

# OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

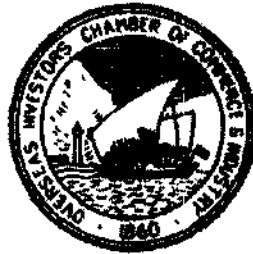
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ANNUAL REPORT  
FOR THE YEAR  
2004

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

## **ANNUAL REPORT 2004**

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## MANAGING COMMITTEE OF THE CHAMBER FOR THE YEAR 2004



### Office Bearers:

**FAROOQ RAHMATULLAH**

*PRESIDENT*

Shell Pakistan Limited

**SOHAIL WAJAHAT H. SIDDIQUI**

*VICE PRESIDENT*

Siemens Pakistan Engineering Company Limited

**ZAHID ZAHEER**

*SECRETARY GENERAL*

### Members:

**FARHAT ALI**

ABB (Private) Limited

**NADEEM KARAMAT**

American Express Bank Limited

**HUMAYUN BASHIR**

IBM ITALIA S.p.A.

**BADAR KAZMI**

Standard Chartered Bank

**S. H. A. BUKHARI**

Mackinnon, Mackenzie & Co. of Pak. (Pvt.) Ltd.

**FARID KHAN**

Novartis Pharma (Pakistan) Limited

**M. SALMAN BURNEY**

GlaxoSmithKline Pakistan Limited

**SYED MUNSIF RAZA**

Pakistan Petroleum Limited

**HANS DEWAELE**

Procter & Gamble Pakistan (Private) Limited

**JONATHAN R. STONEY**

ICI Pakistan Limited

**YUKIO HASEGAWA**

Mitsubishi Corporation

## CHAIRMEN OF THE CHAMBER

| <b>CHAIRMEN</b>             |   |            |                             |   |               |
|-----------------------------|---|------------|-----------------------------|---|---------------|
| 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 | J. HUMPHREY, O.B.E.         | - | 1940/41/42    |
|                             |   | 1889/90    |                             |   |               |
| JAMES CURRIE                | - | 1890/91 TO | A. T. ORR DEAS, M.C.        | - | 1942/43       |
|                             |   | 1894/95    |                             |   |               |
| T. R. MCLELLAN              | - | 1895/96 TO | J. H. BLACKWELL,            |   |               |
|                             |   | 1898/99    | C.B.E., M.C.                | - | 1943/44       |
| T. L. F. BEAUMONT           | - | 1899/1900  | W. J. CULLEN, M.B.E.        |   |               |
| D. MCLVER                   | - | 1900/01 TO | J. HUMPHREY,                |   |               |
|                             |   | 1902/03    | C.B.E., J.P.                | - | 1944/45       |
| HON'ABLE W. T.              |   |            | LT. COL. W.B. HOSSACK,      |   |               |
| O' BRIEN                    | - | 1903/04    | M.L.A.                      | - | 1945/46       |
| M. DE P. WEBB, C.I.E.       | - | 1904/05 TO | B. R. GRAHAM                | - | 1946/47       |
|                             |   | 1909/10    | E. J. PAKES                 |   |               |
| M. DE P. WEBB, C.I.E.       | - | 1910/11    | R. L. COGHLAN               | - | 1947/48       |
| H. T. ROBSON                |   |            | B. R. GRAHAM, O.B.E.        | - | 1948/49/50    |
| M. DE P. WEBB, C.I.E.       | - | 1911/12/13 | J. N. KERR                  | - | 1950/51       |
| M. DE P. WEBB, C.I.E.       | - | 1913/14    | D. B. ASHWORTH              |   |               |
| W. U. NICHOLAS              |   |            | B. R. GRAHAM, C.B.E.        | - | 1951/52/53    |
| M. DE P. WEBB, C.I.E.       | - | 1914/15/16 | T. W. CREE                  | - | 1953/54       |
| M. DE P. WEBB, C.I.E.       | - | 1916/17    | B. FANE SAUNDERS, C.B.E.    | - | 1954/55       |
| W. U. NICHOLAS              | - | 1917/18/19 | T. W. CREE                  | - | 1955/56       |
| M. DE P. WEBB, C.I.E.       | - | 1919/20    | W. E. WILKIE - BROWN        | - | 1956/57       |
| H. G. JAUGHTON              | - |            | MIRZA A. RAZA               | - | 1957/58       |
| SIR MONTAGUE WEBB           |   |            |                             |   |               |
| KT., C.I.E., C.B.E., M.L.C. | - | 1920/21/22 |                             |   |               |

