. The Task Force is headed by Director General, PCB representing government and private sectors. Mr. Ahsan Iqbal is the Chairman of the Task Force which is over looking all efforts on the preparedness. The Bureau has raised awareness in public through seminars, newspaper ads and letters / articles. It has also helped in assessment survey on Y2K preparedness in major and critical state organizations and prepared guidelines for Y2K compliance and contingency planning. Independent study teams have repeatedly been sent to various organizations to monitor and report the progress made on the Y2K preparedness. The PCB also issued Y2K guidelines for Pcs. A Y2K control room has been established at the Bureau and a website with the information on Y2K has been created. The Director General agreed to link websites of other critical organizations with PCB. The Bureau also targeted 30th June, 1999 for compliance in all mission critical systems.

#### **CIVIL AVIATION AUTHORITY**

The Manager MIS Civil Aviation Authority, Mr. Zubair Siddiqui gave a brief and focused presentation informing that all RADAR and Navigational aids will be complaint by November, 1999, Message switching, an important element in Air traffic control will be complaint by 15th September, 1999. Flight Information services will be complaint by November, 1999. The MIS will also be ready before December, 1999.

**PAKISTAN TELECOMMUNICATION COMPANY LIMITED**

The General Manager Computers, Pakistan Telecommunication Company Limited, Mr. Muhammad Sarwar informed that PTCL was fully prepared to meet the compliance challenges of Y2K. PTCL was 80% digital and the effort made are gigantic.

By 31st August, 1999, 95% of the task had been completed and remaining 5% not very important segment, would also be completed by end of September, 1999. He also cited an International Audit report on compliance as positive. PTCL has 3 gateway exchanges for satellite communication, additionally PTCL have got 2 submarine Fiber optics cable for international traffic. For local trunk, in addition to Microwave and co axial cable they have two or more Fiber optic backbone from Peshawar to Karachi which are fully complaint. All exchanges have standby electricity generating sets.

PTCL have made contingency plans and control rooms / centres at all important points to be manned by qualified and senior staff under well defined hierarchical to deal with any emergency. They will also circulate a report for public awareness. These centres will be equipped with Satellite Telephones besides cell phones.

**WAPDA**

The WAPDA Representative, Mr. Salahuddin Rafi informed that WAPDA had three major critical operations viz. Generation, Transmission and Distribution. He dealt with each function separately describing most of the Thermal generation plants old and free of any Micro Processors. In a few cases where Micro Processor control was involved, they will all be made complaint by October, 1999 as in the case of Gudu (Siemens) plant where action has already started. All Hydro Plants are non computerized and thus bug free.

**Transmission:** National Power control centre supplied by ABB has been fully tested and found complaint.

**Distribution:** All Eight distribution centres are mostly non computerized and where there was a need to make complaint, action has been taken and they are fully complaint.

All IPP's are complaint. WAPDA had developed a 3 year study and remedial action plan. WAPDA has contingent 2000 M. W. surplus power.

**STATE BANK OF PAKISTAN**

State Bank of Pakistan has appointed task force and employed audit teams KPMG and Sidat Hyder and these auditors have gone through the major nationalized as well as foreign banks. Final review of all the important Banks and DFIS will be completed by October, 1999 but this does not mean that action has not been completed in the major Banks. This was stated by Mr. Desmond

Fernandes of Citibank N. A., on behalf of the State Bank of Pakistan, who is a Member of the SBP Task Force.

**PAKISTAN INTERNATIONAL AIRLINES**

PIA has signed an agreement with the SABRE of USA whereby they will be connected and hooked with SABRE for all compliance in engineering, inventory and above all reservation and departure system. They had also made their own system complaint, Boeing and Airbus have confirmed all airborne systems are fully complaint. The Foker fleet does not use microprocessors. This was reported by Mr. Malik Tahir Hussain, Manager System Support, PIA.

**SUI SOUTHERN GAS COMPANY LIMITED**

Dr. M. Z. Malikana, the Senior General Manager, Sui Southern Gas Company Limited gave details of his company's purification, transmission including compression and their independent Telecommunication describing in detail the Y2K compliance. Being a forward looking company the top management had involved itself in Y2K problem much earlier and had achieved good result in operational, billing and financial sector of the company besides MIS. All their systems are now fully complaint.

**PORT QASIM AUTHORITY**

Port Qasim Authority control is without microprocessors and all ships entering their channel go manual. All weigh bridges are complaint and a few PCs in use are also complaint. This was stated by Mr. Javed Ahmed Khan.

**KARACHI ELECTRIC SUPPLY CORPORATION**

Mr. Jawaid Sibtain of Karachi Electric Supply Corporation informed that their billing and complaint system was fully complaint. All 28 Grid stations were compliant. None of the generating plants were complaint but action was in hand. The 2 IPP's Tapal and Gul were fully complaint. WAPDA was also ready to supply power in case of failure.

**KARACHI WATER & SEWERAGE BOARD**

Karachi Water & Sewerage Board do not have any computer involved in their technical operations, but the MIS and Finance system was made complaint locally on self help basis and fully tested. Mr. Munnawar Hussain the Deputy Managing Director assured the meeting that no untoward event was foreseen and contingency plan with adequate fuel and power had been drawn out.

**OICC&I MEMBERS:**

A question and answer session followed. A Member asked the General Manager, PTCL what will be the state of non digital telephone exchanges, and the response was that these would be no problem. He also enquired about the roll over time for gateway traffic and was informed that this has been taken care of.

The representative of Shell Pakistan Limited enquired if WAPDA / KESC have made a contingency plan to supply power to critical units , and were informed that there is a list of critical users and have made contingency plans to cope with the situation.

Mr. Imranul Haque of Engro Chemical requested that all public sector agencies put up a disclosure statement on Y2K compliance. The Pakistan Computer Bureau agreed to put this on the website, and also give the website addresses of the agencies.

A representative of Foreign Banks wished to know if the auditors reports relating to Y2K compliance of banks can be made available. Mr. Desmond Fernandes (representing State Bank of Pakistan in this meeting) said that these were confidential and the SBP has not agreed to release these even to the Members of the Task Force.

Chairman said that presentations were reassuring, but the end of millennium will be the real test. Meanwhile we can feel reassured and keep ready to face glitches.

**ZAHID ZAHEER  
SECRETARY GENERAL**

**CHAMBER REPRESENTATIONS ON VARIOUS BODIES FOR THE YEAR 1999-2000****REPRESENTATION**

- |     |  |             |  |
|-----|--|-------------|--|
| 1.  | Managing Committee of the<br>Federation of Pakistan<br>Chambers of Commerce & Industry | (Alternate) | President<br>Vice President  |
| 2.  | Board of Directors -<br>Port Qasim Authority   |             | President  |
| 3.  | Board of Governors-Foreign<br>Trade Institute of Pakistan, Islamabad                   |             | President  |
| 4.  | Board of Governors<br>Pakistan Institute of Management, Karachi                        |             | President  |
| 5.  | Advisory Council for<br>the Ministry of Finance  |             | President  |
| 6.  | Advisory Council for<br>the Ministry of Commerce                                       |             | President  |
| 7.  | Board of Investment & Trade Promotion<br>Punjab  |             | President  |
| 8.  | Pakistan Business Council  |             | President  |
| 9.  | Board of Trustees -<br>Karachi Port Trust  |             | Mr. M. Moonis  |
| 10. | National Engineering<br>Manufacturers Export Council                                   | (Alternate) | Mr. Martin Sulger<br>Member Managing Committee<br>Chairman of Standing Sub-<br>Committee on Commercial<br>& Industrial Matters |
| 11. | Sindh Industries Facilities Board  | (Alternate) | Vice President<br>Mr. Martin Sulger  |
| 12. | Sindh Social Securities<br>Board   |             | Chairman of the Standing Sub-<br>Committee on Labour-  |
| 13. | Advisory Committee for the<br>Regional Commissioner of<br>Income Tax and Wealth Tax    | (Alternate) | Chairman of the Standing Sub-<br>Committee on Taxation-<br>Mr. Nasir Ali Shah Bukhari<br>Co-Chairman of the above              |

- |   |             |  |
|---|-------------|--|
| 14. Karachi Port Trust Council  |             | Co-Chairman of the Standing Sub-Committee on Ports, Shipping & Communications-   |
| 15. Karachi Dock Labour Board   |             | Chairman of the Standing Sub-Committee on Ports, Shipping & Communications-<br>Mr. M. Moonis   |
| 16. Merchant Navy Club  |             | Chairman Standing Sub-Committee for Ports, Shipping & Communications-<br>Mr. M. Moonis   |
| 17. Managing Committee of the Employers Federation of Pakistan                      | (Alternate) | Secretary General<br>Co-Chairman of Labour Sub-Committee   |
| 18. The Institute of Chartered Secretaries and Administrators UK (Pakistan Chapter) |             | Vice President   |
| 19. Member of Governing Body - Workers Welfare Fund                                 |             | Secretary General  |
| 20. Advisory Committee on Customs & Sales Tax                                       | (Alternate) | Chairman of the Standing Sub-Committee on Taxation<br>Mr. Nasir Ali Shah Bukhari<br>Co-Chairman of the Standing Sub-Committee on Commercial & Industrial Matters |
| 21. Consultative Committee on Industrial Research                                   | (Alternate) | Chairman of the Standing Sub-Committee on Commercial & Industrial Matters<br>Mr. Zaffar A. Khan<br>Co-Chairman of the above Sub-Committee                        |
| 22. Export Processing Zone Authority  |             | Chairman of the Standing Sub-Committee on Commercial & Industrial Matters<br>Mr. Zaffar A. Khan  |
| 23. Executive Committee of Bankers State Bank of Pakistan                           | (Alternate) | Chairman of the Standing Sub-Committee on Banking & Finance-<br>Mr. Zahid Rahim<br>Co-Chairman of the above Sub-Committee  |

24. Valuation Advisory Committee (ITP) of Collector of Customs Valuation	Chairman of the Standing Sub-Committee on Commercial & Industrial Matters Mr. Zaffar A. Khan
25. Government of Sindh Labour Advisory Board	Secretary General
26. National Credit Consultative Council (NCCC)	Chairman Standing Sub-Committee on Banking & Finance Mr. Zahid Rahim
27. Pakistan Environmental Protection Council (PEPC)	Chairman Standing Sub-Committee on Environment- Mr. Zaffar A. Khan
28. Technical Experts Committee of the Ministry of Environment	Co-Chairman Standing Sub-Committee on Environment
29. Committee of Investment (Sindh)	Chairman of Standing Sub-Committee on Commercial & Industrial Matters
30. Provincial Environment Monitoring Committee on NEQS	Co-Chairman Standing Sub-Committee on Environment - Mr. Javed Akbar
31. Karachi Stock Exchange	Mr. S. Ali Raza Member Managing Committee

**NOMINATIONS OF CHAMBER'S REPRESENTATIVES TO  
FPCC&I MANAGING COMMITTEE & GENERAL BODY FOR THE  
NEXT TWO YEARS TERM BEGINNING 1<sup>ST</sup> JANUARY, 1999**

- MANAGING COMMITTEE OF FPCC&I	Mr. Munnawar Hamid President
- GENERAL BODY OF FPCC&I Representing Trade:	Mr. Munnawar Hamid President
	Mr. Moin Fudda Member Managing Committee
Representing Industry:	Mr. Tariq Amin Vice President Mr. Zaffar A. Khan Member Managing Committee
Zonal Office of FPCC&I	Mr. Jabar Shafique Butt Executive Director ICI - Lahore

## **ROLE OF FOREIGN INVESTMENT IN PAKISTAN**

*by Zahid Zaheer*

February, 1999

### **PAKISTAN BUSINESS SUMMIT**

Foreign investment in developing countries, if used appropriately can play an important role in industrial development, and growth of the economy, and can have a significant impact on creation of employment opportunities, stimulation of local enterprises, and result in increased availability of quality goods and services at economical prices.

Pakistan has been relying on the inflow of external resources to a large extent for the development of its economy, mainly because of the paucity of domestic resources. The resource gap has become so significant that in recent years the deficit in the revenue budget of the government of Pakistan has had to be supported by foreign inflows. The development budget is now entirely dependent on foreign inflows.

It is not surprising that Pakistan has therefore availed foreign economic assistance of about \$42 Billion since the inception of the country. The total outstanding foreign debt today is around \$30 Billion. The debt repayment liability is now \$ 3.5 Billion annually, and this greatly reduces the net transfers into the country. The magnitude of net external inflows which was around US \$ 1 Billion in the year 1981 touched a peak figure of US \$ 4.0 Billion in 1996/97. These inflows consist of foreign investments both direct and portfolio, grants and loans, and remittances of overseas Pakistanis.

Foreign private investment in Pakistan since 1992-93 has taken the form of portfolio investment, apart from foreign direct investment (FDI). It is important to recognise the difference, as portfolio investment is not of a permanent nature, whereas the foreign direct investment has more permanence. In 1994-95 we saw significant amount of portfolio investment coming into Pakistan, the cumulative figure for the last four years is US \$ 1941 million. Foreign direct investment, however in the same period on a cumulative basis was around US \$ 2421 Million. The highest in any single year (1995/96) was \$ 1102 Million.

### **The Need for Investment**

The illusion that an industrial society is a desirable one is predominant in the less developed countries (LDC's). Those with a high population need a sector which can absorb large employment. Policy makers take it upon themselves to undertake measures to accelerate industrialization. Governments of the day consider that they have a duty of care towards their countrymen and the nation. Although most of them have laudable objectives, the actual action seems to fall short.

Pakistan has like other developing countries sought the way out of economic malaise through industrialization. Barring the first few years of the process, the industrialization efforts have been very regressively implemented. Investment allocative decisions taken by strongly entrenched bureaucracy have shown distinct disadvantages. We have seen in Pakistan the result of volatile policies which have retarded industrial progress and increased uncertainty. We have also seen policies that have been based on rhetoric and moral injunctions, clearly the advocacy of these policies have meant insurmountable hurdles in actual implementation. Some policies have been such that governments have been unable to see them through, resulting in considerable loss of time, effort and money. Government preoccupation with industrialization has led to a permanent institutional framework to look after unprofitable industry. A bureaucracy unaware of product requirements felt it could marshal the economy in terms of investment. Incentives, reliefs, and concessions became part of the industrial development strategy. This led to shortage of resources, resulting in excessive borrowing both internally and outside the country. While the capacity to borrow got saturated, the rhetoric of self

reliance got louder, and the printing of currency notes became significant. Consequently inflation has become rampant, wiping out savings, and little is left for investment. The appetite for investment both domestic and foreign continues to grow today.

Pakistan expects to achieve a GNP growth of 7% each year. This will require an investment of Rs. 525 Billion every year, which is nearly 21% of GNP. The domestic savings are only 15% GNP. So the shortfall of 6% GNP a sum of Rs. 150 Billion (\$ 3.0 Billion) has to be met from external inflows.

### **The Size & Pattern Of Foreign Investment**

In the 70's the net inflow of foreign direct investment in a single year was around US \$ 5 Million, in 1995/96 it has increased two hundred & twenty times to US \$ 1100 Million in a single year. The cumulative foreign investment in Pakistan is estimated to be US \$ 6.5 Billion in 1996/97, compared to Six hundred million dollars in 1971.

Of the total foreign investment nearly thirty four percent is in the manufacturing sector and forty three percent in commercial activities, 13.5% in utilities, 4% in construction, mining and exploration have about 1.3%, the remaining 4.5% are in other activities. The share of manufacturing however in the total investment, has dropped from about 70% in 1984 to 34% in 1993; whereas the share of investments in commercial activities has increased from 12% to about 43% in the same period.

Of the cumulative foreign investment major share comes from USA, at (21%), followed by UK at (13%), International financial institutions at (8.5%), Netherland at 6.31% Germany at (6.12%), Switzerland at (4.77%) and Japan at (4.13%).

Empirical evidence confirms the small size and restricted nature of direct foreign investments in Pakistan. It also reveals that anglo saxon investors today hold more than 1/3<sup>rd</sup> of the total foreign investment in Pakistan. In the last few years the inflows from these sources have increased. The US now dominates the annual foreign direct investment inflows which is around twenty six percent, followed by UK share which is nearly twenty two percent of all the annual foreign direct investment inflows in the country. Also manufacturing is no longer the largest sector for foreign investors, the emphasis shifting to commerce.

Private foreign investment in Pakistan have been quite restrained and even at current levels is less than four percent of the fixed private investment and two percent of the gross fixed capital formation in the country. The heroes and villains therefore are not going to emerge from the foreign private investors, they are likely to emerge from the domestic scene, from the struggle that is going on for domestic resources between a dying and tenacious public sector and enterprising private culture.

### **Policies for Investment**

A review of the policies for investment & how these policies have changed over the past four decades, and influenced investment decisions is desirable.

In the early fifties the services sector was to be restricted to local investors and foreign investment was not allowed in the field of banking, insurance and commerce. However, this policy was later liberalized and foreign banks were allowed to open branches in Pakistan.

In 1972, a major shift occurred, the government nationalized the large industrial concerns falling within ten major categories of industries. However all foreign investment was exempted from the purview of nationalization and foreign investment was not touched.

After 1977 the government decided to change the policy and opened up a larger field for private sector investment through a demarcation between public and private sector,



within the ten categories earlier reserved for the public sector, under the economic reforms order of 1972.

In 1984, a process of deregulation was initiated and a revised industrial policy was implemented, to encourage foreign private investment in industrial projects involving advanced technology, and heavy capital outlay, such as engineering, basic chemicals, electronic and other capital goods industry. This policy renewed the role of the private sector, along with continued public sector participation. But even one percent foreign equity at this time in a project required prior government approval.

Yet another industrial policy package was introduced in 1988 which was based on the primacy of the private sector. Unprecedented and new incentives were provided in this new package. The first Benazir government in 1989 modified the policy with additional initiatives. In 1989 only projects with more than 49% foreign equity required government approval, but if the cost exceeded Rs.100 million government approval was mandatory. The Nawaz Sharif government that followed liberalized and deregulated further. The upshot of all this was that in 1984 Government approval was required for fourteen industries, it was reduced to seven in 1989, it has been further reduced to only four industries. Outside these four areas today no approval is required for industrial projects however large the size of the investment.

The following sectors of the economy until recently were not open to foreign investment:-  
Agricultural land, forestry, irrigation, real estate, housing, commercial and office building, health and radioactive materials.

#### **Contribution of Multinational Investors**

Multinational participation in Pakistan industry predates the country's inception. Shell started operations in 1903. ICI established a soda ash works in 1942, and its business has since grown to include polyester fiber, paints, agro & general chemicals and pharmaceutical. Several other multinationals such as Unilever, Shell, British American Tobacco, Burmah Oil, Siemens and Phillips, also saw early opportunities and benefited.

Foreign pharmaceutical companies were early among the multinationals to setup operations in Pakistan. They represent the greatest number of multinationals in Pakistan today. The agrochemicals and pesticides industry is also led by large multinationals.

Apart from manufacturing, Multinationals have participated in the country's infrastructure development like dams, power generation, telecommunication, hospitals. The French Group SOGEA constructed a modern airport terminal, at Karachi and a Korean led consortium has constructed a motorway in the North. An international consortium has built the first private sector power generating plant at Hub, which is the largest quoted company in Pakistan. The Qasim International Container Terminal is yet another example.

The contribution of the multinationals to Pakistan economy can be judged from the following. A recent survey of one hundred and seventeen foreign investors in Pakistan representing 1/4 of the total FDI, revealed that the overall foreign component of their equity investment was Rupees 50 billion. These organizations generated an annual revenue which is nearly 8% GNP of the country. They also contributed nearly one sixth of the total tax revenue collected by the Government of Pakistan. Amongst them they provided direct employment to 52,000 people and contributed Rs. 18200 per annum per employee to the national exchequer toward employee's welfare related levies. These foreign investors reaped 16.3% return on their equity investment, and have only remitted a cash dividend of 4.0% on their investment.

Furthermore multinational investors have brought with them a package of tangible and intangible assets, including capital management, know how, skills and access to international markets.

### **Agenda For The Future**

The hesitance of foreign business to invest in Pakistan can be attributed to the perceived high political risks, excessive government control, cumbersome investment sanctioning procedures, high effective corporate taxes, unrealistic indigenisation and location policies, and severe physical & social infrastructure shortages. At least some of the above constraints now stand removed and the prospects look better today. The direct foreign private investment capital inflow into South Asia was around US\$ four & a half billion in 1997, and Pakistan received around US\$ six hundred million. This represents a small percent of the available potential in the region. The five Asian economies attracted \$ 17 billion in the same period, while China alone attracted \$ 45 billion. Global inflows are of the magnitude of \$ 400 billion.

Pakistan is a Country with 130 million people, with growing markets and indications that their growth may accelerate. Pakistan offers the opportunity for low cost products particularly in labour intensive industries, from which regional export markets can be developed and supplied. The country is well situated for trade with the Middle East, and Central Asian States. The Government's foreign policy is moderate and positive, and Pakistan continues to enjoy a privileged relationship with these countries.

Infrastructure projects include construction of power plants, roads and bridges, container and storage terminals, water management systems and communications, will attract major investments. Infrastructure attracts 1/3<sup>rd</sup> of all foreign investment worldwide. This is a world wide phenomena. Infrastructure investment expenditure is around US \$ 200 Billion world wide, nearly half of which is investment in electric power.

Investors will find the country both willing and able to absorb technology and adapt it to local needs. Pakistan has a highly skilled and experienced national workforce. The contribution of Pakistani workers, technicians and engineers to the phenomenal economic and industrial development of the Gulf region and the oil-endowed countries of the Middle East in the last two decades is a matter of international record.

A satisfactory business environment has been created. The corporate income tax rates have been reduced and are expected to come down further. These rates will be lower than the rates prevailing in many other countries.

Pakistan today offers

- A liberalized environment and growing economy.
- A large domestic market.
- A strategic location - access to other markets in the region.
- A large reservoir of skilled labour.
- A pool of technically qualified manpower.
- A clear edge in lower cost of labour, real estate & agro based raw materials.
- A large entrepreneurial base for local collaboration.
- A liberal package of incentives.
- A choice to own 100% equity.
- A language internationally used - English being commonly understood.

but it is a comparative advantage that the foreign investors will be looking for and that is what needs to be created.

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**The Author is a former President of the Management Association of Pakistan and former Managing Director of a Multinational company. He is currently Secretary General of the Overseas Investors Chamber of Commerce & Industry, and serves on the Board of several public quoted companies.**

1<sup>st</sup> February, 1999

**MANAGING COMMITTEE MEMBERS**

<b>MR. I. S. SANGSTER</b>	<b>PRESIDENT</b>
<b>MR. MUNNAWAR HAMID</b>	<b>VICE PRESIDENT</b>
<b>MR. TARIQ AMIN</b>	<b>MEMBER</b>
<b>MR. MOIN M. FUDDA</b>	<b>MEMBER</b>
<b>MR. FUAD AZIM HASHIMI</b>	<b>MEMBER</b>
<b>MR. T. V. HIGGINS</b>	<b>MEMBER</b>
<b>MR. ZAFFAR A. KHAN</b>	<b>MEMBER</b>
<b>MR. KAMRAN Y. MIRZA</b>	<b>MEMBER</b>
<b>MR. ZAHID RAHIM</b>	<b>MEMBER</b>
<b>MR. SYED ALI RAZA</b>	<b>MEMBER</b>
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<b>MR. MICK FENN</b>	<b>CO-OPTEE</b>
<b>MR. M. MOONIS</b>	<b>CO-OPTEE</b>
<b>MR. M. SULGER</b>	<b>CO-OPTEE</b>

Attached is an Executive Summary of the position paper prepared for the meeting with Finance Minister and Minister of Investment on Friday the 12<sup>th</sup> February 1999 at 10 AM.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

## Rehabilitating investor confidence in Pakistan

### Position paper of the OICCI

#### Executive Summary

The Overseas Investors Chamber of Commerce & Industry shares the government's view that the initial steps towards resolving Pakistan's economic crisis have been taken, and that the formalization of the assistance package from the IMF represents a vote of confidence in the direction of the reform effort embarked upon.

The foreign companies represented by the OICCI strongly believe that the sustained economic prosperity of the country provides the very basis of their presence in Pakistan, and underpins their future plans to expand.

As such, the OICCI feels that it has the responsibility to assist the government in its efforts to formulate a comprehensive revival strategy, by putting forward the collective views (and concerns) of existing foreign investors.

These have been categorized and summarized below.

#### 1. Balance of payments

- In the medium term, Pakistan has to make a sustained effort to contain the trade imbalance, in order to reduce the vulnerability of its balance of payments position. Home-grown efforts to achieve this objective will be more robust than mere reliance on assistance from the IFIs.
- In this context, promoting exports should continue to be emphasised. The duty drawback system should be streamlined to help *existing* exporters. However, it should be realized that achieving export growth in the light of sluggish conditions in the global economy will be difficult. Hence, the more prudent course of action would be to contain (non-essential) imports.
- To achieve this objective, and to follow-through on its demonstrated commitment to trade liberalization, the government should implement its policy on cascading tariffs, and *lacunae* in this regard should be removed. This will ensure an essential degree of protection to the domestic industrial base.
- Nonetheless, a fine balance needs to be maintained between protecting domestic manufacturers through an optimal tariff structure, and ensuring that tariffs are not excessively high such that smuggling is encouraged.
- The import duty tariff regime in the country must recognise the need to be supportive of local manufacture and the degree of local value addition made by the local manufacture in addition to realistic cost anomalies between Pakistan and other economies.

Secondly, it must be rationalised to recognise each successive stage of value addition in a particular product chain e.g. raw materials should not have higher duties than the finished product, etc., and other such anomalies.

Finally capital goods must be dutied at the minimum as they are the "engine" for value addition.

#### 2. Taxation - Incidence & Implementation

To meet the government's laudable objective of broad-basing the tax revenue base, tax administration requires a fundamental revamping. In this context, and from the perspective of attracting foreign investment into Pakistan, the following critical issues need to be addressed:

- **Retroactive taxes:** Taxes levied on past incomes should be avoided at all costs. This creates an unexpected burden on current operations, and restrict the ability of companies to undertake capital expenditure programs. It also does not bode well for existing investors as it can be construed as a breach of goodwill with the government.

## 2. Taxation – incidence & implementation continued

- **Presumptive taxes:** Locally incorporated companies have to pay withholding taxes on the import of final goods. For companies that are fully documented (which is *certainly* the case with the members of the OICCI), such presumptive taxes are inappropriate. Documented companies must have all their operations evaluated according to Pakistan's corporate tax system, and presumptive taxes where levied must be made adjustable in the overall tax liability.
- **Advance tax:** The recent change in the basis for calculating a company's advance tax (from income to sales turnover), is *ad hoc*, inflexible and penalizes existing tax payers.

What is even more damaging, is the fact that in this new assessment system, entities including banks are not being given the option to declare tax losses. Given the uncertainty that businesses operate with, mandatory tax payments (even when operations are likely to be less profitable in the immediate future) compounds the problem and could almost become a self-fulfilling prophesy. Although it is true that in such a scenario, the corporate that has paid this advance tax is eligible for a full refund of the overpaid tax, such refunds are not forthcoming from CBR.

*The tendency to place a heavier burden on existing payers (even if this incidence is short-term in nature, in the sense that CBR is building up arrears), is pushing incumbent firms to a point where they will not be able to sustain their existing operations.*

In effect, it is of vital importance that the government break out of this vicious spiral. The only way out is to be conservative with revenue targets or to be firmer in terms of capturing new payers in the tax net.

## 3. Growth and Investment

- The performance of the agricultural sector has played a critical role in anchoring overall GDP growth, and is likely to continue doing so. The government must remain committed to this sector.
- In the short-term, foreign investment must be encouraged in agri-businesses. The government's efforts to provide better support prices for agricultural produce should be continued.
- In the medium term, the government should be cognizant of the fact that a very limited number of potential areas for foreign investment in Pakistan exist currently.

Old practices of farming that are steeped in tradition and culture have resulted in stagnant yields per acre vis-à-vis India (which shares a very similar terrain to Pakistan). It is strongly felt that commercial farming should be encouraged, with active public-private sector interaction.

- It is noteworthy that the government has taken a bold step in establishing trade ties with India by expressing the desire to export power. Trade ties between the two countries should be augmented to include mutually beneficial categories of items that do not disrupt, or make redundant, existing manufacturing concerns.

In the long run, having a vibrant trade arrangement with India will be a salutary development for domestic industry and domestic consumers.

- Privatization and deregulation process should continue and be accelerated.

#### 4. Public utilities

- The issue of restructuring WAPDA and KESC is being accorded the utmost priority, and should be followed-up vigorously.
- However, the tussle between the government and the IPPs should be brought to an amicable and expeditious close. Needless to say, the perception of Pakistan as a safe and profitable destination for foreign investment has been severely dented.

#### 5. The financial sector

- The banking system has been adversely impacted by the events since May 1998. Confidence of ordinary depositors has been undermined, and the ability of banks to lend has been hampered. Additionally, the existence of high-cost government savings schemes (NSS) is likely to promote a degree of financial disintermediation in the economy, which will impact prospects for fixed investment.
- Recent developments in the crisis-hit East Asian economies, and Japan have amply demonstrated the long term risks to an economy from a stressed and weak financial system. The role of NSS should be re-evaluated in this context.
- Additionally, in the case of Banks, provision for Bad Debts and interest suspended in classified accounts, is made in accordance with Prudential Regulations, but these amounts are disallowed for tax purposes, and added back to taxable income. This is unjust and penalises Banks in excessive taxation, when their current rate of tax is already highest at 58%.
- It is fundamentally important to Pakistan, that we continue to maintain the perception that trade commitments for consumables / commodities are being met by the Government. In a few cases, the Ministry of Finance has withheld forex payments to Banks who have financed commodity imports (largely oil), and the matter needs urgent redressal, to bring about complete normalcy in trade lines and its pricing, particularly as arrangements with IMF have been concluded.

#### 6. Governance

Under this broad categorization, the OICCI feels that 3 issues need to be addressed:

##### 1. Law and order

The situation in Karachi over the last few years is at the top of the list of concerns. The Federal government has already taken meaningful steps to check the rampant lawlessness in Karachi. The results appear to be encouraging, with a perceptible easing of tension in the city.

However, the coverage in the international media regarding the Karachi situation has bordered on being alarmist. This has fostered a perception abroad that is far worse than the reality on the ground.

The OICCI feels that the government should take concerted measures to project the return of normalcy in Karachi.

## 2. Counterfeit/property rights

As discussed with the Government of Punjab, the OICCI feels that for Pakistan to maintain and attract reputable multinationals into Pakistan, the issue of counterfeiting products needs to be tackled sternly.

Existing laws on this matter are not rigorously enforced, which suggests that these laws must be changed to make the penalties harsher and also to streamline the procedure. The OICCI strongly supports a two-stage strategy:

Stage 1: New laws should be passed by an Ordinance, and a press campaign should be used to increase awareness within the marketplace.

Stage 2: The government should act swiftly and sternly against perpetrators who are identified in the first stage. Perhaps the government should identify and take action in each of the initial categories that have been identified by the Punjab Chief Minister's office.

## 3. Consistency of government policies

The importance of having consistent government policies in attracting investment is well-known and cannot be overstated. This issue assumes greater relevance since the Government of Pakistan implements its growth/investment policies on the basis of tax concessions (e.g. accelerated depreciation, tax holidays, tax credits & rebates, etc.). If these incentives are not implemented, and the tax authorities have to be *reminded* that these concessions are still in effect, this results in confusion. This not only undermines investment but, equally importantly, also government credibility.

- It is most important that official Government policies are fully implemented in a transparent and consistent manner. Inequitable decisions such as the one to ignore, in recent years, the annual pharmaceutical price adjustments mandated by SRO 1038(1)/94, have made forward investment planning even more uncertain and have severely damaged investor confidence.

**SPEECH BY VICE PRESIDENT, MR. TARIQ AMIN AT THE INAUGURAL SESSION OF  
PIDE CONFERENCE ON GOVERNANCE, INSTITUTIONAL REFORMS AND  
ECONOMIC DEVELOPMENT - 5TH NOVEMBER, 1999  
IN ISLAMABAD**

BMR AA

Honorable Minister, Dr. Sarfraz Qureshi, Distinguished Guests, Ladies & Gentlemen

I wish to congratulate the organizers of this conference for having selected a theme, which is most relevant and appropriate to the prevailing conditions in the country. Hopefully the deliberations of this conference will lead to some tangible recommendations towards achieving the badly needed good governance. The experts who are participating in the conference, I am sure will be able to convince you that there is a co-relation between economic development and "good governance", and this is the common ingredient in all developed economies.

Honorable Minister, the new government has inherited an economy which is plagued with huge debts, deficits of trade and balance of payments and enormous balance of irrecoverable rupee assets. The domestic economy has been in slumber because of poor domestic demand, as a result of the large cuts in government's development programme and erosion of the purchasing power of the currency. These factors combined with smuggling, and gingerly treatment of the informal sector on the matter of its GST obligations, have created an uneven playing field for the large sub segments of the formal industrial sectors, which continues to operate inefficiently in an unjust taxation system that taxes income from different sectors differently.

The economy needs large capital inflows, in addition to the need to improve domestic savings. Both of these require restoration of investors confidence which your government has correctly identified as top priority.

Before I endeavor to suggest solutions, a few words about what has eroded business confidence. The slow down in economic activity following the May 1998 events, the re-emergence of agitation by a strong opposition, the credibility in the continuance of the governments policy, and the poor implementation have all contributed to this low level of confidence.

Honorable Minister, Pakistan must allow trade and economic goals to shape its future political agenda, and the first step must be the restoration of investors confidence.

This Sir, will be restored rapidly if signs of good governance become visible. The essentials of good governance are credibility, predictability, speedy dispensation of justice and effective and rapid implementation of policies. These have been put on your agenda.

The action against loan defaulters, tax evaders and corrupt officials are all part of the much talked about accountability, and this will enhance the credibility of your 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 use the words of World Bank President, James D. Wolfensohn



## QUOTE:

"Countries may come up with sound fiscal and monetary policy, but if they do not have good governance, if they do not confront the issue of corruption, if they do not have a complete legal system which protects human rights, property rights and contracts, which gives a framework for bankruptcy laws and a predictable tax system; if they do not have an open and regulated financial system and appropriate regulation and behavior that is transparent, their development is fundamentally flawed and will not last"

## UNQUOTE:

The four cardinal lessons for the development community are:

1. Development is possible but not inevitable
2. Growth is necessary but not sufficient to ensure poverty alleviation
3. Social and structural issues must be taken hand in hand with macro economic and financial measures
4. Development to be real and effective needs local participation and ownership. The people of developing countries must be the owners of their development and not just the beneficiaries. They must be the doers of development.

Mr. Minister, your Government has been very brave and has chosen the right path, even though the agenda is very ambitious. We in the business community support you in your efforts to restore business confidence, but foreign capital will only come to the country when domestic entrepreneurs are no longer reluctant to invest in the economy. Foreign investment will only complement domestic investment.

The heroes and villains are not going to emerge from the foreign investors, they will emerge from the domestic scene, where there is struggle going on for resources between a tenacious but dying public sector, and the enterprising private investment culture.

We recognize that it will take time to restore business confidence of the private sector even if the original conditions which caused the stagnation are removed. We are with you Minister and wish you success in your efforts - Thank you Mr. Chairman for allowing me this opportunity.

4th February, 1999.

**Mr. Syed Arshad Ali,  
Administrator,  
Karachi Municipal Corporation,  
KARACHI.**

Dear Sir,

**ROAD FROM SHIREEN JINNAH COLONY TO OIL TERMINALS - KEAMARI**

In a recent meeting of the Standing Sub Committee for Ports, Shipping & Communications of the Overseas Investors Chamber of Commerce & Industry, members expressed serious concern on the appalling conditions of the road from Shireen Jinnah Colony to Oil Terminals in Keamari areas.

The road condition is so pathetic that at places it has potholes as deep as 1 -2 feet strewn across the centre length and breadth of the road. The tankers avoiding to steer clear of these potholes and the general dilapidated conditions to prevent damage to under carriage cause frequent traffic jams.

These deplorable road conditions, you will appreciate, impose severe limitations on support agencies to respond to an emergency call should an accident so demand.

It may not be out of place to mention that this issue has been raised in the past without any positive result.

Mindful of the gravity of the problem the committee has asked me to raise this matter with you, in the hope that you will take necessary action to have the roads repaired as soon as possible.

Soliciting your early action.

Yours truly,

**ZAHID ZAHEER  
SECRETARY GENERAL**

c.c.: Governor of Sindh, Karachi

c.c.: Chairman, KPT

c.c.: All Members of Chamber's Standing Sub Committee  
on Ports, Shipping & Communications.

9th June, 1999.

**Mr. Muhammad Aslam,  
Director,  
Board of Investment,  
Government of Pakistan,  
ISLAMABAD.**

Dear Mr. Aslam,

**PROCEDURE / GUIDELINES FOR PRIVATE SECTOR INVESTMENT ON BOO / BOT BASIS**

Thank you for your letter dated 9th April and subsequent reminder of 28th April, 1999 seeking the Chamber's comments on the draft of the Procedure / Guidelines for Private Sector Investment on BOO / BOT Basis.

We regret the delay in response. Our comments are as follows:

**CONSTITUTION OF A COMMITTEE FOR PRE QUALIFICATION, BID EVALUATION AND AWARD OF CONTRACT**

We would like to suggest the inclusion of at least one private sector representative on this Committee.

**Page 2 - Section (I)**

The last sentence is not clear i.e. is it during the course of 50 years or is it after 50 years ?

**Page 4 - List of Priority Projects**

It is not clear whether BOO / BOT are to be applied to these priority projects.

**Page 7 - Acceptance of Criteria and Waiver of Rights to Enjoin Project**

This paragraph requires prospective bidders to waive any right to seek and obtain a writ of injunction / prohibition / restraining order. It goes on to say that the bidder may question the process by appropriate administrative or judicial processes not including the issuance of a writ etc. We question the waiver sought because in principal a dissatisfied party should be free to approach the courts for whatever remedy it seeks and this is also required to keep a check on unreasonable government actions

**Page 8 - Requirement for Bid Security**

The concept is OK but the paragraph requires rephrasing.

**Page 10 - Pre-bid Conference**

This paragraph provides for only about 30 days between the pre-bid conference and submission of bids. We feel that this is too short a period as clarifications / changes will be requested by potential bidder on e.g. the draft contract etc., which will require negotiations. For large projects, we feel that the time available between the pre-bid conference and bidding should be longer say 90 days.

**Page 18 Para 'e' and Page 25 'second paragraph'**

Where a monopoly is being granted approval from the Monopoly Control Authority should also be obtained that the granting of the Monopoly is in public interest and therefore valid under the laws of Pakistan. This should be specifically spelled out in this paragraph.

**Page 19 - Execution of the Contract**

This paragraph talks about execution of the contract within fifteen (15) calendar days from receipt of the 'Notice of Award' while, on Page 11 last paragraph the period given is 'within seven (7) calendar days'. There is an inconsistency and we recommend that the period should be fifteen (15) calendar days in both places.

**Page 22 Preparation and Approval of Detailed Engineering Design**

This paragraph provides for vetting of the design by consultants. There must be a time frame within which a response must be given or else the design should be considered to be final. This is important and practically speaking these issues cause delays, problems and losses during implementation.

**Page 23 - 'first' and 'last' paragraphs and Page 26 para 'b'**

The drastic remedy of termination of a contract / project will be unacceptable to international bidders. With regard to delays (page 23 - last paragraph) normally the provision of a stiff liquidated damages penalty is enough for delays and there should be no termination for delay unless of course it can be shown that the project has been abandoned. With regard to termination for failure to correct deviations (page 23 - top para) and for failure to perform any provision of the contract (page 26 - para b) will be unacceptable. Termination should only be available as a remedy if there is a bankruptcy or abandonment of the project by the investors. For breaches appropriate damages may be provided for. However, if the drastic remedy of termination has to be provided for, it should only be in extreme cases and upon payment to the investor of at least the book value of the facility.

**Page 23 - Release of Performance Security**

The release is dependent upon the issuance of 'Certificate of Completion'. Practically it is found that delays or difference of opinion occur regarding the issuing of this certificate so the opinion of an independent expert who will certify completion if either party approaches him should be provided for.

I trust you will find these comments of value and will deem fit to incorporate the suggestions made by us.

Yours truly,

**ZAHID ZAHEER  
SECRETARY GENERAL**

FAX NO. 051 - 9205241

24th June, 1999.

**Mr. Seerat Aly Shaykh,  
Joint Secretary (Imports),  
Government of Pakistan,  
Ministry of Commerce,  
ISLAMABAD.**

Dear Sir,

**PROPOSALS / SUGGESTIONS IN CONNECTION WITH FORMULATION OF TRADE  
POLICY 1999 - 2000**

Thank you for your letter dated 14th and subsequent reminder of 21st June, 1999.