## PRESIDENTS OF THE CHAMBER

### **PRESIDENTS**

|                         |   |               |
|-------------------------|---|---------------|
| T. W. CREE, C.B.E.      | - | 1958/59/60    |
| M. J. CONDON, C.B.E.    |   |               |
| W. N. BANKS             | - | 1960/61       |
| W. B. BANKS             | - | 1961/62       |
| S. R. STEPHENS          | - | 1962/63       |
| H. C. G. BROWN, D.S.C., | - | 1963/64       |
| I. HABIBULLAH           |   | 1964/65       |
| J. F. C. GALLAHER       | - |               |
| C.B.E., D.S.O., D.F.C., | - | 1965/66       |
| R. A. M. HENSON         | - | 1966/67       |
| J. F. C. GALLAHER       |   |               |
| C.B.E., D.S.O., D.F.C., | - | 1967/68       |
| J. D. LE VALLIANT       | - | 1968/69/70    |
| D. JONGENEEL            | - | 1970/71       |
| MASUD KARIM             | - | 1971/72/73/74 |
| J. H. A. MIDWOOD        | - | 1974/75       |
| K. Z. HASSAN            | - | 1975/76       |
| W. R. A. KIMBER         | - | 1976/77/78    |
| SALEEM MAJIDULLAH       | - | 1978/79/80    |
| R. STOKELL              | - | 1980          |
| N.A. SHAH               | - | 1980/81/82/83 |
| D.M. KEITH, O.B.E.      | - | 1983/84/85    |
| DR. M. S. HABIB         | - | 1985/86/87    |
| NASEEM S. MIRZA         | - | 1987/88/89    |
| DR. M. S. HABIB         |   | 1989/90/91/92 |
| C. T. DULLAERT          | - | 1992          |
| M. YOUNAS KHAN          | - | 1992/93/94    |
| NISAR A. MEMON          | - | 1994/95       |
| TARIQ IKRAM             | - | 1995/96       |
| T. V. HIGGINS, OBE      | - | 1996/97       |
| S. NASEEM AHMAD         | - | 1997/98       |
| I. S. SANGSTER, OBE     | - | 1998/99       |
| MUNNAWAR HAMID, OBE     | - | 1999/2000     |
| TARIQ AMIN              | - | 2000/2001     |
| MOIN M. FUDDA           | - | 2001/2002     |
| KAMRAN Y. MIRZA         | - | 2002/2003     |
| ZAFFAR A KHAN           | - | 2003/2004     |
| FAROOQ RAHMATULLAH      | - | 2004/2005     |

## SECRETARIES OF THE CHAMBER

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

### **Secretary General**

|              |              |
|--------------|--------------|
| Zahid Zaheer | 1991 TO DATE |
|--------------|--------------|

**CIRCULAR NO. 15**

**16TH MARCH, 2005.**

**CEOs OF MEMBER FIRMS**

**NOTICE OF 145TH ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the 145TH ANNUAL GENERAL MEETING of the Members of the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY will be held at the Registered Office, Chamber of Commerce Building, Talpur Road, Karachi-74000 ON TUESDAY 19TH APRIL, 2005 AT 11 AM to transact the following business:

1. To confirm and sign the Minutes of the 144th Annual General Meeting held on Tuesday 20th April, 2004 at 11 AM.
2. To receive the Report of the Managing Committee for the year 2004.
3. To adopt the Audited Accounts for the year ended 31st December, 2004.
4. 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. 16 dated 16th March, 2005.
5. To appoint Auditors for the Chamber for the year 2005 and to fix their remuneration.
6. To receive Report of the Scrutineers on the ballot for the election of Vice President & (Eight) Members of the Managing Committee and announce the results of the election.
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**

**Attachment:**

**CIRCULAR NO. 16**

**16TH MARCH, 2005.**

**CEOs OF MEMBER FIRMS**

**NOTICE**

**145TH ANNUAL GENERAL MEETING OF THE CHAMBER**

**NOTICE** is hereby given that at the 145TH 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 TUESDAY 19TH APRIL, 2005 AT 11 AM. Your Managing Committee in its meeting held on 13th April, 2004, approved the changes in the eligibility criteria for the Membership of the Chamber. It is therefore proposed to amend and if thought fit, to pass the following Resolution, which would be moved as SPECIAL RESOLUTION by the Committee:

**QUOTE:**

Article 1 (j) to be amended to read as follows:

j) 'Foreign national' means:

- I) all bodies incorporated in Pakistan with 100% paid up share capital owned by a foreign holding company but with the proviso that the paid up foreign share capital is not less than US \$ 0.3 Million or equivalent.
- II) all bodies incorporated in Pakistan with 26% or more paid up capital by a foreign holding company, with a minimum of US \$ 0.5 Million foreign shareholding. The foreign shareholder must operate in at least two other jurisdictions / countries besides Pakistan and have a Group paid up share capital in excess of US \$ 5 Million or equivalent.
- III) all bodies incorporated outside Pakistan, the majority shareholder of which foreign incorporated company must also operate in at least two other jurisdictions / countries besides Pakistan and have a Group paid up share capital in excess of US\$ 5 Million.

Provided however that nothing contained in this Clause shall affect in any way the Membership or any of the rights and privileges arising under it of all those who are already Members of the Chamber as on 19th April, 2005.