Regarding clarification on our proposal 3(c) Development programs sponsored by international loan or aid giving agencies allow duty free import of the materials required for these programs under SRO 671(I)/94. Couple of projects which are currently benefiting from this concession are:

- A) Salinity Control and Reclamation Project (SCARP) undertaken by WAPDA in Mardan. Whereby the PVC pipes used are made from imported compound with 0% customs duty. The compound for this pipe can be made locally. In fact such compound is made by local manufacturers who are making similar pipe.
- B) PVC pipe manufacturers who are supplying PVC pipes to Ghazi Barotha Dam project are also exempted from customs duty on import of PVC resin.

Such anomalies are rather discouraging for growth of local industries. In line with the policy of no Duty exemptions enforced by Multilateral Donor agencies the projects undertaken by such agencies should also be levied with duties and taxes as done on the local industry. Such equal treatment will provide security to local industry and stimulate investment in related industries.

Yours truly,

**ZAHID ZAHEER  
SECRETARY GENERAL**

13<sup>th</sup> August 1999

**The Secretary  
Ministry of Commerce  
Government of Pakistan  
ISLAMABAD**

Dear Sir,

**PROPOSED AMENDMENT IN THE INSURANCE ACT 1938 - CAPITAL MARKET  
DEVELOPMENT PROGRAM LOAN (CMDPL)**

This Chamber represents foreign insurance companies branches in the country. We have learnt that a meeting is being held in the Ministry of Commerce on 18<sup>th</sup> August, 1999 under your chairmanship, to discuss the above subject.

This Chamber has also forwarded its comments on the proposed new law to Messrs. Ernst & Young, a copy of which is being dispatched to you by courier service attached.

We would like to nominate two of our representatives to attend the above meeting to present our view point. We would therefore be grateful if you could please invite the Chamber to attend the meeting. Your fax reply will be appreciated.

Thanking you,

Yours truly,

**ZAHID ZAHEER  
SECRETARY GENERAL**

**Attachments:**

cc: Mr. Moin M. Fudda

### **Proposed Insurance Act 1999**

Over the past many years' revision of Insurance legislation has remained under discussion of successive Governments. However, it appears that the present exercise is a serious attempt to review & revise the Insurance law of Pakistan. Should this attempt be successful, it will be after 60 years that this legislation will be revised. Draft of the proposed new Act has been received by this chamber & has been circulated to the members for their comments.

The draft contains reference to PIRA in almost all its significant sections, and for good understanding of the draft, we recommend that a copy of the PIRA Act also be made available. In addition it is extremely important that rules pertaining to the proposed Act be provided to this chamber for review and comments.

After thorough review of the proposed Act, our comments on the specific sections are as per attachment.

Section	Observations/Comments /Suggestions
<b>1 Short Title Extent &amp; Commencement</b>	<b>PART—1 PRELIMINARY</b>
<b>2 Definitions &amp; Interpretations</b>	
2(1) a...actuary means...	Replace with the following Actuary means a person possessing such actuarial qualifications as are internationally recognized
2(1) d...approved....this Act	It appears that this provision is applicable to all audits i.e. not only to statutory Audit but also to regular annual Audits. We feel this is over regulation as under the present law normal audits are carried out by Government approved Auditors, in compliance of Company Law & Income Tax Law .The existing law provides for adequate regulation.
2(1) m ...Court means..... ...Companies Ordinance.	It appears that by virtue of this definition, the jurisdiction of normal civil courts is being circumvented. This is not a desirable situation as it would make Pakistan the exception—Insurance law of almost all developed/developing Countries provides for recourse to normal civil procedures of the country. Since Insurance business is International in nature ,we need to keep our law in line with that of other countries, at least on issues of basic law.
2(1) n... Customer Means..... ...Act 1997	This definition is not relevant for the purposes of this Act.
2(1) p... Domestic Insurance..... .....building or both	What is the need for introducing this definition. Although the cover defined is a General Insurance Product, we feel that, read in conjunction with Section 3(2) h, it could be misconstrued to interpret that such a product could be issued by Life Insurers---this therefore needs to be deleted.
2(1) w... Insurance ..... .....retrocession	Why is this required?!!! Under this section what needs to be defined is "Insurance Business" which definition ,would lay down the various contracts that are included within this term. This would also be as per most international law. Additionally retrocession is part of reinsurance and need not be defined as such..
2(1) pp.. ..Policy means....	This definition needs to be broadened to specify the nature of contract Embodied in the document.
2(1) qq.....Policyholder means.... .....condition.	This definition needs to be reworded---Suggest we incorporate wording as per UK/EEC law.
2(1) ss.....Private Motor property... ...such persons	Same remarks as per Section 2(1) p above.
2(1) vv.. Reinsurance means....	This definition is superfluous.
2(1) ww..Retrocession mean	This definition is superfluous.



Section	Observations/Comments /Suggestions
General Comment on Section 2	<p><b>PART I ( Contd.)</b></p> <p>Definition of General Insurance is incomplete . Sub classes of General Business such as Fire, Marine, Aviation WC, Motor &amp; Engineering Have been left undefined . Concurrently under Section 3 (2) wherein Life Insurance has been defined, clause 3 (2) h states "Such contracts As may be prescribed". In view of the absence of proper definitions in The Class of General Insurance , such ambiguities could be used to Misconstrue the intention of legislation &amp; could lead to conflicting Interpretations. As such, Sub classes of General Insurance must be Clearly defined in the proposed Act 1999 &amp; section 3(2) h needs To be deleted.</p>
3 Division of Insurance into..... .....Life & Non life.	For the Purpose of clarity & to make our law current with International Wording ,suggest we use wording as per UK/EEC Insurance Laws. (See Annexure I)
3(2) h....Such Contracts..... .....Prescribed	Please refer to our general comments on Section 2. This provision Must be deleted to avoid ambiguities and to curtail discretionary powers To the regulatory Authority on issues of fundamental nature.
3(3)...For the purpose.....Life Insurance business.	This needs to be deleted as the proposed wording is skewed in favour Of Life Insurers & read with 3(2) h and 2(1) (p) & 2(1) (ss), it can be Misconstrued , to the detriment of General Insurance.
3(4) (a) (ii) (B)....Death resulting..	This is not the purview of General Insurance . Needs to be deleted.
3(4) (b)...the contract.....Prescribed	Same remarks as per 3(2) h
3(6)..All contracts..... .....Non Life contracts	Please refer to general comments at the end of section 2.General Insurance needs to be clearly defined & properly classified. The present clause is open ended. It appears that the draft is focussed Only on Life Insurance Vs Accident & Health Insurance. All other Subclasses have been left ambiguous. Proper definition & Classification must be included in the new law. We suggest that UK/EEC wordings be adopted for this purpose as they are Comprehensive ,clear & current.

Section	Observations/Comments /Suggestions
<p><b>4 Persons Eligible.....</b> 4(4)... The Federal Government..... .....shall not apply.</p>	<p><b>PART II</b> <b>PROVISIONS APPLICABLE TO INSURERS</b></p> <p>This provision appears to empower the Federal Government to Allow entities other than those stated in section 4(1) to enter into Contracts of Insurance .Whereas rules are made to carry out the Intended law, the application of this section could provide for Over ruling the provisions of basic law. This would be discriminatory against registered insurer and thus would be in violation of the constitution of the Islamic Republic of Pakistan.</p>
<p>4(5)... No eligible Person..... .....Other than Lloyds underwriter.</p>	<p>Lloyds underwriter, or any other direct insurer should be required to have a representative resident in Pakistan authorized to accept service of notices and legal process on behalf of members of Lloyds, &amp; Lloyds members should be required to notify the regulatory authority , in writing, of such nomination and of any person ceasing to be nominated. Lloyds underwriter, or any other direct insurer must be required to obtain registration with the regulatory authority.</p>
<p><b>6 PIRA....Satisfaction</b> 6(1) g ... An applicant..... .....as the case may be.</p>	<p>Refer to earlier comments on auditors.</p>
<p>6(4)... The Federal Government may.. .....as the case may be.</p>	<p>Refer to our general comments following section 2 &amp; at the Beginning of section 3. When the law contains a clear definition and classification, an applicant should be required to file for registration in specified classes of business. This needs to be incorporated in the proposed new legislation &amp; this subsection should be deleted, as not only is this bad law, it also provides for unlimited discretionary powers to the Federal Government and is in violation of article 18 of the constitution of the Islamic republic of Pakistan.</p>
<p><b>7 Inspection.....PIRA</b> 7..Any Person on payment.....copy</p>	<p>The minimum fee should be Rs. 500/- to be meaningful or else The requirement of fee should be eliminated.</p>
<p><b>8 Duration.....registration</b> 8(4)...nothing.....insurance contracts</p>	<p>Regulatory framework clearly lays down the requirements for continued registration &amp; once an Insurer is in compliance of the regulatory framework, this subsection will only provide for discretionary powers to the regulatory Authority—hence this must be deleted.</p>
<p><b>10 Conditions Imposed....Insurers</b> 10(1)(f.)The Insurer.... in section 12. 10(1) (g) The insurer..... case may be.</p>	<p>Please refer to our comments on section 12. Reference our comments on section 2(1) d.</p>

10(2) An Insurer registered.....128	<p>Section 128 refers specifically to disputes relating to “Domestic Insurance Policies” and “ Private Motor Insurance” as defined Under section 2(1) p and 2(1) ss. Our comments on these two definitions have been given under Part 1 section 2 above. Notwithstanding the above , it is not correct to impose this condition on every registered Insurer. Section 128 needs to be reworded to be applicable to Life Insurance Policies for an amount of upto Rs. 100,000/ &amp; every Insurer registered for Life Insurance should be required to comply.</p>
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Section	Observations/Comments/ Suggestions
10(3) C ...Such amount .....prescribed.	Given section 10(3) (a) &(b) there is no need for this open ended wording. Such open ended provisions create ambiguities and prove to be a hindrance in development of a healthy business environment. Suggest this subsection be deleted.
<b>12..Criteria for Sound and Prudent Management.</b>	This section needs to be reworded and replaced in accordance with the prudential regulations as suggested by the task force together with establishment of rating criteria for insurance companies.
<b>14. Restriction on issue of certain Life Policies</b>	Delete this section and replace with section 3F of the Insurance Act 1938.
15 to 26.	<b>PART III STATUTORY FUNDS OF AND OTHER SPECIAL REQUIREMENTS FOR LIFE INSURANCE COMPANIES</b>
27(2) PIRA may ...another actuary	Acceptable  Delete this section. Appointment of Actuary by company should suffice.
<b>29 Requirements as to Capital</b> 29(2) For the purpose of ...minimum amount	<b>PART IV REQUIREMENTS AS TO CAPITAL &amp; STATUTORY DEPOSITS</b>  Suggest that recommendation of the task force as given below be incorporated:  (1) <u>CAPITAL BASE</u>  (a) <u>For new general Insurance Companies</u> The paid up requirement for new general insurance Companies may be raised to Rs. 40 million.  (b) <u>For existing general Insurance Companies</u> The existing general Insurance Companies having paid up capital less than the prescribed limit should make shortfall good within four years in four equal annual installments each being not less than 25% of the shortfall.  (c) For new Life Insurance Companies (i) Rs. 100 million
<b>30 Deposits</b>	Reference our general comments on section 2 wherein we have Suggested that subclasses of Insurance need to be defined. In Continuation of the same suggestion, we recommend that deposits be established for each subclass of Insurance and these be clearly Incorporated under the Act as is the case in legislation of other countries.
30(1) Every Insurer.....so estimated.	Reference our general comments on section 2 wherein we have Suggested that subclasses of Insurance need to be defined. In Continuation of the same suggestion, we recommend that deposits be established for each subclass of Insurance and these be clearly Incorporated under the Act as is the case in legislation of other countries.
30(2) b ..Such amounts.....zero	We recommend that the deposit be maintained at 10% of paid up capital alternately per class criteria be established restricting the overall deposit limit up to 10% of paid up capital!  Refer section 30(1) above.

<p><b>37 Insurers of non life Insurance.....</b>  .....solvency requirement</p>	<p><b>PART V</b>  <b>SOLVENCY REQUIREMENTS</b></p> <p>The requirements laid down under Insurance Act 1938 need to be incorporated with the amendments as per Annexure II  See Annexure II.</p>
<p><b>43 Accounting &amp; Reporting</b>  43 In case of non life Insurers..  .....</p>	<p><b>PART VII</b>  <b>ACCOUNTS AND AUDIT</b></p> <p>Solvency margin submission , together with audited accounts and the statutory audit report should suffice .</p>
<p>43(2) Every insurer.....of the company.</p>	<p>With the limited resources at the department of insurance / PIRA even annual submission is cumbersome for them to evaluate and thus Bi-annual submission on prescribed form should suffice.</p>
<p>43(5) Statement referred.....reinsurance arrangement.</p>	<p>Refer 43 above – since submission would constitute audited accounts this needs to be deleted.</p>
<p><b>45 Audit</b>  45Every Insurer....Ordinance 1994.</p>	<p>This is in contravention of Companies Ordinance article 252.</p>
<p><b>49 Exemptions...from companies ordinance 1984...</b>  PIRA may prescribe a form...</p>	<p>The Companies Act protects the rights of share holders and as such forms prescribed under company law should suffice.</p>
<p><b>53 Powers of PIRA.....returns</b>  53(c) examine.....on oath</p>	<p>In view of the number of amendments been proposed, it is suggested that this provision be deleted.</p>

Section	Observations/ Comments/ Suggestions
58 Power to require calling of meeting of directors	<p><b>PART VIII</b> <b>INVESTIGATIONS, DIRECTIVES ETC.</b></p> <p>This should be regulated as per Companies law.</p>
59 Power to remove chairman... 59(1) PIRA believes.....such investigation.	<p>PIRA Act should also be made available for perusal In order know what is laid down in the provisions of part VII of The PIRA Act .</p>
66 Market Conduct.	<p><b>PART XI</b> <b>MARKET CONDUCT</b></p> <p>This section includes subsections which are actually policy Terms &amp; conditions and form part of policy documents issued by Insurers .It also has subsections which restate the principles of Insurance which are implicitly an integral part of every Insurance Contract &amp; as such do not require to be stated as law under this Act. These could at best be contained as a statement of market practice. Broadly, this section should serve to regulate solicitation of business With a focus on Life insurance. Recommended wordings for this section (as per UK/EEC wordings) are as per Annexure III</p>
66 to 98	<p>Sections need to be deleted and replaced by wordings of Annexure III</p> <p><b>PART XII</b> <b>SURRENDER LAPSE AND FORFEITURE OF CERTAIN LIFE INSURANCE POLICY</b></p> <p>Comments to be forwarded later.</p>
105 Intermediaries This section also deals with surveyors. We recommend that a separate section be included in the act to deal with surveyors.	<p><b>PART XIII</b> <b>INTERMEDIARY</b></p> <p>This part should be incorporated within Part XI i.e. Market Conduct. Certain sections of this part contain basic provisions Of the Contract Act &amp; are, as such ,superfluous .these provisions should be deleted. As suggested above , EEC/UK law should be consulted. Please refer Part XI above. Recommended regulatory provisions have been incorporated as part of Annexure III</p>

<b>PART XIV SPECIAL PROVISION OF LAW</b>	
<b>127 Payment of money into Court</b>	Courts should be normal Civil Courts. (Please refer to our comments in Part I, 2(i)m.
<b>128 Small Disputes Resolution Committees</b>	<p>The scope of this subsection is very limited . Additionally, the classes of business prescribed, form part of subclasses of Fire &amp; Motor business ,within the major classification of General Insurance. In this regard please refer to comments on section 2(1)( p ) &amp;(ss).</p> <p>This subsection has been incorporated in lieu of section 47-A of the existing Insurance Act 1938 which deals with Life Insurance claims of up to Rs.5000/-. We suggest that this section be reworded to apply to Life insurance , for claims of up to Rs. 100,000/-.</p>

12th February, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR  
BANKING & FINANCE HELD ON 3RD FEBRUARY, 1999  
AT 11 AM IN THE CHAMBER'S PREMISES**

**PRESENT**

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. AHMED SHUJA KIDWAI		ALBARAKA
MR. S. ALI RAZA		BANK OF AMERICA
MR. K.A.S PERERA		BANK OF CEYLON
MR. SHAHZAD NAQVI		CITIBANK N. A.
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. M. YOUNAS KHAN		DEUTSCHE BANK A. G.
MR. MOHAMMAD WASIM (REPRESENTED)		DOHA BANK
MR. KEVIN FLANNERY		EMIRATES BANK
MR. ARIFUL ISLAM		FAYSAL BANK
MR. MOHAMMAD ABDULLAH		I F I C
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. MD. SELIM KHAN		RUPALI BANK
MR. P. H. RUSCH		SOCIETE GENERALE

**LEAVE OF ABSENCE**

MR. MOHAMMAD AURANGZEB	ABN AMRO
MR. AZHAR HAMID	ANZ GRINDLAYS
MR. MASANORI OKUDA	BANK OF TOKYO-MITSUBISHI
MR. M. HAROON AHMED	HABIB BANK AG
MR. ASHRAF N. IRSHADUDDINI	OMAN INTERNATIONAL
MR. IMDAD ALI SHAIKH	TRUST BANK

1. The meeting was called to discuss a one point agenda.
2. The Chairman invited members to highlight the points which, in their opinion, should be taken up for discussion in the forthcoming meeting with the Finance Minister on 12th February, 1999. The matters should pertain to Taxation and Ministry of Finance related issues.
  - Mr. Shahzad Naqvi offered to provide a copy of Citibank's letter issued to CBR on Taxation.
  - Interest falling due on non performing loans and its allowability for tax purposes.
  - Treatment of bad debt provision for tax purposes.
  - Implication arising due to dishonouring various trade transaction related mainly to oil imports and supplier credit.



- In the opinion of the members the pricing will not come down from 8 or 9% unless trade transaction are sincerely honoured.
  - Members were asked to provide details to the Chairman of LCs not honoured and also status of repatriable loans of the private sector.
  - Details of excess advance tax paid by the banks to be made available to the Chairman for his meeting with the Finance Minister.
3. The Chairman noted to include the major points of Taxation, in the letter to be addressed to the Minister of Finance, to be discussed at the proposed meeting scheduled on 12th February, 1999.
  4. The meeting ended with a vote of thanks to the Chair.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

18<sup>th</sup> March, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE  
FOR BANKING & FINANCE HELD ON WEDNESDAY 10<sup>TH</sup> MARCH 1999  
AT 3 PM IN THE CHAMBER'S PREMISES**

**PRESENT**

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
REP BY MR. JAMIL IQBAL		
MR. PETER WATERHOUSE		HONGKONG & SHANGHAI
MR. MOHAMMAD AURANGZEB		ABN AMRO
MR. AHMED SHUJA KIDWAI		ALBARAKA ISLAMIC INVESTMENT BANK
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA	}	BANK OF AMERICA NT & SA
MR. NAUMAN K. DAR		BANK OF CEYLON
MR. K.A.S PERERA		BANK OF TOKYO-MITSUBISHI
MR. MASANORI OKUDA		CITIBANK N. A.
MR. SHAHZAD NAQVI		CREDIT AGRICOLE INDOSUEZ
MR. ZAKIR MAHMOOD		EMIRATES BANK
MR. KEVIN FLANNERY		HABIB BANK AG
MR. M. HAROON AHMED		I F I C
MR. MOHAMMAD ABDULLAH		MASHREQ BANK PSC
MR. AZMAT ASHRAF		OMAN INTERNATIONAL
MR. ASHRAF N. IRSHADUDDIN		
REP BY MR. PERVEZ BHOJANI		
MR. P. H. RUSCH		SOCIETE GENERALE

**BY INVITATION**

MR. NADEEM HUSSAIN	CITIBANK
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**LEAVE OF ABSENCE**

MR. M. YOUNAS KHAN	DEUTSCHE BANK A. G.
MR. AHMED HUSSAIN KHAN	DOHA BANK
MR. MUNEER KAMAL	FAYSAL BANK
MR. MD. SELIM KHAN	RUPALI BANK
MR. IMDAD ALI SHAIKH	TRUST BANK

Minutes of the meeting held on 3rd February, 1999 were confirmed. Chairman invited discussions on matters arising therefrom.

He informed the meeting that the Executive Committee members of OICC&I had met with the Federal Finance Minister in Islamabad on the 12th February, 1999. He confirmed that in the meeting, the Banking Industry's problems were raised viz, the high interest rates prevalent on NS Schemes, the incidence of Advance tax and the disallowance of Bad debt/Interest in Suspense, as a legitimate expense for the purposes of assessing taxable income. The Chairman confirmed that he had later met with the State Bank of Pakistan Governor, to advise him of the OICCI's meeting with the Finance Minister. The Governor had confirmed to the Chairman that he has been aware of these issues, and will assist in all ways with the Ministry towards its successful implementation. The Chairman also apprised the meeting, that a Standard Chartered representative had attended a Regional Commissioner Income Tax Advisory Committee Meeting, where tax problems (as above) were also discussed. At this meeting, the Tax Commissioner had advised us, that a sum of Rs.15.0 Million was earmarked for refund to the Foreign Banks and Rs.50.0 Million for Local Banks. These sums are far too small in relation to the claims due to the Banks.

**Y2K Issue**

Emirates Bank's letter dated 23rd February, 1999 was tabled for discussion. Mr. Nadeem Hussain of Citibank, who is Chairman of Y2K Committee formed by State Bank of Pakistan, was especially invited to attend, to listen to/resolve the problems of some Banks.

Mr. Hussain explained that the Phase I of the Audit is a preliminary one, designed to assess the overall state of affairs for each individual Bank. Two categories of Banks, small Banks pay Rs. 20,000 and Rs. 40,000 will be paid by the medium sized Banks. Approximately 72 institutions will be surveyed. The Consultants appointed by State Bank of Pakistan are KPMG - SHMA.

After the Phase I assessment has been made, the Committee formed by the State Bank of Pakistan will review the matter - and a Phase II audit will be implemented, which will be detailed in nature; the period of audit for Phase II will vary for each Bank, depending entirely upon the findings under Phase I of the Audit.

The Chairman clarified the need for all Banks to comply to the audit programme, as 28 Banks in total had reportedly not responded to KPMG. Y2K audit by KPMG is now a Central Bank directive.

**"Riba" Issue**

The status of appeal filed by the foreign Banks Shariat Appeal No.23/92 against the decision of the Shariat Court declaring markup as "Riba" was discussed.

The meeting was informed that the appeal remained unheard upto now. Foreign Banks were represented by Fazle Ghani Khan, Advocates and Mrs. Majida Rizvi as the Advocate on record. In August 1997 Mrs. Rizvi ceased to be the Advocate on record upon elevation to the bench.

Foreign Banks have so far not appointed another Advocate to deal with the matter. It was suggested that foreign Banks pursue this matter, and participate in the deliberations as an appellant party.

It was agreed that the Chairman and the Secretary General would contact Mr. A. M. Haidermota to consider his appointment.

**State Bank of Pakistan Committee on Service Charge / Remittance & Utility Bills**

State Bank of Pakistan has formed the above committee. Mr. Shahzad Naqvi of Citibank is the Chairman. OICC&I has been asked to nominate two foreign Banks on this committee.

Standard Chartered Bank and Emirates Bank were nominated as the two members.

**State Bank of Pakistan Committee for Lending to the Neglected Sectors**

OICC&I has been requested to nominate two member Banks for the above committee. It was agreed that Habib Bank AG Zurich and American Express Bank be the representatives on this Committee.

**Other Matters**

- (i) NDRP scheme was started two years ago. Deposits are maturing. Should renewal of deposits be entertained by foreign Banks. The scheme has become too costly due to the excessive rate of Foreign Exchange Cover.
- (ii) Dr. P. H. Rusch raised the issue of reporting to State Bank of Pakistan on Export Credit Scheme and the need for clarification.
- (iii) Chairman informed the meeting that Standard Chartered Bank has agreed to accept the Govt of Pakistan's invitation to Chair the London Club Creditors Meeting, which has been postponed.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER  
SECRETARY GENERAL**

8TH JULY, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR  
BANKING & FINANCE HELD ON FRIDAY 25<sup>TH</sup> JUNE 1999 AT 11 AM IN THE  
CHAMBER'S PREMISES**

**PRESENT**

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
MR. MOHAMMAD AURANGZEB		ABN AMRO
- REP BY MR. NAVED A. KHAN		
MR. AHMED SHUJA KIDWAI		ALBARAKA ISLAMIC BANK
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
MR. K.A.S PERERA		BANK OF CEYLON
MR. MASANORI OKUDA		BANK OF TOKYO-MITSUBISHI
- REP BY MR. M. FAROOQ		
MR. SHAHZAD NAQVI		CITIBANK N. A.
- REP BY MR. HAMID BUTT		
MR. M. YOUNAS KHAN		DEUTSCHE BANK A. G.
MR. KEVIN FLANNERY		EMIRATES BANK
- REP BY MR. FERAZ ANSARI		
MR. MUNEER KAMAL		FAYSAL BANK
MR. M. HAROON AHMED		HABIB BANK AG
- REP BY MR. ABDUL A. MEMON		
MR. PETER WATERHOUSE		HONGKONG & SHANGHAI
MR. MOHAMMAD ABDULLAH		I F I C
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. P. H. RUSCH		SOCIETE GENERALE

**LEAVE OF ABSENCE**

MR. AHMED HUSSAIN KHAN	CREDIT AGRICOLE INDOSUEZ
MR. ASHRAF N. IRSHADUDDIN	DOHA BANK
MR. MD. SELIM KHAN	OMAN INTERNATIONAL
MR. IMDAD ALI SHAIKH	RUPALI BANK
	TRUST BANK

Minutes of the meeting held on 10<sup>th</sup> March, 1999 were confirmed.

**1. MATTERS ARISING FROM THE LAST MINUTES**

**i) Y2K ISSUE**

Phase I of the preliminary audit is complete. Phase II of the audit is about to commence. Charges for Phase II audit are extremely high. This matter to be taken up with Mr. Nadeem Husain (Citibank) who is Chairman of the State Bank of Pakistan Committee on Y2K issues.

The meeting acknowledged the need for State Bank to conduct the audit, although in view of most Foreign Banks, who have spent large sums of money on Y2K readiness, the fee as demanded by the auditors for the inspections are considered exorbitant.

**ii) RIBA ISSUE**

Chairman informed the meeting that he attended a Supreme Court hearing in Karachi alongwith Advocate Mr. Haidermota.

Judges appear to be focused on eliminating RIBA and find ways to convert the present system to conform to the Islamic Code. The Court has now moved to Islamabad and the next hearing is scheduled for 28th June, 1999 when representatives of Government of Pakistan will plead.

Earlier Mr. Iqbal Ahmed Khan of Hongkong & Shanghai Banking Corporation was called to testify in the Supreme Court hearing in his capacity as an expert. Dr. Chapra of the Saudi Monetary Agency also appeared in the court.

Chairman informed the meeting that if Foreign Banks wish to appear in the Supreme Court, they would have to engage a lawyer and the estimated costs are Rs 600,000. Foreign bankers are appellants against the Shariat Court judgement which ruled that "mark up" was RIBA.

A general discussion took place on the merits of participating on the RIBA Case at the Supreme Court. It was agreed that foreign banks would not participate in the Supreme Court proceedings at this stage, but would wait for the judgement. Foreign banks could have recourse to a review petition, should circumstances so warrant.

### **iii) SERVICE CHARGES ON UTILITY BILLS & HOME REMITTANCES**

Mr. Shahzad Naqvi, (Citibank) Chaired a meeting on the subject on 16<sup>th</sup> April, 1999; in attendance were representatives of SCB, Emirates, UBL, Gulf Commercial Bank and Prime Commercial Bank.

In the absence of Mr. Shahzad Naqvi from the meeting, no discussions took place on the subject.

### **iv) LENDING TO NEGLECTED SECTORS**

A committee of private sector banks was formed which was Chaired by Mr. Kalim-ur-Rehman. Two meetings were held. American Express Bank who were a member of this committee could not attend the meeting. A new committee has been formed under the Chairmanship of Mr. Rashid Chaudri (Allied Bank Limited) for lending for road transportation and also to Small and Medium Industries Development Corporation (SMIDA).

## **2. FINANCE BILL 1999**

Mr. Azhar Hamid (ANZ) was part of OICC&I's delegation which met the Finance Minister, Mr. Ishaque Dar in Islamabad on 19th June 1999. The matter of excessive increases in personal taxation as a result of taxing of perquisites was taken up, as was the question of retroactive taxation.

The meeting was attended by Mr. Ghafoor Mirza, Special Secretary Finance and Chairman Central Board of Revenue.

Pakistan Banking Association proposes to take up this matter separately.

## **3. SUPREME COURT VERDICT OF FROZEN FOREIGN CURRENCY ACCOUNTS**

Foreign Exchange Circular No. 16 covers the State Bank of Pakistan's instructions in this respect. Banks have obtained legal opinion. Mr. Liaquat Merchant has given opinion to ABN Amro and Bank of America, whereas Rizvi Isa & Company have given opinion to Standard Chartered Bank.

The meeting acknowledged that Banks are liable to pay interest on frozen foreign currency accounts, in accordance with terms and conditions of their respective mandates, which may not be at (interest) rates prevalent on the date the accounts were frozen. The reduced interest rates payable on deposits, since May'98 will continue to remain at Bank's discretion. The meeting requested the Chairman to liaise with Shaukat Tarin (Chairman of PBA) to ensure that all local/foreign Banks follow a uniform stand on this interpretation, on interest rates applications.

**NOTE:**

In a subsequent meeting with Mr. Shaukat Tarin, the Chairman has informed of OICC&I's interpretation on the subject of interest rates applicability, and requested him to also apply a similar interpretation for all by PBA Members

**4. LONDON CLUB CREDITORS**

Nine banks are involved as syndicate leaders. Clifford Chance are the coordinators.

At a creditors meeting held recently most banks agreed to a three year roll over. Citibank / Chase / ABN Amro however were to give a reply on 25th June, 1999. Interest rates are expected to be 1% over LIBOR in the first year and 1.5% over LIBOR in the third year.

As trade debt is not restructured, the debate continues on how many of the loans fall into the category of trade.

**5. LETTERS RECEIVED FROM MEMBER BANKS**

These were discussed.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER  
SECRETARY GENERAL**

5TH AUGUST, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE  
FOR BANKING & FINANCE HELD ON MONDAY 26TH JULY, 1999  
AT 3 PM IN THE CHAMBER'S PREMISES**

**PRESENT**

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED BANK
MR. S. ALI RAZA	CO-CHAIRMAN	BANK OF AMERICA N. A.
MR. NAUMAN DAR		
MR. MOHD. AURANGZEB		ABN AMRO
MR. AHMAD SHUJA QIDWAI		ALBARAKA ISLAMIC BANK
MR. TAWFIQ A. HUSSAIN		AMERICAN EXPRESS BANK
MR. AZHAR HAMID		ANZ GRINDLAYS BANK
MR. ATUKORALA		BANK OF CEYLON
MR. MASANORI OKUDA		BANK OF TOKYO
REP BY MR. M. FAROOQ		
MR. SHAHZAD NAQVI		CITIBANK N. A.
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. YOUNUS KHAN		DEUTSCHE BANK A. G.
- REP BY MR. BAHAUDDIN KHAN		
MR. AHMED HUSSAIN KHAN		DOHA BANK
REP BY MR. MAQSOOD VINE		
MR. TIMOTHY P. BGIBBS		EMIRATES BANK
MR. M. HAROON AHMED		HABIB BANK AG
MR. MOHD. ABDULLAH		IFIC
MR. ASHRAF N. IRSHADUDDIN		OMAN INTERNATIONAL
- REP BY MR. SHAHID ANWAR		
MR. P. H. RUSCH		SOCIETE GENERALE
- REP BY MR. S. FAKHRUDDIN		
<b>LEAVE OF ABSENCE</b>		
MR. MUNEEB KAMAL		FAYSAL BANK
MR. PETER WATERHOUSE		HONGKONG & SHANGHAI
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. MD. SELIM KHAN		RUPALI BANK
MR. IMDAD ALI SHAIKH		TRUST BANK
<b>BY INVITATION</b>		
MR. KHOZEM HAIDERMOTA		ADVOCATE
MR. JEEVA HAROUN		DIRECTOR, LEGAL COUNSEL AMERICAN EXPRESS BANK

The Minutes of the last meeting held on 25th June were confirmed.

Chairman welcomed the Members to the meeting and stated that today's meeting will have a single point agenda, which is to discuss the circular dated 16th July, 1999 received by all Banks, from the Board of Revenue, Sindh.

It was recommended by the Chairman, that a single uniform response be sent to the Board of Revenue, signed by OICCI, on behalf of all Banks. A proposed draft reply was circulated at this meeting for Bank's agreement - All present agreed to the text of the letter.

(NOTE: A letter in reply has since been sent to the Board of Revenue, Sindh, dated 27th July' 1999, by OICCI, with its copy marked to the SBP Governor, Finance Minister and Governor, Sindh Province - The Chairman has also forwarded a copy of our letter to Mr. Shaukat Tarin, Chairman PBA, for his information/action, as appropriate. Bank to note that legal costs in this connection will be shared in equal proportion, among Banks).



Two Lawyers were invited to this meeting, Mr. Khozem Haidermota and Mr. Jeeva Haroun, of American Express. What followed in this meeting was a very elaborate discussion among the participants on the status of Letters of Hypothecation, Mark-Up Agreements, and their legal significance as Security held, given the manner in which it is currently being executed by the Bank's Customers.

Rather than paraphrase and document all discussions that materialized at the meeting. As minutes, We are enclosing an informal note (compiled by Haidermota) on the subject, the contents of which are self explanatory - This note encapsulates what the lawyer believes is the ultimate risk for Banks, and the implication of additional costs to its customers.

According to Haidermota's note, a Letter of Hypothecation should be attested by two persons and stamp duty paid thereon at the rate of 1.5% of the amount secured - which is contrary to the current practice, where a stamp duty paid on the letter of Hypothecation is not more than Rs. 100/=. Further, Haidermota mentions that the only satisfactory way to "resolve this problem, is for the provincial Government to issue an appropriate notification under Section - 9A of the Stamp Act".

All participants at the meeting felt concerned about this issue as presented by the Lawyers, and noted its possible ramification on costs to be incurred by Banks' Customers, in its compliance. The Chairman suggested that he should discuss this problem at the next OICCI Executive Committee Meeting, as other corporate customers could be affected, in order to arrive at a sensible plan for future action.

Chairman then opened the meeting for discussion on other items :-

A) Mr. Azhar Hamid (ANZ) informed the meeting that the Governor of Punjab met him and asked for support from Foreign Banks for the "1500th Year celebration of the foundation of the Muslim Capital City of Lahore".

(NOTE: The Chairman has since spoken to the Governor Punjab, and suggested to him that they should organize a presentation on the subject to include all OICCI Members (and not just the Banks) in Karachi. In this connection, Mr. Munnawar Hamid and the Chairman have planned to visit Lahore to meet with the Governor Punjab to discuss arrangements.

Mr. Shahzad Naqvi (Citibank) enquired of the status of SBP's regulatory amendments, pertaining to the Custodial Services. Chairman informed the meeting that he had discussed this matter with Mr. Chughtai (SBP) recently, following their earlier meeting with the Governor, and the State Bank felt that they needed some more time to address their proposal.

Mr. Shahzad Naqvi also expressed concern on the Regulatory amendment, which now requires those Banks providing Advisory and Financial Services (Investment) to incorporate locally as a separate entity. Chairman mentioned that he has already addressed this matter with SBP (refer letter dated 20th July, 1999 to SBP, with minutes) following a meeting with Mr. Chughtai, held earlier. The Chairman offered to further discuss these pending matters with the Governor, SBP upon his return to Karachi from Washington DC.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

31ST AUGUST, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE  
FOR BANKING & FINANCE HELD ON 17TH AUGUST, 1999 AT 3 PM  
IN THE CHAMBER'S PREMISES**

**PRESENT**

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED BANK
MR. MOHD. AURANGZEB		ABN AMRO
MR. AHMAD SHUJA QIDWAI		ALBARAKA ISLAMIC BANK
MR. TAWFIQ A. HUSSAIN		AMERICAN EXPRESS BANK
MR. AZHAR HAMID		ANZ GRINDLAYS BANK
MR. RANJITH J. ATUKORALA		BANK OF CEYLON
MR. SHAHZAD NAQVI		CITIBANK N. A.
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. TIMOTHY P. GIBBS		EMIRATES BANK
MR. PETER WATERHOUSE		HONGKONG & SHANGHAI
MR. MOHD. ABDULLAH		IFIC
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. MD. SELIM KHAN		RUPALI BANK
MR. P. H. RUSCH		SOCIETE GENERALE

**LEAVE OF ABSENCE**

MR. S. ALI RAZA	CO-CHAIRMAN	BANK OF AMERICA N. A.
MR. MASANORI OKUDA		BANK OF TOKYO
MR. M. YOUNAS KHAN		DEUTSCHE BANK A. G.
MR. AHMED HUSSAIN KHAN		DOHA BANK
MR. MUNEER KAMAL		FAYSAL BANK
MR. M. HAROON AHMED		HABIB BANK A.G.
MR. ASHRAF N. IRSHADUDDIN		OMAN INTERNATIONAL
MR. IMDAD ALI SHAIKH		TRUST BANK

**1. CONFIRMATION OF LAST MINUTES**

Minutes of the last meeting held on 26th July, 1999, already circulated to the members were confirmed.

**2. MATTERS ARISING OUT OF THE LAST MINUTES**

Referring to item 5 of the minutes, the meeting noted the Regulatory amendment which now requires those banks providing Advisory and Financial Services (Investments) to incorporate locally as a separate entity.

The Chairman had earlier met Mr. Chughtai, Deputy Governor, State Bank of Pakistan who had advised that this matter is still pending under review. After a brief discussion it was agreed that a team of bankers will seek an appointment to meet the Governor, State Bank of Pakistan, on the subject comprising the Chairman, Azhar Hamid, Mohammad Aurangzeb and Shahzad Naqvi, shortly.

**3. MEETING WITH CHIEF SECRETARY SINDH**

The Chairman informed the members that a meeting has been fixed with the Chief Secretary, Sindh Government on 26th August, 1999. Secretary Finance Sindh and Member Board of Revenue Sindh will also be in the meeting. President of the Chamber and the Chairman alongwith other members of the Managing Committee will represent the Chamber.

#### 4. GOVERNMENT OF PUNJAB REQUEST

A request received from the Government of Punjab to support "1500th year celebration of the forming of the Muslim Capital City of Lahore" was discussed. The Chairman communicated to all participants, the event details of the programme, asking them to contact the co-ordinator of the programme directly, as per details provided, for sponsorship.

#### 5. ANY OTHER MATTER

- a) Discussions arose on the Supreme Court judgments iro payment of interest on frozen FCAs. The meeting observed that banks were legally protected, if interest rates on FCA deposits were amended in terms of their mandate with customers. However, Mr. Azhar Hameed suggested that there could be 'other implications' and the matter be best discussed with the SBP Governor, by the team that plans to visit him on matters, as above.
- b) Y2K - The committee unanimously viewed that as a safety measure against possible hazards of Y2K, the banks should be allowed to close for 3 days in a row, instead of the usual one day bank holiday. The Chairman confirmed that he had communicated this request to Mr. Nadeem Hussain of Citibank, who is dealing with banks' Y2K compliance, in a committee formed for the purpose.

With no further issues to discuss - the meeting ended with a vote of thanks to the chair.

**MOHAMMAD ASLAM  
DEPUTY SECRETARY**

21ST OCTOBER, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE  
FOR BANKING & FINANCE HELD ON MONDAY 11TH OCTOBER, 1999  
AT 9.30 AM IN THE CHAMBER'S PREMISES**

**PRESENT**

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED BANK
MR. S. ALI RAZA	CO-CHAIRMAN	BANK OF AMERICA N. A.
MR. AHMAD SHUJA QIDWAI		ALBARAKA ISLAMIC BANK
MR. TAWFIQ A. HUSSAIN		AMERICAN EXPRESS BANK
MR. RANJITH J. ATUKORALA		BANK OF CEYLON
MR. SHAHZAD NAQVI		CITIBANK N. A.
REP BY MR. HAMID BUTT		
MR. ARIF M. ALI		DEUTSCHE BANK A. G.
MR. M. HAROON AHMED		HABIB BANK A.G.
MR. MOHD. ABDULLAH		IFIC
MR. ASHRAF N. IRSHADUDDIN		OMAN INTERNATIONAL
MR. P. H. RUSCH		SOCIETE GENERALE
<b>LEAVE OF ABSENCE</b>		
MR. MOHD. AURANGZEB		ABN AMRO
MR. AZHAR HAMID		ANZ GRINDLAYS BANK
MR. MASANORI OKUDA		BANK OF TOKYO
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. AHMED HUSSAIN KHAN		DOHA BANK
MR. TIMOTHY P. BGIBBS		EMIRATES BANK
MR. FAROOK BENGALI		FAYSAL BANK
MR. PETER WATERHOUSE		HONGKONG & SHANGHAI
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. MD. SELIM KHAN		RUPALI BANK
MR. IMDAD ALI SHAIKH		TRUST BANK

The Chairman welcomed Mr. Arif M. Ali on the Committee. He replaces Mr. M. Younas Khan of Deutsche Bank A.G. who has since retired.