**UNQUOTE:**

**BY ORDER OF THE COMMITTEE**

**ZAHID ZAHEER  
SECRETARY-GENERAL**



**MINUTES OF THE 144TH ANNUAL GENERAL MEETING  
OF THE OVERSEAS INVESTORS CHAMBER OF COMMERCE  
& INDUSTRY HELD IN THE COUNCIL HALL OF THE CHAMBER  
AT CHAMBER OF COMMERCE BUILDING, TALPUR ROAD,  
KARACHI ON TUESDAY 20TH APRIL, 2004 AT 11 AM**

**PRESENT IN PERSON**

**MR. FAROOQ RAHMATULLAH  
PRESIDENT  
SHELL PAKISTAN LIMITED**

**MEMBERS**

- |   |  |
|---|--|
| 1. ABBOTT LABORATORIES (PAKISTAN) LIMITED       | MR. KAMRAN Y. MIRZA                              |
| 2. ACE INSURANCE LIMITED                        | MR. SYED UMER ALI SHAH                           |
| 3. ARABIAN SEA ENTERPRISES LIMITED              | MR. FAISAL AHMED                                 |
| 4. BERGER PAINTS PAKISTAN LIMITED               | MR. BASHIR AHMED                                 |
| 5. CADBURY PAKISTAN LIMITED                     | MR. ROBERT JONES                                 |
| 6. GLAXOSMITHKLINE PAKISTAN LIMITED             | MR. M. SALMAN BURNEY                             |
| 7. ICI PAKISTAN LIMITED                         | MR. JOHN STONEY                                  |
| 8. HONGKONG & SHANGHAI BANKING CORP. LTD (THE)  | MR. GUY N. PRIESTLEY                             |
| 9. HUB POWER COMPANY LIMITED                    | MR. S. HASNAIN HAIDER                            |
| 10. KHADIM ALI SHAH BUKHARI & COMPANY LIMITED   | MR. SHABBIR H. KHANDWALA                         |
| 11. LAKSON TOBACCO COMPANY LIMITED              | MR. T. A. BATLAY                                 |
| 12. M-I OVERSEAS LIMITED                        | MR. M. R. MONEM                                  |
| 13. MACKINNON, MACKENZIE & CO. OF PAK.(PVT) LTD | MR. S. H. A. BUKHARI                             |
| 14. MERCK SHARP & DOHME OF PAKISTAN LIMITED     | MR. M. TAHIR IQBAL                               |
| 15. MITSUBISHI CORPORATION                      | MR. YUKIO HASEGAWA                               |
| 16. ORIX LEASING PAKISTAN LIMITED               | MR. TEIZOON KISAT                                |
| 17. OXFORD UNIVERSITY PRESS                     | MRS. AMEENA SAIYID                               |
| 18. P&O CONTAINERS PAKISTAN (PRIVATE) LIMITED   | MR. S. H. A. BUKHARI                             |
| 19. PAKISTAN MOBILE COMMUNICATIONS (PVT.) LTD   | MR. MUBASHIR NAQVI                               |
| 20. ROYAL & SUN ALLIANCE INSURANCE PLC          | DR. MUMTAZ A. HASHMI                             |
| 21. SGS PAKISTAN (PRIVATE) LIMITED              | MR. S. FARUKH MAZHAR /<br>MR. M. KHALID SHEKHANI |
| 22. SIEMENS PAKISTAN ENGINEERING CO. LIMITED    | MR. SOHAIL W. H. SIDDIQUI                        |
| 23. TOTAL ATLAS LUBRICANTS PAKISTAN (PVT) LTD   | MR. SOHAIL FAROOKHI                              |
| 24. UNILEVER PAKISTAN LIMITED                   | MS. MUSHARAF HAI                                 |

**PRESENT BY PROXY**

1. ABB (PRIVATE) LIMITED
2. ALBARAKA ISLAMIC BANK B.S.C. (E.C.)
3. AMERICAN EXPRESS BANK LIMITED
4. ATLAS INVESTMENT BANK LIMITED
5. AVERY SCALES (PRIVATE) LIMITED
6. BANK OF TOKYO (THE) - MITSUBISHI LIMITED
7. BASF PAKISTAN (PRIVATE) LIMITED
8. BAYER PAKISTAN (PRIVATE) LIMITED
9. BECTON DICKINSON PAKISTAN (PRIVATE) LIMITED
10. CDC CAPITAL PARTNERS
11. CONTINENTAL BISCUITS LIMITED
12. DOHA BANK