**1. MINUTES OF LAST MEETING**

Minutes of the last meeting held on 17th August, 1999 already circulated to the Members, was considered, read and approved.

**2. MATTERS ARISING OUT OF THE SAID MINUTES**

The Chairman briefly reviewed the discussions held with the Chief Secretary Sindh and Member Sindh Board of Revenue on loan package for stamp duty in Sindh. Mr. Hamid Butt (Citibank N. A.) agreed to follow up the matter. In need, the Chairman offered to provide assistance through additional resource from other banks, in order to speed up the process.

Chairman has not been able to see the Governor, State Bank of Pakistan as yet on the issue of Advisory Financial Services (Investment). On Governor's return from broad, he will try to see him along with the other three members.

### **3. OTHER MATTERS**

#### **A. DONATION TO PAKISTAN SOCIETY OF DEVELOPMENT ECONOMICS**

The Committee agreed to contribute and support the Conference of Pakistan Society of Development Economics, scheduled to be held at Islamabad from 5th to 8th November, 1999. Member Banks to contribute Rs. 0.5 Million (Rs. 25,000 each bank). ABN Amro Bank be requested to make an additional contribution of Rs. 0.5 Million, or any other bank who wishes to take the lead role.

#### **B. CONTRIBUTION FOR THE BUILDING OF INSTITUTE OF BANKERS**

The Chairman urged the members to contribute towards the building fund of Institute of Bankers.

#### **C. GOVERNMENT'S POLICY TOWARDS NATIONAL SAVINGS SCHEME**

The committee consented to approve and support Government of Pakistan's policy with regard to the yield rates of National Saving Certificates and the application of Withholding Tax thereon.

#### **D. REFUND OF WITHHOLDING TAX**

Mr. M. Haroon Ahmed (Habib Bank AG) raised the issue of refund of Withholding Tax due to the Banks from the Income Tax Department. Chairman, Mr. Zahid Rahim offered to update refund figures of the foreign banks and to take up the issue with the Central Board of Revenue, Islamabad.

Meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM  
DEPUTY SECRETARY**

20<sup>TH</sup> DECEMBER, 1999

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE  
FOR BANKING & FINANCE HELD ON MONDAY 20TH DECEMBER, 1999  
AT 9 AM IN THE CHAMBER'S PREMISES**

**PRESENT**

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED BANK
MR. S. ALI RAZA	CO-CHAIRMAN	BANK OF AMERICA N. A.
REP BY MR. ALI HUSNAIN		
MR. MOHD. AURANGZEB		ABN AMRO
MR. TAWFIQ A. HUSSAIN		AMERICAN EXPRESS BANK
MR. AZHAR HAMID		ANZ GRINDLAYS BANK
MR. RANJITH J. ATUKORALA		BANK OF CEYLON
MR. MASANORI OKUDA		BANK OF TOKYO
REP BY MR. M. FAROOQ		
MR. SHAHZAD NAQVI		CITIBANK N. A.
REP BY MR. NADEEM HUSSAIN		
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. ARIF M. ALI		DEUTSCHE BANK A. G.
REP BY MR. I. MUSTAFA		
MR. AHMED HUSSAIN KHAN		DOHA BANK
REP BY MR. A. HAMEED		
MR. TIMOTHY P. GIBBS		EMIRATES BANK
MR. M. HAROON AHMED		HABIB BANK AG
MR. PETER WATERHOUSE		HONGKONG & SHANGHAI
MR. MOHD. ABDULLAH		IFIC
MR. MD. SELIM KHAN		RUPALI BANK
MR. P. H. RUSCH		SOCIETE GENERALE

**BY INVITATION**

MR. MAHMOOD MANDAVIWALLA	ADVOCATE
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**LEAVE OF ABSENCE**

MR. AHMAD SHUJA QIDWAI	ALBARAKA ISLAMIC BANK
MR. FAROOK BENGALI	FAYSAL BANK
MR. AZMAT ASHRAF	MASHREQBANK PSC
MR. ASHRAF N. IRSHADUDDIN	OMAN INTERNATIONAL
MR. IMDAD ALI SHAIKH	TRUST BANK

The Chairman welcomed members to the meeting and apologized for the short notice for calling this meeting.

He explained that he had received a letter from the Pakistan Banks Association drawing his attention to the fact that a review petition has been filed in the Supreme Court of Pakistan for review of the earlier Supreme Court judgment delivered on 25th June, 1999 relating to foreign currency accounts.

The review petition is scheduled to be heard on 17th January, 2000 and is likely to consider the payment of interest on foreign currency deposits after 28th May, 1998.

Mr. Nadeem Hussain and Mr. Mohammad Aurangzeb who are both on the Executive Committee of the Pakistan Banks Association advocated the need for the banking industry as a whole to implead itself in this case using the PBA platform.

Mr. Mahmood Mandviwalla also recommended the above action.

Mr. Nadeem Hussain of Citibank explained that Citibank is a defendant in the above case, and although the focus of the proceedings so far is towards the State Bank of Pakistan, it is more than likely that this may shift towards the banks who had held the funds on or after 28th May, 1998 and did not pay the same interest as was prevailing on this date.

Although the change in interest rates could be linked to the changes in the foreign currency exchange cover rate and the reducing yields of the treasury bills, these may not necessarily be accepted as valid arguments. The feeling in the Court is that depositors have had a raw deal and they ought to be compensated. So far the thrust has been that State Bank of Pakistan should compensate. However, in the arguments that have been presented by the defendants, it could be that the judgment if given in favour of the petitioners, could involve all Banks.

If the banks chose not to implead themselves at this stage, they would have lost the opportunity to do so, and since this is a review petition in the Supreme Court, there would be no further forum for appeal.

It was agreed by all the participants that foreign banks should implead on this issue, but since this is an industry problem it should be done through the PBA platform. It was pointed out that the Nationalized Commercial Banks may not be willing to do so, at the behest of the State Bank of Pakistan.

Mr. Lakhani, President of the New Private Scheduled Banks Association will be approached to seek his support and to endeavor to bring forward the next PBA meeting scheduled for 28th December, 1999.

Chairman offered to consult State Bank of Pakistan on this matter to determine their attitude. It was also agreed that Mr. Mahmood Mandviwalla's name be put forward to the PBA to take up the brief on behalf of all the banks, acting as the lawyer for PBA. It was agreed that the legal cost pertaining to this matter will be met equally by all banks.

The meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER  
SECRETARY GENERAL**

21ST JANUARY, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR  
COMMERCIAL & INDUSTRIAL MATTERS HELD  
ON 11TH JANUARY, 1999 AT THE CHAMBER'S PREMISES**

**PRESENT**

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. ASAD UMAR		ENGRO ASAHI
DR. ARUNA BANDARNAYAKE		LEVER BROTHERS
MR. PHILIPPE BOVAY		PROCTER & GAMBLE
MR. NAEEM SHAIKH		RHONE POULENC
MR. TERTIUS VERMEULEN		SIEMENS
<b>LEAVE OF ABSENCE</b>		
MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
DR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. AZHAR A. MALIK		ICI
MR. M. KAMIL SHAH BAZKAR		PHILIPS

**1. LAST MEETING**

Minutes of the last meeting held on 13th November, 1998 were confirmed.

**2. MATTERS ARISING OUT OF THE LAST MINUTES**

**A) LOCALLY MANUFACTURED ENGINEERING GOODS**

Mr. Asad Umar consented to follow up Chamber's letter to the Engineering Development Board in course of his meeting with the Chairman of the Board, whom he is going to visit in the near future.

**B) TRANSFER PRICING**

Secretary General informed the meeting that the Chairman of Pharma Bureau does not wish the Sub Committee to pursue transfer pricing.

**C) PRESUMPTIVE TAX**

Secretary General informed the committee about the matter of presumptive tax (withholding) had been taken up by the Chamber's Standing Sub Committee for Taxation. No further action is therefore needed to be taken by this Sub Committee.

**D) CONSUMER PROTECTION BILL**

Secretary General's summary of comments was tabled for discussion. The matter was deferred for discussion at the next meeting of the Sub Committee.

**E) PROTECTION TO LOCAL INDUSTRIES**

The Chairman consented to take up this matter at the Managing Committee in its next meeting.



#### **F) COLLECTOR OF CUSTOMS LETTER OF 6TH NOVEMBER**

The Secretary General briefed the Sub Committee about the meeting of OICC&I members with the visiting team of Collectorate of Customs. This was followed by another meeting of the Advisory Committee of Appraisement & Preventive Collectorate held in Custom House on 17th December, 1998.

Members were requested to submit proposals for simplification of customs documentation and procedures. Collectorate of Customs to be approached again to re-fix another date of the previously postponed meeting on WTO's Secondary Methods of Valuation. Meanwhile Chamber to circulate comments tabled by Procter & Gamble at today's meeting on WTO Valuation Methods. This will be discussed at next meeting of the Sub Committee.

#### **G) ISSUE OF COUNTERFEITING**

Mr. Philippe Bovay appraised the members about the meetings held in Lahore in this connection, with the task force constituted by the Chief Minister Punjab and further developments thereafter. Secretary General and Mr. Bovay attended these meetings. New Counterfeits Draft Ordinance has been proposed by the OICC&I / ABC. Change of federal enactment necessary to ensure success of contemplated raids on offenders. Punjab Government wishes to use the Punjab Essential Articles Control Act. Reckitt & Colman, Caltex and ICI have joined in this effort. Tobacco companies have withdrawn.

#### **3. NEXT MEETING**

Next meeting of the Committee to be held on 5th February, 1999 at 9 AM in the Chamber's premises.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER  
SECRETARY GENERAL**

19TH FEBRUARY, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR  
COMMERCIAL & INDUSTRIAL MATTERS HELD  
ON WEDNESDAY 17TH FEBRUARY, 1999 AT 9 AM IN OICC&I**

**PRESENT**

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. ASAD UMAR		ENGRO ASAHI
REP BY MR. NAEEM B. AHMAD		
MR. TERTIUS VERMEULEN		SIEMENS

**LEAVE OF ABSENCE**

MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
DR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. AZHAR A. MALIK		ICI
DR. ARUNA BANDARNAYAKE		LEVER BROTHERS
MR. M. KAMIL SHAH BAZKAR		PHILIPS
MR. PHILIPPE BOVAY		PROCTER & GAMBLE
MR. NAEEM SHAIKH		RHONE POULENC

The Chairman expressed his disappointment at the low attendance, especially as several members did not inform the Chamber about their inability to attend.

**1. LAST MINUTES**

Minutes of the last meeting held on 11th January, 1999 were confirmed.

**2. MATTERS ARISING OUT OF THE LAST MINUTES**

**A) LOCALLY MANUFACTURED ENGINEERING GOODS**

Mr. Naeem B. Ahmad substituting Mr. Asad Umar informed that Mr. Umar had a meeting with the Chairman, Mr. Akram Sheikh on the subject. Mr. Sheikh advised not to take up the issue at present.

The Chairman expressed that this matter be taken up and debated by the full sub committee at its next meeting.

**B) PRESUMPTIVE TAX**

The Chairman informed the sub committee that the matter of presumptive tax should be taken up by the Chamber with Central Board of Revenue and this was discussed in the recent meeting with the Finance Minister.

**C) CONSUMER PROTECTION BILL**

To be discussed at length by the full sub committee at the next meeting.

**D) PROTECTION TO LOCAL INDUSTRIES**

The Chairman informed that deliberations on the subject are continuing in the Managing Committee.

**E) COLLECTOR OF CUSTOMS LETTER OF 6TH NOVEMBER, 1998**

Reminder has been issued to the Collector of Customs to visit the Chamber. Due to large scale transfers in Karachi Customs, the new Collector seeks some time to settle down.

The Chairman however advised that a circular be issued to all Members of the Chamber asking for their opinion how best the system of clearance of goods in Custom House can be simplified.

**F) ISSUE OF COUNTERFEITING**

The Chamber is working with the task force formed by the Chief Minister of Punjab on the subject, and this matter will be followed up.

**3. NEXT MEETING**

The meeting was then adjourned and the next meetings of the Sub Committee to be held on 25th February and 5th March, 1999 both at 9 AM in the Chamber's premises.

**ZAHID ZAHEER  
SECRETARY GENERAL**

13TH APRIL, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR  
COMMERCIAL & INDUSTRIAL MATTERS HELD  
ON THURSDAY 1ST APRIL, 1999 AT 3 PM IN OICC&I**

**PRESENT**

MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
MR. ASAD UMAR		ENGRO ASAHI
REP BY MR. RUHAIL MOHAMMED		
DR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. PHILIPPE BOVAY		PROCTER & GAMBLE
MR. TERTIUS VERMEULEN		SIEMENS

**LEAVE OF ABSENCE**

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. AZHAR A. MALIK		ICI
MR. M. KAMIL SHAH BAZKAR		PHILIPS
MR. NAEEM SHAIKH		RHONE POULENC

**1. OBITUARY**

The committee recorded the sad demise of Dr. Aruna Bandaranayake, one of the most active and popular members of the committee who expired in London on 19th March, 1999. The committee expressed sincere sympathies at his loss and condoled with his family and friends.

**2. CONFIRMATION OF THE MINUTES**

Minutes of the last meeting held on 17th February, 1999 were confirmed.

**3. MATTERS ARISING OUT OF THE SAID MINUTES**

**A) DRAFT OF CONSUMER PROTECTION ACT, 1998**

Summary of comments on the Draft Consumer Protection Act, 1998 was discussed by the committee at length and suggested following amendments:

- i) First three paragraphs of the 'general comments' may be deleted.
- ii) The comments appearing under 'Part II Sections 21, 25, 29 & 33' related to appeals at different levels may also be dropped.

A copy of the summary of comments finally approved by the committee is attached.

**B) ISSUE OF COUNTERFEITING**

Mr. Philippe Bovay informed the members that Mr. Muhammad Shehbaz Sharif, Chief Minister of Punjab has approached the Federal Ministries of Law and Interior to have the proposed Ordinance quickly signed by the concerned authorities, so that it can be promulgated without further loss of time. The Managing Committee of the Chamber be requested to exercise its influences, individually or collectively over the related Ministries, for the expeditious issue of the ordinance. Mr. Bovay referred to his letter dated 1st April, 1999 addressed to Mr. Muhammad Shehbaz Sharif. A copy of the said letter signed by him on behalf of The American Business Council of Pakistan is attached.

**4. CHAMBER'S PROPOSALS FOR THE TRADE POLICY 1999 - 2000**

A copy of the committee's proposals pertaining to the Trade Policy 1999 - 2000 to be forwarded to the Managing Committee of the Chamber, for its approval (before onward submission to the Government) is attached.

**5. KESC'S PETITION TO NEPRA ON TARIFF REVISION**

While members would not welcome an increase in tariff rates, it was noted that clauses concerning rate increases had been agreed with the IMF during the last negotiations and the committee felt it was vital for the future that the Government of Pakistan honour its agreements.

**6. PAKISTAN ENGINEERING COUNCIL'S LETTER DATED 29TH FEBRUARY, 1999  
ON NON COMPLIANCE OF PEC ACT / BY LAWS**

The matter to be discussed at further length in the committee's next meeting and to decide how best the committee can be useful in reversing the decision taken by the PEC.

With no other point to discuss the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM  
DEPUTY SECRETARY**

29<sup>th</sup> April, 1999

**MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR  
COMMERCIAL & INDUSTRIAL MATTERS HELD ON 21<sup>ST</sup> APRIL, 1999 AT 3:30 P.M. IN  
THE CHAMBER'S PREMISES.**

**PRESENT**

MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
MR. ASAD UMAR		ENGRO ASAHI
DR. MUZAFFAR IQBAL		GLAXO WELLCOME
REP BY MR. MOID AHMED		
MR. NAEEM SHAIKH		RHONE POULENC
DR. ARUNA BANDARNAYAKE		LEVER BROTHERS

**LEAVE OF ABSENCE**

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. AZHAR A. MALIK		ICI
MR. M. KAMIL SHAH BAZKAR		PHILIPS
MR. PHILIPPE BOVAY		PROCTER & GAMBLE
MR. TERTIUS VERMEULEN		SIEMENS

In the absence of the Chairman Mr. Robert Jones presided the meeting.

**CONFIRMATION OF THE MINUTES OF LAST MEETING HELD ON 1<sup>ST</sup> APRIL 1999:**

Minutes of last meeting held on 1<sup>st</sup> April 1999, already circulated to the members, were considered, read and approved.

**MATTERS ARISING OUT OF THE SAID MINUTES :**

(a) Chamber's proposal for Trade Policy 1999-2000

The proposed Trade Policy, already circulated to the members for their perusal and approval, before onward submission to the Managing Committee was finally discussed by the Committee. The Committee approved the proposal and also agreed to the views of Mr. Philippe Bovay that :

- (i) Recommendation should be on one page per individual issue making it easier in reading and their individual accountability / identification.
- (ii) The matter related to "Consistency of Policy" should be placed in the cover letter.

The Chairman very kindly offered to retabulate the approved suggestion before onward submission to the Managing Committee

- (b) The committee resolved that the concerned member should be asked to suggest that in their opinion how best the Chamber Standing Subcommittee can be helpful in resolving their individual issue with the Pakistan Engineering Council.

With no other points to discuss the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM  
DEPUTY SECRETARY**

9TH SEPTEMBER, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE  
ON COMMERCIAL & INDUSTRIAL MATTERS HELD ON TUESDAY  
7TH SEPTEMBER, 1999 AT 3 PM IN OICC&I**

**PRESENT**

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. PHILIPPE BOVAY	CO-CHAIRMAN	PROCTER & GAMBLE
MR. M. HAMID		ALSTOM
DR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. KHALID MASOOD		HUB POWER

**LEAVE OF ABSENCE**

MR. ROBERT JONES	CADBURY
MR. ASAD UMAR	ENGRO ASAHI
MR. SHAHID M. KHAN	INDUS MOTOR
MR. RAO ALTAF HUSSAIN	PAK PETROLEUM
MR. M. KAMIL SHAH BAZKAR	PHILIPS
MR. WAHEED A. SHAIKH	SHELL
MR. TERTIUS VERMEULEN	SIEMENS

Chairman asked Members present to introduce themselves.

Secretary General gave an overview of the deliberations of the outgoing sub committee, the last meeting of which was held on 21st April, 1999, the Minutes of which have been circulated.

Chairman invited discussions on the frequency of meetings. It was agreed that the meetings will be held on the 1st Monday of every month, except that the January, 2000 meeting will be held on 10th January, 2000. All the meetings to be held in the afternoon at 3.30 PM.

The letter from Export Promotion Bureau dated 28th August, 1999 regarding enhancement of exports was tabled for discussions.

The representative of Procter & Gamble said that the local industry must be more competitive to do this, and Pakistan's trade needs to open to the outside world, which would make the industry more competitive. He also emphasized the need to reduce costs of local industrial production, many of which are imposed by Government policies, like WPF and WWF contributions, disallowing the use of natural gas for electricity generation and not allowing the use of leased time for voice mail. Procter & Gamble also said that Government of Pakistan charges an inspection fee of 1% on all exports.

The inconsistency in Government of Pakistan policies with frequent changes in duties and sales tax was cited as another example.

Pharma industry suffers from unrealistic price control which prevents utilization of capacity and denies the economies of scale advantage to industry.

The representative from Alstom suggested that the simplification of export refund procedure was required.

Secretary General informed the meeting that the Chamber has previously informed the Government of Pakistan about the comparative disadvantages that local manufacturers have to suffer which add to the cost of local industry. These need to be addressed. It was agreed that Secretary General would circulate these to Members of the Sub Committee for their comments and thereafter a suitable response to the Export Promotion Bureau could be made.

Chairman informed the meeting that he wishes to draw the attention of the Committee to two other matters:

(I) Letter dated 24th August, 1999 received from Hinopak Motors Limited on the treatment of insurance costs by customs authorities.

(II) In certain instances, the imposition of 15% GST on raw materials without levying GST on the finished product, puts the domestic production of such products at a significant disadvantage in relation to imports.

ITEM (I)

With regard to Item (I) above, it was agreed that the Chamber would obtain the circular letter referred by the company and the Secretary General would take up the matter with the Central Board of Revenue.

ITEM (II)

Chairman drew the attention of the Committee that a levy of 15% GST has been put on the raw material and other imports of the local fertilizer industry. The import of fertilizers does not attract such a levy, thus the local industry is put to a severe disadvantage.