13. ENGRO ASAHI POLYMER & CHEMICALS LIMITED
14. EXIDE PAKISTAN LIMITED
15. FAUJI OIL TERMINAL & DISTRIBUTION COMPANY LIMITED
16. GILLETTE PAKISTAN LIMITED
17. HINOPAK MOTORS LIMITED
18. INDUS MOTOR COMPANY LIMITED
19. ITOCHU CORPORATION
20. J&P COATS PAKISTAN (PRIVATE) LIMITED
21. JOHNSON & JOHNSON PAKISTAN (PRIVATE) LIMITED
22. 3M PAKISTAN (PRIVATE) LIMITED
23. MERCK SHARP & DOHME OF PAKISTAN LIMITED
24. MULLER & PHIPPS PAKISTAN (PRIVATE) LIMITED
25. NEW HAMPSHIRE INSURANCE COMPANY
26. ONDEO NALCO GULF LIMITED
27. PAKISTAN PTA LIMITED
28. RHODIA PAKISTAN (PRIVATE) LIMITED
29. ROCHE PAKISTAN LIMITED
30. ROUSCH (PAKISTAN) POWER LIMITED
31. SECURITY LEASING CORPORATION LIMITED
32. STANDARD CHARTERED BANK
33. UNION BANK LIMITED
34. UNITED BANK LIMITED
35. UNITED LINER AGENCIES OF PAKISTAN (PRIVATE) LIMITED

The meeting was invoked with a short recitation from the Holy Quran by Hafiz Moinuddin.

Mr. Farooq Rahmatullah, President chaired the meeting. He addressed:

Ladies & Gentlemen,

I welcome you to the 144th Annual General Meeting of the Chamber. In addition to the Members present in person, we have received 35 proxies from Members. These are as prescribed under Article 36 of the Chamber's Articles of Association. The quorum prescribed under Article 31 is 25% of total membership, which is 42 including Proxies. We therefore constitute the necessary quorum.

The Notice convening the meeting has already been circulated, I propose that this be taken as read, unless any Member wishes that it should be read. The House agreed.

The First Item on the Agenda is to confirm and sign the Minutes of the 143rd Annual General Meeting held on Friday 20th June, 2003 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.

The Second item on the Agenda is to receive your Committee's Annual Report for the year 2003. 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 2003 as circulated to members be ADOPTED.

RESOLUTION PROPOSED

“THAT THE REPORT OF THE COMMITTEE FOR THE YEAR 2003 AS CIRCULATED TO MEMBERS, BE AND IS HEREBY ADOPTED”

(PROPOSED BY CHAIR)

AND

(SECONDED BY MR. SOHAIL WAJAHAT H. SIDDIQUI  
OF SIEMENS PAKISTAN ENGINEERING COMPANY LIMITED)

The Resolution was carried unanimously.

The Third item on the Agenda is to pass the Audited Accounts for the year 2003. Copies are already with you and if there are any questions, I and the Secretary-General shall endeavor to reply to them.

As there were no questions, may I request a Member to PROPOSE the adoption of the Accounts for the year ended 31st December, 2003 and another Member to SECOND the Resolution.

RESOLUTION PROPOSED

“THAT THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2003 BE AND ARE HEREBY ADOPTED”

(PROPOSED BY MR. ROBERT JONES  
OF CADBURY PAKISTAN LIMITED)

AND

(SECONDED BY MR. SHABBIR HAMZA KHANDWALA  
OF KHADIM ALI SHAH BUKHARI & COMPANY LIMITED)

The Resolution was carried unanimously.

The Fourth item on the Agenda is to consider and if found fit approve the following ORDINARY RESOLUTION proposed by the Managing Committee, notice of which has already been circulated.

I now invite comments on the ORDINARY RESOLUTION

Since there are no comments I request a Member to SECOND the Resolution.

RESOLUTION

QUOTE:

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, 2004.

ANNUAL MEMBERSHIP SUBSCRIPTIONTOTAL NUMBER OF EMPLOYEES: ANNUAL SUBSCRIPTION:

|                 |            |
|-----------------|------------|
| UPTO 100        | RS. 22,000 |
| FROM 101 TO 300 | RS. 44,000 |
| OVER 300        | RS. 66,000 |

UNQUOTE:

(PROPOSED BY CHAIR)

AND

(SECONDED BY MR. T. A. BATLAY

OF LAKSON TOBACCO COMPANY LIMITED)

The Resolution was carried unanimously.

The Fifth item on the Agenda is to consider appointment of Auditors for the year 2004.

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

I request a Member to PROPOSE and another Member to SECOND a RESOLUTION for the appointment of Auditors.

RESOLUTION PROPOSED

“THAT MESSRS. A. F. FERGUSON & COMPANY, BE AND ARE HEREBY RE-APPOINTED AS AUDITORS FOR THE YEAR 2004 AT A FEE OF RS. 23,000 PER ANNUM”

(PROPOSED BY MR. S. H. A. BUKHARI

OF MACKINNON, MACKENZIE & COMPANY OF PAKISTAN (PRIVATE) LIMITED

AND

(SECONDED BY MR. KAMRAN Y. MIRZA

OF ABBOTT LABORATORIES (PAKISTAN) LIMITED)

The Resolution was carried unanimously.

The Sixth item on the Agenda is to record the elections of Vice President and Eight Members of the Managing Committee for the year 2004 - 2005, and to receive the Scrutineers Report on the elections.

Mr. Robert Jones and Mr. M. Moonis were kind enough to act as Scrutineers this year and I wish to thank both of them for having rendered this service.

I will now open the envelopes and read the Scrutineers Reports on the result of the Ballot.

The results of the elections read as follows:

VICE PRESIDENT: MR. SOHAIL WAJAHAT H. SIDDIQUI

Members of the Managing Committee  
(in alphabetical order)

|    |                      |  |
|----|----------------------|--|
| 01 | MR. FARHAT ALI       | ABB (PRIVATE) LIMITED                            |
| 02 | MR. HUMAYUN BASHIR   | IBM ITALIA S.p.A.                                |
| 03 | MR. S. H. A. BUKHARI | MACKINNON, MACKENZIE & CO. OF PAKISTAN (PVT) LTD |
| 04 | MR. SALMAN BURNEY    | GLAXOSMITHKLINE PAKISTAN LIMITED                 |
| 05 | MR. HANS DEWAELE     | PROCTER & GAMBLE PAKISTAN (PRIVATE) LTD          |
| 06 | MR. NADEEM KARAMAT   | AMERICAN EXPRESS BANK LIMITED                    |
| 07 | DR. FARID KHAN       | NOVARTIS PHARMA (PAKISTAN) LIMITED               |
| 08 | MR. JOHN R. STONEY   | ICI PAKISTAN LIMITED                             |

I would like to take this opportunity to congratulate all the Members who have been elected to serve on the Managing Committee and to thank those who have not been successful for the interest they have shown in the affairs of the Chamber.

The 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.

No comments were forthcoming.

Before closing the meeting, I would like to take this opportunity to thank Mr. Zaffar A. Khan and Mr. Kamran Y. Mirza under whose able leadership the Chamber has benefited. I also thank the Members of the Managing Committee and the Staff of the Chamber for their cooperation and support.

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

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

**FAROOQ RAHMATULLAH**  
**PRESIDENT**

## **PRESIDENT'S REVIEW - 2004**

I welcome you to the 145th Annual General Meeting on Tuesday 19th April 2005.

The year that has gone by has seen further improvements in the macro economic indicators of the Country. The foreign exchange reserves have soared to an all time high and the inflow of foreign direct investment has increased. The economy has grown at a healthy rate of 6% and business confidence restored.

The challenges for the future are daunting. Growth in the economy needs to be sustained and will only be propelled if future investment levels are higher. These will only be possible if savings rate in the Country improve. Growth in the economy must also have a trickle down effect, if unemployment and poverty are to be reduced.

Against this backdrop, your Chamber during the year has continued to interact with senior government officials and policy makers. The details of all these discussions and meetings are documented in the Committee's Report. I personally have had the opportunity to meet Prime Minister Shaukat Aziz four times, once on 29th March 2004 when he was the Federal Finance Minister and then again in Islamabad on 10<sup>th</sup> and 16<sup>th</sup> October 2004 and 1<sup>st</sup> March 2005 in his capacity as the Prime Minister of Pakistan. The Prime Minister also accepted the Chamber's invitation for a dinner meeting in Karachi on 4th December 2004.

In addition to the above, there were several important visitors to the Chamber, details of which are in the Committee's Report, where significant correspondence also appears.

I am confident that the intensive interaction with the Government throughout the past year will yield results, and we expect to see more business friendly policies and further liberalization in the forthcoming year, which will give further impetus to investments in Pakistan.

Many of the policy recommendations of your Chamber have been well received and accepted by the Government, as is evident from the Federal Budget proposals for 2004 - 2005.

All the above would not have been possible, but for the time and effort of many of the Members who participated in the deliberations of the various Sub Committees and many of my Managing Committee colleagues, who led and chaired these meetings. Their support has been comforting to me, as has that of the Co-opted Members. I wish to thank all of them.

I am also pleased to mention that during the year your Administration Committee has been working with a special Task Force to bring about significant changes in the Chamber's working to meet the challenges of the future, including a review of the IT/electronic systems, an enhanced website, improved quality of staff, additional activities etc, as well as declaring of a new vision for the Chamber "to be the premier body for promoting and protecting overseas investment in Pakistan by leveraging the world-class expertise of OICCI members for the benefit of the investor and the country". Considerable work needs to be done in the coming year to achieve the new vision for OICCI

I wish to record the invaluable support and advice of the Secretary-General of the Chamber on wide ranging issues and his relentless efforts which provided the underpinning of all Sub Committee deliberations.