It was also pointed out that a sales tax of 15% has been imposed on the import of packing material used by the Pharma Industry. The imported finished product does not suffer such a levy. Here again the local industry has been put at a disadvantage. It was agreed that the Chamber would address these two issues to the Government of Pakistan and seek redressal.

Mr. Philippe Bovay gave a status report on the efforts of elimination of counterfeit products.

The representative of Procter & Gamble also informed the meeting that the Punjab Government is considering the issue of an ordinance for consumer protection purposes. The Chamber was aware of the Federal Government's interest in this matter and a draft of the proposed bill has been seen by the Chamber and commented upon. Such a bill has not been presented so far in the National Assembly. Efforts will be made to find out the thinking of the Punjab Government in this matter and to obtain a draft of the proposed legislation.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**



10<sup>TH</sup> NOVEMBER, 1999

**MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR  
COMMERCIAL & INDUSTRIAL HELD ON FRIDAY 29<sup>TH</sup> OCTOBER, 1999 AT 3:30 P.M.  
IN OICC & I**

**PRESENT**

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. M. HAMID		ALSTOM
MR. ASAD UMAR		ENGRO ASAHI
DR. MUZAFFAR IQBAL		GLAXO WELLCOME

**LEAVE OF ABSENCE**

MR. PHILIPPE BOVAY	CO-CHAIRMAN	PROCTER & GAMBLE
MR. ROBERT JONES		CADBURY
MR. KHALID MASOOD		HUB POWER
MR. SHAHID M. KHAN		INDUS MOTOR
MR. RAO ALTAF HUSSAIN		PAK PETROLEUM
MR. M. KAMIL SHAH BAZKAR		PHILIPS
MR. WAHEED A. SHAIKH		SHELL
MR. TERTIUS VERMEULEN		SIEMENS

**CONFIRMATION OF LAST MINUTES**

Minutes of the last meeting held on 7<sup>th</sup> September, 1999 already circulated to the Members, was considered read and approved.

**MATTERS ARISING OUT OF THE SAID MINUTES**

- a) Mr. M. Hamid of Alstom suggested that the Chamber should approach State Bank of Pakistan in respect of L/C margin required for components and assemblies and these should be treated the same as raw material.
- b) Mr. Hamid also raised the issue of registration with Pakistan Engineering Council. The Secretary General appraised the latest position in this respect.

**OTHER MATTERS**

- I) Chamber's circular letter dated 9<sup>th</sup> September, 1999 regarding enhancement of exports was considered and no further action is required in the matter. The Export Promotion Bureau have been forwarded the two summaries.
- II) It was noted that only one reply was sent to the World Bank in Islamabad regarding Country Procurement Assessment review. Chamber's internal letter dated 22<sup>nd</sup> September, 1999 documents this matter.
- III) Letter from Deputy Chairman Planning Commission dated 5<sup>th</sup> September, 1999 regarding formation of T.Q.M. Cell was tabled for discussion.

In view of the changing scenario in Islamabad, the Committee agreed to wait and watch for the formation of the cabinet before any further communication with the Government.

Meeting ended with a vote of thanks to the Chair.

**MUHAMMAD ASLAM  
DEPUTY SECRETARY**

23<sup>RD</sup> APRIL

**MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR  
CORPORATE LAW HELD ON TUESDAY, APRIL 20<sup>TH</sup> 1999 IN THE CHAMBER'S  
PREMISES.**

**PRESENT:**

MR. TARIQ AMIN	CHAIRMAN	RHONE POULENC
MR. MIAN RAZA AHMED		ABBOTT
MR. MOHAMMAD ASLAM		BOC
MR. ANDALIB ALAVI		ENGRO CHEMICAL
MR. S. K. HUSSAIN		HUB POWER
- REP BY MR. S. KHALID MASOOD		
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MR. AAMER AZIZ SAIYID		LEVER BROTHERS
- REP BY MR. SHEIKH A. MALIK		
MS. FAUZIA KAZMI		SHELL

**LEAVE OF ABSENCE:**

MR. K. BAKHTIAR AHMED	CYANAMID
MS. NAUSHEEN AHMED	ICI
MR. ASLAM SADRUDDIN	PAKISTAN CABLES
MR. MOHAMMAD ASDAF	PHILIPS

**1. CONFIRMATION OF THE MINUTES OF LAST MEETING :**

Minutes of the last meeting held on November 5, 1998, already circulated to the members, was considered, read and approved.

**2. MATTERS ARISING OUT OF THE SAID MINUTES :**

- NONE -

**3. STOCK OPTION - NOTICES ISSUED BY THE TAX AUTHORITIES TO VARIOUS COMPANIES :**

The position of NOTICES issued by the Income Tax authorities in respect of Stock Options as per specimen attached, was discussed. After detailed discussion on the subject the committee expressed its opinion that the benefits of Stock Option should be treated at par with foreign currency account and therefore be totally exempted from taxation. Since the country will ultimately be benefited by the Stock Option Scheme the Government should encourage it and refrain from bringing it in the tax net.

**4. ANY OTHER MATTER :**

- (a) Mr. Tasleemuddin Batlay spoke about the mismanagement and corruption prevailing in the office of the Registrar Joint Stock Companies these days. It was resolved that the Chairman may bring it to the notice of Mr. Shamim Ahmad Khan, Chairman, Securities & Exchange Commission of Pakistan and suggest necessary action in this respect.
- (b) Mr. Tasleemuddin Batlay also suggested that the proposal for amendment in the Companies Ordinance, 1984 and a list of offences and penal provisions under the Companies Ordinance, 1994, circulated to the previous committee members should be re-circulated to the present members so that the committee may take up the matter in its next meeting.

There was no other point to discuss, the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM  
DEPUTY SECRETARY**

24TH AUGUST, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR CORPORATE LAW HELD ON MONDAY 23RD AUGUST, 1999 AT 11.30 AM IN THE CHAMBER'S PREMISES**

**PRESENT:**

MR. TARIQ AMIN	CHAIRMAN	RHONE POULENC
MR. MIAN RAZA AHMED		ABBOTT
MR. ANDALIB ALAVI		ENGRO CHEMICAL
MR. SHAHID M. QURESHI		GLAXO WELLCOME
MR. ARSHAD HASHMI		HUB POWER

**LEAVE OF ABSENCE:**

MR. MOHAMMAD ASLAM	BOC
MR. NASIR ALI SHAH BUKHARI	KHADIM ALI SHAH BUKHARI
MR. NAVEED A. AHMAD	PAKISTAN TOBACCO
MR. SHAHID IQBAL	QASIM INTERNATIONAL
MS. FAUZIA KAZMI	SHELL

1. The Chairman welcomed Members to the new Committee and asked those present to introduce themselves. Secretary General gave a brief overview of the activities of the Committee in the past year.

The Minutes of the last meeting held on Tuesday 20th April, 1999 were then confirmed.

2. Chairman invited discussions from Members on formulating objectives for the forthcoming year.

The following role of the Sub Committee was agreed for the forthcoming year:

- a) Keep abreast of all impending changes in policy and regulations.
  - b) Ensure that such impending changes do not compromise the interest of Members, and interact with relevant authorities in bringing about the changes.
  - c) On a proactive basis make suggestions for changes in regulations, policies and laws, which are in the interest of the Members.
  - d) Take up with the relevant authorities cases of maladministration of the law or the rules.
  - e) Take up issues which are of general applicability to the Members and where inequity and principles of law are involved.
3. It was also agreed that the Chairman, Securities & Exchange Commission of Pakistan (SEC) be invited to the Chamber to share with the Members the new role envisaged by the Commission, and the direction that new legislation is likely to take.

Mr. Tariq Amin contacted the Chairman, SEC on the telephone and agreed that a meeting be held in September on a date to be advised by the Chairman, SEC.

4. Draft of the Companies (Buy back of shares) Rules 1999 was tabled for discussion. Letter of Engro Chemical Pakistan Limited dated 16th August, 1999 was also tabled for discussion.

It was agreed that OICC&I's comments be sent to the Commissioner, SEC as soon as possible.

Comments made on Rule 5(1), (2) & (3), 5(4)(ii), 5(9), 5(10) and in the Annexure (Declaration of Solvency) of Engro's letter were agreed. It was also agreed not to take up amendments in Rule 5(5) and Rule 9 as proposed by Engro. In Rule 4 it was agreed that there was no need for an Auditors certificate for availability of sufficient cash. In Rule 5(6) it was agreed that the limit of purchase from small shareholders be 100 rather than 500 prescribed.

It was also agreed that in Rule 5(7), (8) and (9) the limit of seven days be changed to fourteen days.

5. Other matters
  - i) Chamber to write to Chairman, SEC seeking a visit and meeting in September, 1999 in Karachi. The next meeting of the Sub Committee be planned for this date.
  - ii) The meeting was informed that clarification has been received from SEC that Companies Return on Form 'A' will be accepted in diskette form from listed companies and hard copies are no longer warranted.

The meeting closed with a vote of thanks to the chair.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

9<sup>th</sup> April, 1999

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR ENVIRONMENT HELD ON 5<sup>TH</sup> APRIL, 1999 AT 3.30 PM IN THE CHAMBER'S PREMISES.**

**PRESENT**

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. S. MUSHARRAF ALI		ABBOTT
MR. JAVED AKBAR		ENGRO CHEMICAL
MR. SAIF UL MALOOK		GLAXO WELLCOME
- REP BY MR. MUIED AHMED		
MR. PERWAIZ H. KHAN		LEVER BROTHERS
MR. NASEEMUL HAQUE		MERCK SHARPE & DOHME
MR. F. RAHMATULLAH		SHELL
- REP BY MR. RAGHIB NOORUDDIN		
MR. S. MUIED AHMAD		GLAXO WELLCOME

**LEAVE OF ABSENCE**

MR. JOHN B. HALLAM	CO-CHAIRMAN	ICI
MR. SHAH M. SAAD HUSSAIN		BHPMINERALS
CAPT. RETD. N. A. FAROOQUI		CALTEX OIL
DR. M. A. KHOWAJA		CLARIANT PAKISTAN

**1. CONFIRMATION OF MINUTES**

Minutes of the last meeting held on 23<sup>rd</sup> September 1998 circulated to the members previously were approved.

**2. MATTERS ARISING OUT OF THE SAID MINUTES**

- NONE -

3. The committee discussed the evident slow down in the implementation of the environmental protection programme. The Chairman mentioned that the self monitoring and reporting programme which was to commence from January 1, 1999 has obviously been delayed. He said he was planning to soon meet with officials in the Environment Ministry in Islamabad to get an update on the current thinking of the Government. (The meeting has since been held and a separate report issued.)

**4. DEVELOPMENT OF SOFTWARE PROGRAMME**

PEPA however, is in the process of developing an information package for the self monitoring and reporting programme which includes the development of a software. According to the information, the software will soon be demonstrated in the Ministry, preferably in the presence of the Minister, before the programme is finally launched.

## 5. CERTIFICATION OF LABORATORY

Mr. Syed Musharraf Ali suggested that in the absence of Certified Laboratories with Pakistan Environmental Protection Agency, members can obtain Laboratory Certification individually from those members who have meanwhile established their own facility. Certificates issued by established laboratories will be acceptable by PEPA. A copy of PEPA's letter No. 1 (1) /98-Lab-Div.iii addressed to Abbott Laboratories in this connection is attached, with the courtesy of Mr. Musharraf Ali.

A format, developed by the Committee, was circulated among the members on 1<sup>st</sup> February to apply for the certification of laboratory (copy attached). This will help members when self monitoring of NEQS starts w.e.f. July 1, 1999 as announced by EPA. The idea is to do laboratory testing on reciprocal basis, as the results are acceptable if done by another laboratory.

## 6. ENVIRONMENTAL TRAINING WORKSHOP

Members of the Committee present in the meeting endorsed the idea of conducting Environmental Training Workshop targeted at middle management as advocated by Mr. Azharuddin Khan of ETPI.

The meeting ended with a vote of thanks to the Chair.

**MUHAMMAD ASLAM**  
**DEPUTY SECRETARY**

8<sup>th</sup> June 1999

**MINUTES OF THE MEETING OF CHAMBERS STANDING SUB COMMITTEE FOR  
ENVIRONMENT HELD ON MONDAY 7TH JUNE 1999 AT 3.30 PM IN OICCI&I**

**PRESENT**

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. JOHN B. HALLAM	CO-CHAIRMAN	ICI
MR. S. MUSHARRAF ALI		ABBOTT
REP BY MASOOD AKHTAR		
CAPT. RETD. N. A. FAROOQUI		CALTEX
MR. ATIQUE UR REHMAN		
MR. JAVED AKBAR		ENGRO CHEMICAL
MR. S. MUIED AHMAD		GLAXO WELLCOME
MR. PERWAIZ H. KHAN		LEVER BROTHERS
MR. NASEEM UL HAQUE		MERCK SHARPE & DOHME
REP BY MR. CYRUS ZANDIAM		
MR. F. RAHMATULLAH		SHELL
REP BY MR. IQTIDAR SIDDIQUI		

**LEAVE OF ABSENCE**

MR. SHAH M. SAAD HUSSAIN	BHP MINERALS
MR. M. A. KHOWAJA	CLARIANT

Minutes of the last meeting held on 5th April 1999 were confirmed. Chairman stated that today's meeting had a single point agenda and that was to review the comments received from members and to arrive at a consensus on the draft of environmental sample rules 1991

In addition to written inputs received from Lever Brothers Merck Sharp & Dohme and ICI, other companies represented at the meeting shared their apprehensions and views.

The Oil Advisory Consultative Committee (OACC) views were propounded by Shell & Caltex. Engro Chemical also made significant contribution to the discussion.

Chairman requested Mr. Javed Akber to capture all the changes discussed and agreed and to incorporate these comments in a letter form which will be transmitted to FPCC&I and also to the Director General of EPA.

Chairman stated that the next meeting will be held soon to discuss the status of recommendations that have been sent to the Government of Pakistan with regard to the implementation of the Environmental Protection Act. Chairman also informed the meeting that there may be an opportunity to recommend names for appointment as technical member of the Environmental Tribunal. He solicited names.

**ZAHID ZAHEER  
SECRETARY GENERAL**



9TH SEPTEMBER, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON ENVIRONMENT HELD ON WEDNESDAY 8TH SEPTEMBER, 1999 AT 3 PM IN OICC&I**

**PRESENT**

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. S. MUSHARRAF ALI		ABBOTT
MR. JAVED AKBAR		ENGRO CHEMICAL
DR. S. NAJEEB RIZVI		ENGRO PAKTANK
MR. S. MUJED AHMAD		GLAXO WELLCOME
MR. M. ARIF KHAN		JOHNSON & JOHNSON
MR. IQTIDAR SIDDIQUI		SHELL

**LEAVE OF ABSENCE**

MR. JOHN B. HALLAM	CO-CHAIRMAN	ICI
MR. SHAHID ALI		HUB POWER
MR. PERWAIZ H. KHAN		LEVER BROTHERS

Chairman asked Members to introduce themselves. He then gave an overview of the committee's deliberations over the last year for the benefit of new members.

Chairman invited discussions on the frequency of the meetings and duration. After deliberations, it was agreed that meetings should be held once a month on the last Thursday of each month at 3.30 PM.

Chairman informed that he attended the meeting of the Pakistan Environmental Protection Council (PEPC) held in Islamabad on 26th August, 1999.

The PEPC met after more than two years although it is mandated to meet twice in a year.

The meeting was chaired by the Minister of Environment, who is also the Vice Chairman of the Council. The Prime Minister could not attend. The Minutes of this meeting will be circulated in due course, after they are received from the Secretariat in Islamabad.

Issues discussed at this meeting were:

1. Recommendations for clean fuel supply, the phasing out of high lead gasoline and introducing low lead gasoline by January, 2000. Sulphur content of fuel oil also to be reduced by the year 2005.
2. Software developed for self monitoring and reporting by the Director General, Environmental Protection Agency (EPA) was introduced by Mr. Asif Shuja. It is called EPA'S SMART.

One copy of the diskettes is available with the Chairman.

Engro Chemical agreed to make copies of the diskettes and circulate it to all Members of the Sub Committee for trial and comments.

The Director General, EPA intends sending this software to about fifty companies. They expect FPCC&I and OICC&I to nominate such companies who are willing to try this out on a voluntary basis.

3. The revised NEQS was also presented and approved. The revised approved NEQS will be gazetted shortly.
4. Pollution charge concept was approved. This will be paid by those companies who do not meet NEQ's standard. Effective date of pollution charge 1st January, 2000.

Although the private sector representatives requested that the pollution charge so collected should not go into federal pool of revenues but go into a special fund to be managed by trustees (to be appointed), the Government's position is that this will require the Act to be changed.

5. OICC&I representative suggested that PEPC appoint a subsidiary committee which should meet frequently to monitor and resolve implementation issues. Secretary Environment agreed to set up such a committee.

The meeting was informed by the representative of Shell that Government of Pakistan have appointed 'Chemsystems' as consultants with World Bank support to advise on clean fuel supply.

Chairman informed the meeting that he had received an email from the representative of ICI expressing some of his concerns, which he will discuss with Mr. John B. Hallam. Some of these concerns centre around registration and certification of laboratories, the testing protocol, etc.

Meeting closed with a vote of thanks to the Chair.

Next meeting will be held on Thursday 30th September, 1999 at 3.30 PM in OICC&I.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

13<sup>TH</sup> OCTOBER

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON ENVIRONMENT HELD ON TUESDAY 5<sup>TH</sup> OCTOBER, 1999 AT 3.30 PM IN OICC & I**

**PRESENT**

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. JOHN B. HALLAM	CO-CHAIRMAN	ICI
MR. S. MUSHARRAF ALI		ABBOTT
MR. JAVED AKBAR		ENGRO CHEMICAL
DR. S. NAJEEB RIZVI		ENGRO PAKTANK
MR. S. MUIED AHMAD		GLAXO WELLCOME

**LEAVE OF ABSENCE**

MR. SHAHID ALI	HUB POWER
MR. M. ARIF KHAN	JOHNSON & JOHNSON
MR. PERWAIZ H. KHAN	LEVER BROTHERS
MR. IQTIDAR SIDDIQUI	SHELL

Minutes of the previous meeting held on 8<sup>th</sup> September, 1999 were confirmed.

**1. Matters arising out of the minutes :**

- A) The formal Minutes of the 8<sup>th</sup> PEPC meeting held in Islamabad on 26<sup>th</sup> August, 1999 have been reviewed by the Chairman.

President of the Chamber has received a request from the Ministry on 28<sup>th</sup> September, 1999 seeking a nomination for inclusion in the National Coordination Committee.

It was agreed that the following names be sent as the Chamber's nominee to the National Coordination Committee :

1. Mr. Zaffar A. Khan

Alternate

2. Mr. John B. Hallam

- B) It was agreed that a letter be sent to the Director General, EPA suggesting a small group meeting at OICC&I premises in Karachi as soon as possible to discuss the issues that need to be addressed and to progress implementation. It should be brought to his attention that the SMART software which was to be sent to OICC&I Members to try out has not been received.

One member company has however received the software and encountered difficulties in using it, and the software needs to be made more user friendly.

2. **Other matters** :

The letter dated 22<sup>nd</sup> September, 1999 received from the Environment Ministry was tabled for discussion. It was noted that the Chamber's nomination of Chairman Standing Sub Committee on Environment to the PEPC has not been accepted.

It was decided that the Chamber should write again to the Ministry and explain the position with regard to Chamber's representation on the PEPC.

The meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

10TH NOVEMBER, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON ENVIRONMENT HELD ON THURSDAY 28TH OCTOBER, 1999 AT 3.30 PM IN OICC&I**

**PRESENT**

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. JOHN B. HALLAM	CO-CHAIRMAN	ICI
MR. S. MUSHARRAF ALI		ABBOTT
MR. JAVED AKBAR		ENGRO CHEMICAL
DR. S. NAJEEB RIZVI		ENGRO PAKTANK
MR. S. MUJIED AHMAD		GLAXO WELLCOME
MR. SHAHID ALI		HUB POWER
MR. PERWAIZ H. KHAN		LEVER BROTHERS
MR. IQTIDAR SIDDIQUI		SHELL

**LEAVE OF ABSENCE**

MR. M. ARIF KHAN	JOHNSON & JOHNSON
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**1. CONFIRMATION OF LAST MINUTES**

Minutes of the last meeting held on 5th October, 1999 already circulated to the Members was considered read and approved.

**2. MATTERS ARISING OUT OF THE SAID MINUTES**

None

**3. OTHER MATTERS**

- a) Chairman informed the meeting that Mr. Javed Akbar attended the Environmental Audit Seminar at Islamabad and requested him to brief the Committee about the proceedings of the meeting. The session was attended by representatives of industries, NGO's and bureaucrats. Matters discussed were:

- Who should audit
- Which body should approve / certify the Environment Auditors
- It was agreed that in the next meeting scheduled in the first half of November, a committee to be formed to discuss all issues related to responsibilities and activities of auditors, and to certify them. Mr. Mahmood Khawaja of Planning Commission will do a circular.

b) Chamber to write to Director General, Environmental Protection Agency for further clarification if the comments made on the following issues have been incorporated:

- i) Self Monitoring Guidelines (1997 draft)
- ii) Pollution charge
- iii) Certification of Environmental Laboratories 1998 draft
- iv) Environmental Sample Rules (draft April, 1999)
- v) Sustainable Development Fund Board (Procedure) Rules draft June, 1998
- vi) Sustainable Development Fund (Utilization) Rules draft June, 1998
- vii) Pollution charge for Industry (Calculation & Collection) Rules June, 1998 draft
- viii) NEQ's (Self Monitoring & Regulatory) Rules draft September, 1998

c) The Chairman suggested that a copy of revised NEQ's Annexure V. Liquid Effluents and Annexure II for Gasses emission and Annexure III for Motor vehicle exhaust be circulated to all Members of the Chamber's Standing Sub Committee.

d) The salient points to discuss with Director General, Environmental Protection Agency, Mr. Asif Shuja in his forthcoming visit to the Chamber are enumerated below:

- A) How best Chamber can help the EPA
- B) Feed back from Director General on the drafts that have been put up to EPA.
- C) Monitoring of progress and preparing future plans
- D) Guidelines and their status
- E) Feed back of Environmental Protection Agency monitoring
- F) The 'dead lines' - are they realistic
- G) Non availability of land for disposal of solid waste
- H) Sector-wise issues

The meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM**  
**DEPUTY SECRETARY**

19<sup>TH</sup> May, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR INSURANCE HELD ON THURSDAY 6<sup>TH</sup> MAY, 1999 AT 3.30 PM IN THE CHAMBER'S PREMISES**

**PRESENT**

MR. MOIN M. FUDDA	CHAIRMAN	COMMERCIAL UNION
MR. JAVED IQBAL	CO-CHAIRMAN	PHILIPS
MS. ZEHRA NAQVI		CIGNA
MR. ABDUR RAHIM		COMMERCIAL UNION
MR. K. MOAZZAM REHMAN		ENGRO CHEMICAL
MR. MASOOD AHMED		GLAXO WELLCOME
MR. AHMED SALAHUDDIN		ROYAL EXCHANGE

**LEAVE OF ABSENCE**

MR. FERAZ RIZVI	ICI
MR. KHURSHEED KOTWAL	LEVER BROTHERS
MR. MUJIB KHAN	NEW HAMPSHIRE
DR. MUMTAZ A. HASHMI	ROYAL & SUN ALLIANCE
MR. HASNAIN MOOCHALA	SHELL

**1. CONFIRMATION OF THE MINUTES**

Minutes of the last meeting of the Committee held on 23<sup>rd</sup> October, 1998, already circulated to the Members, were approved.

**2. MATTERS ARISING OUT OF THE SAID MINUTES**

None

**3. WITHHOLDING TAX EXEMPTION FOR BRANCHES OF NON-RESIDENT INSURANCE COMPANIES**

The Committee discussed and approved the draft letter addressed to the Chairman, Central Board of Revenue on Withholding Tax payable by Foreign Insurance Companies. A copy of the said letter dated 6<sup>th</sup> May, 1999 is attached.

**4. PROPOSED AMENDMENTS IN THE INSURANCE ACT AND THE FORMATION OF PIRA**

The Committee wished to obtain a copy of the draft amendments in the Insurance Act and seek Members comments thereon. Secretary General to write a letter on the subject to the Controller of Insurance.

## 5. OTHER MATTERS

- a) Mr. Ahmed Salahuddin of Royal Exchange Assurance tabled a letter wherein Habib Bank Limited have not included his company (among 15 leading Insurance Companies) to be on their panel. The basis of determining the criteria of selection is not understood as Royal Exchange Assurance is a very sound and one of the oldest companies in the Country. Habib Bank Limited should be approached to reconsider their decision.
- b) ABN AMRO Bank N. V., had also not included Royal Exchange Assurance in their panel. ABN AMRO Bank, N.V., being a Member of the Chamber, should also be asked to include Royal Exchange Assurance on their panel, Secretary General to use his good offices in this respect.

This probably being the last meeting of 1998-99, the Co-Chairman proposed a vote of thanks for the Chairman of the Committee in particular, and Members for their enthusiasm and support in running the Committee's affairs.

**MOHAMMAD ASLAM  
DEPUTY SECRETARY**



17<sup>TH</sup> SEPTEMBER, 1999

**MINUTES OF THE MEETING OF CHAMBERS STANDING SUB COMMITTEE FOR INSURANCE HELD ON WEDNESDAY 15TH SEPTEMBER 1999 AT 3 PM IN OICCI&I**

**PRESENT**

MR. MOIN M. FUDDA	CHAIRMAN	COMMERCIAL UNION
MR. JAVED IQBAL	CO-CHAIRMAN	PHILIPS
MS. ZEHRA NAQVI		CIGNA
MR. ABDUR RAHIM		COMMERCIAL UNION
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. AHMED SALAHUDDIN		ROYAL EXCHANGE

**LEAVE OF ABSENCE**

MR. K. MOAZZAM REHMAN	ENGRO CHEMICAL
MR. MASOOD AHMED	GLAXO WELLCOME
MR. ARSHAD HASHMI	HUB POWER
MR. QAMAR HASAN KHAN	JOHNSON & JOHNSON
MR. ZAMANAT ABBAS	KSB PUMPS
MR. AQEEL A. KHAN	PAK PETROLEUM
DR. MUMTAZ A. HASHMI	ROYAL & SUN ALLIANCE
MR. HASNAIN MOOCHALA	SHELL

Chairman welcomed members to the meeting. He stated that today's meeting had a single point agenda and that was to consider the chamber's response to the draft of a proposed bill for the repeal and re enactment of the Insurance Act 1938.

Chairman informed the meeting that tentative comments on this draft were made by Dr. Mumtaz Hashmi at the meeting with Government of Pakistan in Islamabad on 18th August 1999 and these have been circulated to the members of the Sub Committee with the Agenda.

Chairman stated that a small working group consisting of himself Ms. Zehra Naqvi and Mr. Ahmed Salahuddin have prepared the draft memorandum of the proposed response. Ms. Naqvi presented the 9-page draft memorandum along with three Annexures of the proposed response at the meeting.

The meeting considered the draft memorandum and approved the response. It was agreed that the Chairman along with Ms. Naqvi and Mr. Salahuddin would fine tune the proposed response and send to the Chairman Securities & Exchange Commission of Pakistan with a copy to Ministry of Commerce within next ten days.

The meeting was informed that SECP has now been appointed as the regulatory authority for insurance. The Controller of insurance is presently reporting to the Chairman SECP. However Ministry of Commerce has formed a working committee consisting of Mr. Jamil Erickzada to submit their recommendations on the proposed changes in the law within a period of thirty days.

The meeting recorded its appreciation for excellent work put in by Ms. Zehra Naqvi and closed with a vote of thanks to the Chair.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

17<sup>TH</sup> DECEMBER, 1999

**MINUTES OF THE MEETING OF CHAMBERS STANDING SUB COMMITTEE FOR INSURANCE HELD ON THURSDAY 16TH DECEMBER 1999 AT 11 AM IN OICCI&I**

**PRESENT**

MR. MOIN M. FUDDA	CHAIRMAN	COMMERCIAL UNION
MR. S. UMER ALI SHAH		ACE
MR. ABDUR RAHIM		COMMERCIAL UNION
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. AHMED SALAHUDDIN		ROYAL EXCHANGE
DR. MUMTAZ A. HASHMI		ROYAL & SUN ALLIANCE

Chairman Mr. Moin Fudda welcomed members to meeting. He said that this meeting has been called to discuss arbitrary limits for acceptance of insurance policies from borrowers of funds, that are being set by nationalized banks for branches of foreign insurance companies.

Mr. Rahim explained the problems being encountered by his company with Habib Bank Limited. They have set arbitrary risk limits for insurance policies issued by his company. He has had parleys with Mr. Mohsin Aziz, Director, Financial Institutions Division on this subject. Mr. Aziz was advised to accept the Reinsurance treaty limits which have been determined by the Controller of Insurance. The limits were determined in 1998 and have not been updated.

Habib Bank Limited and other nationalized banks have no appropriate criteria for evaluating limits for insurance policies for branches of foreign insurance companies.

It was agreed that Mr. Rahim would prepare a draft letter for Habib Bank, outlining the issues and concerns of branches of foreign insurance companies and suggesting appropriate criteria. This draft will be circulated amongst all member companies before being sent to Habib Bank Limited.

Based on the reaction of the nationalized banks the matter may be taken up further with the central bank which is the regulatory authority and sets the standard of prudence to be exercised by all Banks.

Meeting closed with vote of thanks to the Chair.

**ZAHID ZAHEER  
SECRETARY GENERAL**

18<sup>th</sup> March, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE  
FOR LABOUR HELD ON MONDAY 1<sup>ST</sup> MARCH 1999  
AT 3.30 PM IN THE CHAMBER'S PREMISES**

**PRESENT**

MR. KAMRAN Y. MIRZA	CHAIRMAN	ABBOTT
MR. ISHAQUE H. HASHMI		ABBOTT
PROF. M. MATIN KHAN		BARRETT HODGSON
MR. SHAHID QURESHI		GLAXO WELLCOME
MR. ZAFAR MANNAN		INDUS MOTOR

**LEAVE OF ABSENCE**

MR. H. A. ATHAR	CALTEX OIL
MR. SALIM AZHAR	ENGRO CHEMICAL
MR. KHALID B. OSMANY	ICI
MR. HAROON WAHEED	LEVER BROTHERS
MR. DINYAR DUBASH	MASHREQBANK PSC
MR. JALEES A. SIDDIQI	PHILIPS
MR. RASHID AHMED	SHELL

Minutes of the last Meeting held on 17<sup>th</sup> September, 1998 were confirmed.

The committee reviewed the views submitted by Mr. Haroon Waheed of Lever Brothers on SRO 606(1)/98 dated 6<sup>TH</sup> June, 1998. Some companies have paid COLA, others have not, depending on the nature of their agreements. Hinopak and Indus Motors have not paid.

▪ **MEMBERSHIP OF EMPLOYERS' FEDERATION OF PAKISTAN**

It was agreed that for the time being the membership of the Federation should continue.

▪ **DRAFT - NEW LABOUR POLICY**

The comments circulated by the Employers' Federation of Pakistan were tabled for discussion. It was noted with satisfaction that the views of the OICC&I are not in divergence to those espoused by the Employers' Federation. It was agreed that Indus Motors would prepare a memorandum on what incentives should be offered to industries providing training to employees.

▪ **ADHOC INCREASE IN WAGES**

Apprehensions were expressed at the recent statement of the Federal Labour Minister that another adhoc increase in wages is likely to be announced with the Federal Budget in June, 1999. Chamber to take up this matter with the Government of Pakistan.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER  
SECRETARY GENERAL**

27TH OCTOBER, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING  
SUB COMMITTEE FOR LABOUR HELD ON THURSDAY 21ST OCTOBER, 1999 AT  
11.30 AM IN OICC&I**

**PRESENT:**

MR. ZAHID ZAHEER	CHAIRMAN
MR. ISHAQUE H. HASHMI	ABBOTT
PROFESSOR M. MATIN KHAN	BARRETT HODGSON
MR. S. H. M. ZAIDI	EXIDE
MR. KHALID B. OSMANY	ICI
- REP BY MR. PARVEZ RAHIM	
MR. JALEES A. SIDDIQI	PHILIPS
MR. RASHID AHMED	SHELL

**LEAVE OF ABSENCE:**

MR. SALIM AZHAR	ENGRO CHEMICAL
MR. SHAHID QURESHI	GLAXO WELLCOME
MR. HAROON WAHEED	LEVER BROTHERS
MAJ @ A. A. ZUBERI	SIEMENS

The Chairman welcomed the members to the first meeting of the new committee. Although no formal meeting has been held, members have been active in deliberations such as appearing before the Task Force on Labour Laws and preparing views for the commission for rationalization of Labour Laws.

**MINUTES OF LAST MEETING**

Minutes of the last meeting held on 1st March, 1999, already circulated to the Members were approved.

**ACTIVITIES OF THE COMMITTEE**

The Chairman gave an overview of the activities of the Committee during the past year.

**NOMINATION**

The Chairman suggested that a Member be nominated from this Committee to represent the Chamber at the Employers' Federation of Pakistan. Mr. S. H. M. Zaidi agreed to represent the Chamber at the Employers' Federation.

**ROLE OF THE COMMITTEE**

The Chairman then invited discussions on the role of the Sub Committee and the issues that still need to be addressed. The following role of the Sub Committee was agreed upon:

- a) Keep abreast of all impending changes in policy and regulations.
- b) Ensure that such impending changes do not compromise the interest of Members, and interact with relevant authorities in bringing about the changes.

- c) On a proactive basis make suggestions for changes in regulations, policies and laws, which are in the interest of the Members.
- d) Take up with the relevant authorities cases of mal-administration of the law or the rules.
- e) Take up issues which are of general applicability to the Members and where inequity and principles of law are involved.

### **RECOMMENDATIONS OF EFP ON RATIONALIZATION OF LABOUR LAWS**

The recommendation of Employers' Federation on Consolidation / Simplification and Rationalization of Labour Laws were tabled and discussed by the Committee at length. Email received from Mr. Haroon Waheed was tabled. The Committee agreed to the following:

- a) Support the detailed suggestions listed by the Employers' Federation.
- b) Members of the Committee observed that the suggestion of the Employers' Federation are of micro nature and therefore are quite elaborate. After brief discussion, it was decided that the Chamber should take up macro issues which were identified as follows:
  - i) Overprotective labour laws that have reduced productivity and frightened away much needed investment needs to be rationalized.
  - ii) Multiple tiers of workers participation in management needs to be rationalized.
  - iii) Four different stages of profit sharing, bonus, 10C bonus, Workers Participation Fund and Workers Welfare Fund should be rationalized and preferably replaced by one single source of profit sharing.
  - iv) Termination simplicator be restored in the labour legislation.
  - v) Outside leadership in collective bargaining agents to be eliminated. The need for second audit be challenged.
  - vi) Rules relating to the hire of the contract services should be clarified.

Mr. S. H. M. Zaidi very kindly agreed to prepare a Memorandum to elaborate the above points for the Committee, before submission to the Employers' Federation.

### **TASK FORCE ON LABOUR LEVIES - 1999**

The Chairman informed the Committee that the following gentlemen attended the Task Force Meeting at Avari Towers on 5th October, 1999:

MR. ISHAQUE H. HASHMI	ABBOTT
PROFESSOR M. MATIN KHAN	BARRETT HODGSON
MR. SHAHID QURESHI	GLAXO WELLCOME
MR. KHALID OSMANY	ICI
MR. RASHID AHMAD	SHELL
MR. MOHAMMAD ASLAM	OICC&I

A copy of Mr. Rashid Ahmed's suggestions presented to the Task Force meeting at Avari Towers was tabled.

**OTHER MATTERS**

Members agreed that meetings of the Sub Committee should be held every alternate month preferably at 9.30 AM on Wednesdays.

The meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM  
DEPUTY SECRETARY**

2<sup>ND</sup> FEBRUARY

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR  
PORTS, SHIPPING & COMMUNICATIONS HELD ON THURSDAY 28<sup>TH</sup> JANUARY, 1999  
AT 3 P.M. IN OICC&I**

**PRESENT:**

MR. M. MOONIS	CHAIRMAN	UNITED LINER
MR. FAROOQ RAHMATULLAH	CO-CHAIRMAN	SHELL
- REP BY MR. ISSAM HAMID		
MR. NADEEM JAFAREY		CALTEX
MR. SHAHID A. HAKIM		ENGRO CHEMICAL
MR. S. H. A. BUKHARI		P & O

**LEAVE OF ABSENCE:**

MR. G. H. CHAUDHRY	LEVER BROTHERS
MR. FAROOQ HASAN	PAKTEL
MR. B. SAEED	SIEMENS

**1. APPROVAL OF LAST MINUTES**

Minutes of the last meeting of the Committee held on 16<sup>th</sup> October, 1998 already circulated to the Members were approved.

**2. MATTERS ARISING OUT OF THE SAID MINUTES**

- a) Referring to the dilapidated condition of open pipeline trenches in KPT area, the Chairman informed the members that KPT have formed a committee under the Chairmanship of Brigadier Javed Ahmed to look into the matter. He requires cooperation of oil companies also in this connection and Mr. Nadeem Jafarey volunteered to meet Brigadier Ahmed to discuss the issue with him and report back to the Chairman.
- b) KPT has taken up repair of roads within its own area. Roads pertaining to different municipal zones are the responsibilities of respective Municipal Corporations. The Chairman has raised this matter with Mr. Arshad Ali, Administrator, KMC, who has promised to assist.
- c) Chairman informed that National Bank of Pakistan in principle has agreed to open a Branch of their Bank at QICT shortly.
- d) Chairman briefly intimated about the Karachi Dock Labour Board's golden hand shake scheme that it has extended to dock workers. With a reduction in the work force there has been some saving which the KDLB is planning to pass on to the port user, by way of a reduction in the KDLB levy.

The meeting ended with a vote of thanks of the Chair.

**MOHAMMAD ASLAM  
DEPUTY SECRETARY**

31<sup>ST</sup> MAY, 1999

**MINUTES OF THE MEETING OF CHAMBERS STANDING SUB COMMITTEE FOR  
PORT SHIPPING & COMMUNICATIONS HELD ON THURSDAY 27TH MAY 1999 AT  
3.00 PM IN OICC&I**

**PRESENT**

MR. M. MOONIS	CHAIRMAN	UNITED LINER
MR. G. H. CHOUDHRY		LEVER BROTHERS
REP BY MR. ARIF		
MR. B. SAEED		SIEMENS

**LEAVE OF ABSENCE**

MR. FAROOQ RAHMATULLAH	SHELL
MR. NADEEM JAFAREY	CALTEX OIL
MR. SHAHID A. HAKIM	ENGRO CHEMICAL
MR. FAROOQ HASAN	PAKTEL
MR. S. H. A. BUKHARI	P & O CONTAINERS

Minutes of the last meeting held on 28th January 1999, already circulated to the members were approved.

**MATTERS ARISING OUT OF THE SAID MINUTES****Banking facilities in PQA**

The Chairman informed the members that National Bank of Pakistan's Branch recently established at QICT is fully operational now.

**Condition of roads in and out of KPT Area.**

The Chairman has discussed the issue of repairing the approach Roads outside KPT area with the Administrator KMC. Due to their financial constraints KMC is unable to undertake the repair work in the near future.

The KPT in the interest of smooth flow of traffic to and fro the Port has agreed to carry out the repair work on behalf of KMC and adjust the repair cost against the dues payable to KMC. KPT will be taking up the repair of Roads to tank terminals at Karachi soon.

**Dilapidated condition of oil pipelines trenches in KPT area**

KPT is discussing this matter with oil companies. Mr. Nadeem Jafarey of Caltex has had a meeting with Brigadier Javed Ahmed of KPT regarding colour coding and identification of pipelines. Once this information is provided KPT will proceed with cleaning and repair of trenches.

KPT has taken necessary action to reconstruct OPI which was built in 1966 to handle tankers of 35,000 DWT. The reconstructed berth will be able to accommodate tanker of 75,000 DWT and will have modernized loading / unloading facilities. Consultants for design-engineering services have been appointed.



**TRANSSHIPMENT TERMINALS AT KPT**

The Chairman informed the members that KPT's Transshipment Terminal has started working now. Custom department have extended fullest support by simplifying the transshipment procedure.

Being the last meeting of the current year the Chairman thanked the members for their enthusiasm and cooperation during the year.