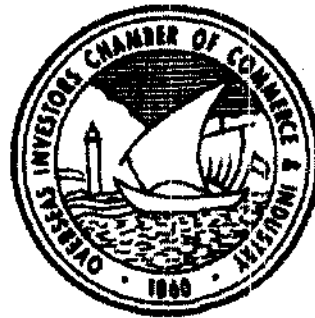
The Vice President, Mr. Sohail Wajahat H. Siddiqui will succeed me as President at the Annual General Meeting on 19th April. I am sure under his stewardship the Chamber will attain further glory. I welcome all the Members of the incoming Managing Committee as they commence their term of office after the AGM.

FAROOQ RAHMATULLAH

18TH MARCH 2005

# **REPORT OF THE COMMITTEE**

**FOR THE YEAR 2004**



**THE MANAGING COMMITTEE SUBMITS TO MEMBERS  
THEIR ANNUAL REPORT UPON SOME OF THE IMPORTANT  
SUBJECTS DEALT WITH BY THE CHAMBER DURING THE YEAR  
ENDING 31ST DECEMBER, 2004**

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**I N D E X****COMMITTEE'S REPORT FOR THE YEAR 2004.**

|  |          |
|--|----------|
| ➤ <b>CHAMBER MEMBERSHIP</b>  |          |
| ▪ New Members  | 1        |
| ▪ Outgoing Members   | 2        |
| ▪ Change in Names of Members   | 2        |
| ▪ Classification of Members  | 3        |
| ▪ List of Members  | 4 to 6   |
| ▪ Chamber's Representations on various bodies                          | 7 to 9   |
| ➤ <b>MANAGING COMMITTEE</b>  |          |
| ▪ Meetings of the Managing Committee                                   | 10       |
| ▪ Managing Committee Co-option   | 10       |
| ▪ Further meetings of the Managing Committee                           | 11       |
| ▪ Activities of the Managing Committee                                 | 11 to 15 |
| ▪ Significant Correspondence   | 15 to 18 |
| ▪ Other Activities including seminars, workshops,<br>forums and events | 19 to 20 |
| ▪ Significant Meetings held in the Chamber                             | 20 to 21 |
| ▪ Significant Meetings held outside the Chamber                        | 21 to 24 |
| ▪ Visitors to the Chamber  | 24 to 25 |
| ➤ <b>CHAMBER'S STANDING SUB COMMITTEES</b>                             |          |
| ▪ Chairmen & Co-Chairmen of the Sub Committees                         | 26       |
| ▪ Administration   | 27 to 29 |
| ▪ Banking, Finance, Leasing & Insurance Matters                        | 29       |
| ▪ Corporate law  | 29       |
| ▪ Energy   | 29       |
| ▪ Environment  | 29       |
| ▪ I. T & E Commerce  | 29       |
| ▪ Industrial & Commercial  | 29       |
| ▪ Intellectual Property Rights   | 30       |
| ▪ Labour & Employee Relations  | 30       |
| ▪ Pharmaceutical Matters   | 30       |
| ▪ Security, Law & Order  | 30       |
| ▪ Taxation, Investment & Infrastructure                                | 30       |
| ▪ Corporate & Social Responsibility & External Relations               | 30       |
| ▪ Programmes & Events  | 30       |
| ➤ <b>ADMINISTRATION &amp; OTHER MATTERS</b>                            | 31 to 32 |

## ➤ **CHAMBER'S MEMBERSHIP**

### ▪ **NEW MEMBERS**

During the period January to December 2004, following members were elected as new members of the Chamber:

#### 1. **ASIA PETROLEUM LIMITED**

1st Floor PSO House  
Khayaban-e-Iqbal  
Clifton, Karachi  
Telephone 9203897 - 99  
Fax 9203896

#### **NAME OF CHIEF EXECUTIVE**

Mr. Naveed Alam Zubairi  
Managing Director

#### 2. **BOSICOR PAKISTAN LIMITED**

2nd Floor, Business Plaza  
Mumtaz Hassan Road  
Karachi - 74000  
Telephone 2410099, 2410909  
Fax 2410722

#### **NAME OF CHIEF EXECUTIVE**

Mr. Parvez Abbasi  
Chief Executive Officer

#### 3. **EL PASO TECHNOLOGY PAKISTAN (PRIVATE) LIMITED**

3rd Floor, G D Arcade  
73 E Fazal-ul-Haq Road  
Blue Area  
Islamabad - 44000  
Telephone 051-2206578-83  
Fax 051-2206585

#### **NAME OF CHIEF EXECUTIVE**

Mr. Syed Rizwan Ali Shah  
Chief Executive

- **OUTGOING MEMBERS IN 2004**

Following were the outgoing members during the year.

| S. No. | NAME OF MEMBERS                    | REASONS             |
|--------|------------------------------------|---------------------|
| 1      | MASHREQ BANK PSC                   | Amalgamation        |
| 2      | DOHA BANK                          | --do--              |
| 3      | ROYAL & SUN ALLIANCE INSURANCE plc | --do--              |
| 4      | LUFTHANZA CARGO AG                 | Non-payment of dues |