**MOHAMMAD ASLAM  
DEPUTY SECRETARY**

25<sup>TH</sup> AUGUST

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR  
PORTS, SHIPPING & COMMUNICATIONS HELD ON THURSDAY 19TH AUGUST, 1999  
AT 3 PM IN THE CHAMBER'S PREMISES**

**PRESENT**

MR. M. MOONIS	CHAIRMAN	UNITED LINER
MR. C. SMIT		ENGRO PAKTANK
MR. M. HANIF		GLAXO WELLCOME
REP BY MR. ASHIQ HUSAIN		
MR. MUSTAFA GIANI		HUB POWER
MR. TARIQ KHATTAK		P & O CONTAINER
MR. RIZWAN H. QIDWAI		PAKISTAN PETROLEUM
CDR. (R) SHAIKH S. HASAN		PHILIPS
CAPT. RETD. MUZAFFAR ALI		QASIM INTERNATIONAL
MR. F. H. RAHIMTOOLA		RAY SHIPPING
REP BY SYED MUNIR AHMAD		SHELL

The Chairman welcomed members to the new committee and asked them to introduce themselves. The Chairman gave an overview of the issues that were taken up by the Committee last year.

The minutes of the last meeting held on Thursday 27th May, 1999 at 3 PM were confirmed.

Chairman then invited discussions on the role of the sub committee and the issues that still need to be addressed. The following role of the Sub Committee was agreed upon:

- a) Keep abreast of all impending changes in policy and regulations
- b) Ensure that such impending changes do not compromise the interest of members, and interact with relevant authorities in bringing about the changes.
- c) On a proactive basis make suggestions for changes in regulations, policies and laws, which are in the interest of the members.
- d) Take up with the relevant authorities cases of maladministration of the law or the rules.
- e) Take up issues which are of general applicability to the members and where inequity and principles of law are involved.

Mr. Tariq Khattak of P&O Containers was nominated as Co-Chairman of the sub committee.

Secretary General explained for the benefit of the new members the Chamber's external representation in the Ports and Shipping area.

Chairman, Mr. M. Moonis represents the Chamber as a Trustee on the Karachi Port Trust. He also represents the Chamber as Vice Chairman of the Karachi Dock Labour Board (KDLB). The Chamber has a seat on the Karachi Port Council. The President represents the Chamber on the Port Qasim Authority Board.

Chairman informed the meeting that KDLB has been able to lay off 800 dock workers under a golden hand shake scheme, as a result thereof the KDLB levy has been reduced from Rs. 70 to Rs. 60 per tonne, and the box rate reduced from Rs. 1,700 / Rs. 1,800 to Rs. 1,000 per TEU. It is estimated that 9 Million tonnes of dry general cargo is handled at Karachi Port every year.

Chairman invited discussions on the issues that the committee needs to address.

Mr. Farooq Rahimtoola (who also represents Pakistan Ship Agents Association) said that the Government of Pakistan had constituted a task force, (in which he was a Member) to formulate a shipping policy document. Many people participated in the deliberations, but no policy has been announced. The need to do this was imperative.

The task force recommendations are still with the Economic Coordination Committee (ECC) of the Cabinet. It has been indicated by some circles that the Director General of Ports & Shipping has produced his own policy document for the ECC meeting. Although the policy is on the anvil, it has not been made public. Mr. Rahimtoola stated that the Government has yet to issue a formal list of areas to be privatized.

Chairman informed the meeting that although no formal policy document has been released, KPT has tendered for a second container terminal at Berths 6 - 9 on BOT basis and it has also advertised for an off dock container freight station at TPX Yard also on BOT basis.

Chairman stated that roads within the KPT area are being repaired. The road leading to the Keamari tank terminal is in terrible state and was to be repaired by KMC, but now the Administrator of KMC has changed, as well as the Governor of Sindh, who had agreed that KMC would do this work in the financial year 1999 - 2000.

Brigadier Javed, General Manager, KPT had undertaken to have the oil pipeline trenches cleaned and maintained. An update from Brigadier Javed was required. Mr. Nadeem Jafri of Caltex was coordinating with Brigadier Javed and he should be contacted for an update. The oil companies pay a charge for the maintenance of these pipelines.

The representative of Shell pointed out that there was no traffic regulations on the road leading to Keamari area, also encroachment has taken place in the moats surrounding the tanks, adversely effecting safety. Secretary General offered to discuss this matter with the Chief Secretary, Sindh.

Mr. Smit (Engro Paktank) said that the roads inside PQA area and the traffic control was also a problem. There is only one gate leading to Port Qasim which creates congestion. There is also no night navigation in the channel and due to lack of dredging, the channel depth is limited to 11 metres. Furthermore shortage of pilots and tugs results in excessive demurrage payments.

The representative of Qasim International Container Terminal informed the meeting that bids for night navigation have been invited. Phase II of night navigation needs to be expedited. Furthermore, pilots need to be trained for handling of ships at night and more pilot boats and tugs are required. This issue has dragged on for three years.

It was further stated that there is need to define the parameters / limitations of vessels that can come into Port Qasim. There is a 183 metre length restriction at present.

Mr. Smit stated that the master plan for Port Qasim is always cited as an impediment for further new investment. The master plan needs to be updated.

Next meeting planned after six weeks, unless needed earlier.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

17TH DECEMBER, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR PORTS, SHIPPING & COMMUNICATIONS HELD ON TUESDAY 14TH DECEMBER, 1999 AT 11 AM IN THE CHAMBER'S PREMISES**

**PRESENT:**

MR. M. MOONIS	CHAIRMAN	UNITED LINER
MR. RIZWAN H. QIDWAI		PAKISTAN PETROLEUM
CDR @ SHAIKH S. HASAN		PHILIPS
CAPT @ MUZAFFAR ALI		QASIM INTERNATIONAL
MR. FAROOQ RAHMATULLAH		SHELL
- REP BY MR. SHEHRYAR AFZAL		

**INVITATION:**

MR. SYED WAQAR HYDER	SIDAT HYDER
MR. MANSOOR AHMED	MORSHED ASSOCIATES
MR. AHMED HABEEB	(PRIVATE) LIMITED

**LEAVE OF ABSENCE:**

MR. TARIQ KHATTAK	CO-CHAIRMAN	P & O CONTAINER
MR. C. SMIT		ENGRO PAKTANK
MR. M. HANIF		GLAXO WELLCOME
MR. MUSTAFA GIANI		HUB POWER
MR. F. H. RAHIMTOOLA		RAY SHIPPING

The Chairman welcomed the Visitors from Sidat Hyder Morshed Associates (Private) Limited (SHMA) to the meeting.

**AGENDA ITEM 3 - TARIFF RATIONALIZATION STUDY**

It was agreed to take up Item 3 of the Agenda first which related to the tariff rationalization study from KPT being conducted by SHMA.

The Consultants stated that they were doing a comparative study and have used Colombo as a main reference point and Singapore has been used as a secondary information source. Due to logistic difficulties, Indian ports have been ignored for this study.

OICC&I Members suggested that Dubai should also be considered as a comparative source of information.

Discussions took place on the various elements of wet and dry costs.

It was also explained that clearance of documents take 6/8 days in Karachi, although perishable goods can be done early. However, demurrage is charged after forty eight hours.

Several questions were asked by the consultants which were suitably answered by the participants.

**AGENDA ITEM 1**

Minutes of the last meeting held on 19th August, 1999 were confirmed.

**AGENDA ITEM 2**

In matters arising from the above Minutes, it was agreed that the following correction be made in the second last paragraph. The length of the vessel to read 270 metres and not 183 metres.

**AGENDA ITEM 4**

**Other matters:**

- a) Notice of the 62nd Port Council Meeting proposed for 3rd week of January, 2000 was tabled.

KPT has sought inputs for the agenda by 21st December, 1999. It was agreed that Co-Chairman, Mr. Tariq Khattak will represent the Chamber at this meeting. He may also be requested to send points for the agenda.

- b) Captain © Muzaffar Ali stated that despite earlier agreement, the inter transfer of containers from Port Qasim Authority to Karachi Port Trust is a hurdle. KPT is disallowing this, and the matter needs to be taken up.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER  
SECRETARY GENERAL**

11<sup>th</sup> February, 1999

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR  
TAXATION HELD ON TUESDAY 9<sup>TH</sup> FEBRUARY, 1999 AT 10:30 AM IN OICC&I**

**PRESENT**

MR. FUAD HASHIMI	CHAIRMAN	GESTETNER
MR. PARVEZ GHAS		ENGRO CHEMICAL
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. S. KAZIM HASAN		CGU
MR. SAEED HAIDER		J & P COATS
MR. TASLEEMUDDIN BATLAY		LAKSON TOBACCO
MR. SHAMIM H. KHAN		LEVER BROTHERS
MR. MUNAF H. LAKDA		PHILIPS
MR. SAAD A. KHAN		PROCTER & GAMBLE
REP BY MR. WAQAS ASLAM		
MR. RAHIM DAWOOD		SIEMENS

**LEAVE OF ABSENCE**

MR. S. K. MEHDI	CLARIANT
MR. MASOOD AHMED	GLAXO WELLCOME
MS. FARAH QURESHI	RHONE POULENC
MS. TRUDY TAYLOR	SHELL

Chairman welcomed members to the meeting.

Minutes of the last meeting held on 4<sup>th</sup> December, 1998 were confirmed.

Chairman suggested that each group leader should make recommendations on a standardized format, and the specimen format used by IBM be agreed upon.

Mr. Tasleemuddin Batlay on behalf of nine companies of group eight (Tobacco & other manufacturing) made his recommendations. After discussions the recommendations that were adopted are in the attached sheet.

Mr. Munaf H. Lakda on behalf of nineteen companies of the group seven (Engineering & Industrial Products) made his recommendations. After discussion, those that were adopted are in the attached sheet.

The meeting was adjourned for 10<sup>th</sup> February, 1999 at 9.30 AM when recommendations of the other group leaders would be considered.

**ZAHID ZAHEER  
SECRETARY GENERAL**

12TH FEBRUARY, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR TAXATION HELD ON WEDNESDAY 10TH FEBRUARY, 1999 AT 9.30 AM IN OICC&I**

**PRESENT**

MR. FUAD HASHIMI  
MR. PARVEZ GHIAS  
MR. ASIF SINDHU  
MR. SYED KAZIM HASAN  
MR. SAEED HAIDER  
MR. SHAMIM H. KHAN  
MR. SAAD A. KHAN  
REP BY MR. WAQAS ASLAM

CHAIRMAN  
CO-CHAIRMAN

GESTETNER  
ENGRO CHEMICAL  
ANZ GRINDLAYS  
CGU  
J & P COATS  
LEVER BROTHERS  
PROCTER & GAMBLE

**LEAVE OF ABSENCE**

MR. S. K. MEHDI  
MR. MASOOD AHMED  
MR. TALEMUDDIN BATLAY  
MR. MUNAF H. LAKDA  
MS. FARAH QURESHI  
MS. TRUDY TAYLOR  
MR. RAHIM DAWOD

CLARIANT  
GLAXO WELLCOME  
LAKSON TOBACCO  
PHILIPS  
RHONE POULENC  
SHELL  
SIEMENS

The meeting was adjourned on 9th February and continued today.

Mr. Asif Sindhu made recommendations on behalf of 42 companies of Group two representing Banks, Insurance and Leasing Companies. After discussions, it was agreed that Mr. Sindhu would submit the recommendations agreed in today's meeting on the appropriate format to the Chamber by 12th February, 1999.

Mr. Saeed Haider on behalf of 42 companies of Group five representing Shipping, Airlines and other services made recommendations. The agreed recommendations are on the attached sheet.

Mr. Waqas Aslam on behalf of 14 companies of group four representing Food and Consumer products made recommendations. The recommendations are on the attached sheet.

Mr. Parvez Ghias on behalf of 15 companies of group one representing Chemicals & Fertilizers made recommendations. The agreed recommendations are on the attached sheet.

Recommendations received by fax from Ms. Trudy Taylor on behalf of 19 companies of Group six representing the Oil & Energy sector were tabled for consideration. The approved recommendations are on the attached sheet containing a list of last year's (1998-99) recommendations to be repeated this year as well.

No recommendations were received from Mr. Masood Ahmed of Group three representing 30 copies of the Pharmaceutical group.

The next meeting was fixed for Wednesday 17th February, 1999 at 10.30 AM. The minutes of 10th February, 1999 meeting outlining the agreed recommendations in consolidated form is enclosed herewith.

**ZAHID ZAHEER  
SECRETARY GENERAL**

25<sup>TH</sup> FEBRUARY, 1999

**MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR  
TAXATION HELD ON WEDNESDAY, 17<sup>TH</sup> FEBRUARY 1999 AT 11:00 A.M. IN THE  
CHAMBER'S PREMISES.**

**PRESENT**

MR. FUAD HASHIMI  
MR. PARVEZ GHAS  
MR. ASIF SINDHU  
MR. MASOOD AHMED  
MR. TASLEEMUDDIN BATLAY  
MR. SHAMIM H. KHAN  
MR. MUNAF H. LAKDA  
MR. SAAD A. KHAN  
MR. WAQAS ASLAM  
MS. FARAH QURESHI  
MS. TRUDY TAYLOR

**CHAIRMAN**

GESTETNER  
ENGRO CHEMICAL  
ANZ GRINDLAYS  
GLAXO WELLCOME  
LAKSON TOBACCO  
LEVER BROTHERS  
PHILIPS  
PROCTER & GAMBLE  
PROCTER & GAMBLE  
RHONE-POULENC  
SHELL

**LEAVE OF ABSENCE**

MR. S. K. MEHDI  
MR. S. KAZIM HASAN  
MR. SAEED HAIDER  
MR. RAHIM DAWOOD

CLARIANT  
CGU  
J & P COATS  
SIEMENS

Minutes of the meeting held on Wednesday, 10<sup>th</sup> February, 1999 were confirmed.

The recommendation discussed at the last two meetings held on 9<sup>th</sup> and 10<sup>th</sup> February were tabled. After review and discussion the recommendations of the last two meetings were finalized for circulation to the Subcommittee members. These recommendations have been circulated on 22<sup>nd</sup> February 1999 and appropriate corrections made.

The final copy which will be presented to the Managing Committee on 3<sup>rd</sup> March is attached.

**ZAHID ZAHEER  
SECRETARY GENERAL**



12TH AUGUST, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE  
FOR TAXATION HELD ON MONDAY 9TH AUGUST, 1999  
AT 3 PM IN THE CHAMBER'S PREMISES.**

**PRESENT**

MR. NASIR A. S. BUKHARI	CHAIRMAN	KASB
MR. PARVEZ GHAS		ENGRO CHEMICAL
MR. MASOOD AHMED		GLAXO WELLCOME
MR. SAEED HAIDER		J & P COATS
MR. S. H. KHANDWALA		KASB
MR. MUNAF H. LAKDA		PHILIPS
REP BY MR. ANIS AHMED		
MR. SAAD A. KHAN		PROCTER & GAMBLE
MS. TRUDY TAYLOR		SHELL

**LEAVE OF ABSENCE**

MR. AZHAR MALIK	CO-CHAIRMAN	ICI
MR. MOHAMMAD ASLAM		BOC
MR. M. NAEEMUDDIN MALIK		INDUS MOTOR

Chairman welcomed Members to the first meeting of the new Committee. Members were requested to introduce themselves.

Chairman invited discussions to formulate objectives for the Sub Committee for the forthcoming year. Nearly all Members participated.

*The following emerged as the main issues:*

1. Present level of personal taxation still very high and relief obtained is nominal.
2. Taxation of reserves of public companies where they exceed 50% of the paid up capital.
3. OICC&I federal budget proposals for 1999 / 2000 to be revisited as not many of these have been accepted.
4. Regular contact with CBR officials to be maintained and also with Regional Commissioners of Income Tax. This should be an ongoing process.
5. Meeting with Board of Revenue officials to be more focused. Chamber not to lend support to further taxation.
6. Lobbying with MNA's and Senators required and also support of local Chambers and FPCC&I to be sought on common issues.

It was agreed that each Member will prioritize top five issues / topics for the year and these would be discussed at the next meeting.

Chairman suggested following events for the Sub Committee to follow in the forthcoming year:

- a) September, 1999 meeting with Regional Commissioner, Income Tax
- b) November, 1999 meeting with Chairman, CBR
- c) January, 2000 meeting with Member, Income Tax
- d) Thereafter, meetings with Commissioners of Income Tax.

Chairman also tabled a note relating to the mis-conceived attempt to charge minimum turnover tax under Section 80D on turnover representing transactions in shares for Assessment Years prior to 1997 - 98.

Secretary General informed the meeting that the Banks have received letter from the Sind Revenue Department seeking to examine hypothecation documents on the grounds that these have been under-stamped. The Minutes of the Standing Sub Committee for Banking & Finance meeting held on 26th July, 1999 are being circulated to the Members of the Taxation Sub Committee for information.

Next meeting fixed for Thursday 9th September, 1999 at 3 PM in OICC&I.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

14TH SEPTEMBER, 1999.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR  
TAXATION HELD ON THURSDAY 9TH SEPTEMBER, 1999 AT 3 PM IN OICC&I**

**PRESENT**

MR. NASIR ALI SHAH BUKHARI	CHAIRMAN	KHADIM ALI SHAH BUKHARI
MR. MOHAMMAD ASLAM		BOC
MR. PARVEZ GHIAS		ENGRO CHEMICAL
MR. MASOOD AHMED		GLAXO WELLCOME
MR. SAEED HAIDER		J & P COATS
MR. SHABBIR HAMZA KANDWALA		KHADIM ALI SHAH BUKHARI
MR. SAAD A. KHAN		PROCTER & GAMBLE

**LEAVE OF ABSENCE**

MR. AZHAR MALIK	CO-CHAIRMAN	ICI
MR. M. NAEEM UDDIN MALIK		INDUS MOTOR
MR. MUNAF H. LAKDA		PHILIPS
MR. TRUDY TAYLOR		SHELL

Minutes of the meeting held on 9th August, 1999 were confirmed.

**MATTERS ARISING OUT OF THE LAST MEETING**

**1. TAXATION OF RESERVES**

Chairman informed the meeting that a delegation of Managing Committee members led by Mr. Tariq Amin went to Islamabad to meet the Finance Minister. The issue has been resolved insofar as that the provisions of Sub Section (9A) of Section 12 shall not apply to listed companies which distribute at least 40 percent of the after tax profits of the relevant income year.

The provisions would also not apply to non listed companies and leasing companies.

Surprisingly companies in which 50% or more shares are held by the Government, have also been exempted from their provision. This is the first time that the Government of Pakistan has taxed companies differently on the basis of ownership and this tantamounts to discrimination.

Secretary General pointed out that Central Board of Revenue intends amending the Income Tax Rules 1982 and introduce a new rule 203 AA which for the purpose of Sub Section (9A) of Section 12 the expression 'Reserves' shall exclude capital reserves, share premium reserves and reserves required to be created under any law, rules or regulations. The Central Board of Revenue has solicited objections or suggestions to this definition within fourteen days of publication of SRO 970(1)/99 dated 27th August, 1999.

Chairman requested Mr. Shabbir Hamza Khandwala and Mr. Pervez Ghias to look into the question of definition of reserves.

**TAX ON STOCK OPTIONS**

Chairman informed the meeting that copy of a letter has been received by the Chamber from Commissioner, Income Tax, Zone 'F', Karachi addressed to all Additional Commissioners of Zone F regarding non compliance by MNC Executives on agreement to pay tax on stock options received by them. Letter is available in the Chamber's file. Chairman informed the meeting that since this was a matter between individuals and the tax department, the Chamber was not involved in any discussion leading to this agreement, they have no role to play in this matter.

**INVITATION TO RCITS**

Chairman suggested that as agreed earlier RCIT Corporate Region and RCIT Southern Region be invited to the Chamber for a meeting on 28th or 29th September, 1999 at 11.30 AM. This meeting could be followed by Lunch. Chamber to send out formal invitations.

Mr. Mohammed Aslam (BOC) and Mr. Pervez Ghias (Engro Chemical) agreed to prepare a punch list / agenda for the proposed meeting with RCITS.

**PRIVATIZATION OF ISSUES**

Letter dated 5th August, received from Mr. Saeed Haider ((J&P Coats) was tabled for discussion. It was agreed that any member wishing to add to the five major issues list prepared by Mr. Saeed Haider, should contact him, so that the list may be extended.

Letter dated 31st August, 1999 received from Pharmatec was also tabled for discussion. Since this matter related to excessive taxation on salaried employees, and was covered under Item 4 of Mr. Saeed Haider's list.

**ANY OTHER MATTERS**

Mr. Pervez Ghias informed the meeting that he was invited to Islamabad to a meeting on resource mobilization chaired by Mr. Ahsan Iqbal, in which his colleague from Engro and Mr. Yusuf Shirazi (Atlas Group) also participated. Mr. Ghias made a presentation on the impact on salaries due to the changes in personal taxation in the Finance Act 1999 / 2000.

Next meeting will be held on Tuesday 12th October, 1999 at 3.30 PM.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER**  
**SECRETARY GENERAL**

## CHAMBER'S STANDING SUB COMMITTEES FOR THE YEAR 1999-2000

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