- **CHANGE IN NAMES OF MEMBERS**

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

| <u>Previous name</u>                         | <u>Present name</u>                    |
|--|--|
| 1. CDC CAPITAL PARTNERS                      | ACTIS ASSETS LIMITED                   |
| 2. KHADIM ALI SHAH BUKHARI & COMPANY LIMITED | KASB SECURITIES (PRIVATE) LIMITED      |
| 3. DUPONT FAR EAST INC                       | DUPONT PAKISTAN OPERATIONS (PVT.) LTD. |

## **CLASSIFICATION OF MEMBERS**

The Membership of the Chamber as on 31<sup>st</sup> December 2004 stood at 164. List of Members in alphabetical order follows at the next page.

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

### **Country Wise**

|                         |            |
|-------------------------|------------|
| BRITISH                 | 42         |
| AMERICAN                | 44         |
| SWISS                   | 16         |
| JAPANESE                | 11         |
| GERMAN                  | 07         |
| DUTCH                   | 07         |
| FRENCH                  | 06         |
| HONG KONG               | 04         |
| U.A.E                   | 03         |
| BELGIAN                 | 02         |
| SAUDI                   | 03         |
| BANGLADESH              | 01         |
| BAHRAIN                 | 02         |
| CANADIAN                | 01         |
| SWEDISH                 | 01         |
| AUSTRALIAN              | 01         |
| SINGAPORE               | 01         |
| GREEK                   | 01         |
| DENMARK                 | 01         |
| Bermuda (South America) | 01         |
| ITALIAN                 | 01         |
| KUWAIT                  | 02         |
| MALAYSIAN               | 01         |
| OMAN                    | 01         |
| OTHERS                  | <u>04</u>  |
|                         | <b>164</b> |

### **Category Wise**

|  |            |
|--|------------|
| PHARMACEUTICAL                               | 24         |
| TRADING & OTHER SERVICES                     | 23         |
| OIL / GAS / ENERGY                           | 26         |
| BANKING                                      | 15         |
| ENGINEERING & INDUSTRIAL PRODUCTS            | 17         |
| CHEMICAL / PESTICIDES / FERTILIZERS / PAINTS | 14         |
| LEASING & FINANCIAL COMPANIES                | 12         |
| FOOD & CONSUMER PRODUCTS                     | 14         |
| SHIPPING & AIRLINES                          | 09         |
| TOBACCO & OTHER MANUFACTURING COMPANIES      | 07         |
| INSURANCE                                    | <u>03</u>  |
|  | <b>164</b> |

Note: Forty eight member companies are quoted at Karachi Stock Exchange.

**LIST OF MEMBERS – AS AT 31<sup>ST</sup> DECEMBER 2004**

1. ABB (PRIVATE) LIMITED
2. ABBOTT LABORATORIES (PAKISTAN) LIMITED
3. ABN AMRO BANK N.V.
4. ACE INSURANCE LIMITED
5. ACTIS ASSETS LIMITED
6. AES LAL PIR LIMITED
7. ALBARAKA ISLAMIC BANK B.S.C. (E.C.)
8. ALCATEL PAKISTAN LIMITED
9. ALSTOM PAKISTAN (PRIVATE) LIMITED
10. AMERICAN EXPRESS BANK LIMITED
11. ARABIAN SEA ENTERPRISES LIMITED
12. ASIA PETROLEUM LIMITED
13. ATLAS INVESTMENT BANK LIMITED
14. ATTOCK CEMENT PAKISTAN LIMITED
15. ATTOCK OIL COMPANY LIMITED (THE)
16. ATTOCK REFINERY LIMITED
17. AVENTIS LIMITED
18. AVERY SCALES (PRIVATE) LIMITED
19. BANK OF TOKYO - MITSUBISHI LIMITED
20. BARRETT HODGSON PAKISTAN (PRIVATE) LIMITED
21. BASF PAKISTAN (PRIVATE) LIMITED
22. BATA PAKISTAN LIMITED
23. BAYER CROPSCIENCE (PRIVATE) LIMITED
24. BAYER PAKISTAN (PRIVATE) LIMITED
25. BECTON DICKINSON PAKISTAN (PRIVATE) LIMITED
26. BERGER PAINTS PAKISTAN LIMITED
27. BLACKWOOD HODGE PAKISTAN (PRIVATE) LIMITED
28. BOC PAKISTAN LIMITED
29. BOSICOR PAKISTAN LIMITED
30. BP PAKISTAN EXPLORATION & PRODUCTION, INC.
31. BRISTOL-MYERS SQUIBB PAKISTAN (PRIVATE) LIMITED
32. BSN MEDICAL (PRIVATE) LIMITED
33. CADBURY PAKISTAN LIMITED
34. CALTEX OIL (PAKISTAN) LIMITED
35. CHIESI PHARMACEUTICALS (PRIVATE) LIMITED
36. CITIBANK N.A.
37. CLARIANT PAKISTAN LIMITED
38. COCA-COLA BEVERAGES PAKISTAN LIMITED
39. COCA-COLA EXPORT CORPORATION (THE)
40. CONTINENTAL BISCUITS LIMITED
41. COX & KINGS (AGENTS) LIMITED
42. DADEX ETERNIT LIMITED
43. DAWOOD HERCULES CHEMICALS LIMITED
44. DELPHI DIESEL SYSTEMS PAKISTAN (PRIVATE) LIMITED
45. DEUTSCHE BANK AG
46. DUPONT PAKISTAN OPERATIONS (PVT.) LTD.
47. EL PASO TECHNOLOGY PAKISTAN (PRIVATE) LIMITED
48. ELI LILLY PAKISTAN (PRIVATE) LIMITED
49. ENGRO ASAHI POLYMER & CHEMICALS LIMITED
50. ENGRO CHEMICAL PAKISTAN LIMITED
51. ENGRO VOPAK TERMINAL LIMITED
52. ENI PAKISTAN LIMITED
53. EQUITY INTERNATIONAL (PRIVATE) LIMITED
54. EXIDE PAKISTAN LIMITED

55. FAUJI OIL TERMINAL & DISTRIBUTION COMPANY LIMITED
56. FAYSAL BANK LIMITED
57. GENERAL TYRE & RUBBER COMPANY OF PAKISTAN LIMITED (THE)
58. GESTETNER (PRIVATE) LIMITED
59. GETZ PHARMA PAKISTAN (PRIVATE) LIMITED
60. GILLETTE PAKISTAN LIMITED
61. GLAXOSMITHKLINE PAKISTAN LIMITED
62. GLOBAL SECURITIES PAKISTAN LIMITED
63. HABIB BANK AG ZURICH
64. HINOPAK MOTORS LIMITED
65. HONGKONG & SHANGHAI BANKING CORPORATION LIMITED (THE)
66. HUB POWER COMPANY LIMITED (THE)
67. IBM ITALIA S.p.A
68. ICI PAKISTAN LIMITED
69. ICI PAKISTAN POWERGEN LIMITED
70. INDUS MOTOR COMPANY LIMITED
71. INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LIMITED
72. INTERNATIONAL FINANCE INVESTMENT & COMMERCE BANK LIMITED
73. INTERNATIONAL HOUSING FINANCE LIMITED
74. INTERNATIONAL POWER GLOBAL DEVELOPMENTS LIMITED
75. ITOCHU CORPORATION
76. J&P COATS PAKISTAN (PRIVATE) LIMITED
77. JAMES FINLAY LIMITED
78. JOHNSON & JOHNSON PAKISTAN (PRIVATE) LIMITED
79. JOHNSON & PHILLIPS (PAKISTAN) LIMITED
80. J. P. MORGAN PAKISTAN (PRIVATE) LIMITED
81. KARACHI INTERNATIONAL CONTAINER TERMINAL LIMITED
82. KASB SECURITIES (PRIVATE) LIMITED
83. KLM ROYAL DUTCH AIRLINES
84. KODAK LIMITED
85. KSB PUMPS COMPANY LIMITED
86. LAKSON TOBACCO COMPANY LIMITED
87. LUNDBECK PAKISTAN PRIVATE LIMITED
88. 3M PAKISTAN (PRIVATE) LIMITED
89. M-I OVERSEAS LIMITED
90. MACKINNON, MACKENZIE & COMPANY OF PAKISTAN (PRIVATE) LIMITED
91. MEEZAN BANK LIMITED
92. MERCK MARKER (PRIVATE) LIMITED
93. MERCK SHARP & DOHME OF PAKISTAN LIMITED
94. MITSUBISHI CORPORATION
95. MITSUI & COMPANY LIMITED
96. MULLER & PHIPPS PAKISTAN (PRIVATE) LIMITED
97. NCR CORPORATION
98. NESTLE MILKPAK LIMITED
99. NEW HAMPSHIRE INSURANCE COMPANY
100. NEW JUBILEE LIFE INSURANCE COMPANY LIMITED
101. NIMIR CHEMICALS PAKISTAN LIMITED
102. NOVARTIS PHARMA (PAKISTAN) LIMITED
103. OERLIKON-WELDING LIMITED – ZURICH
104. OMAN INTERNATIONAL BANK S. A. O. G.
105. ONDEO NALCO GULF LIMITED
106. ORGANON PAKISTAN (PRIVATE) LIMITED
107. ORIX LEASING PAKISTAN LIMITED
108. OTSUKA PAKISTAN LIMITED
109. OXFORD UNIVERSITY PRESS
110. P&O CONTAINERS PAKISTAN (PRIVATE) LIMITED

111. PAK - ARAB REFINERY LIMITED
112. PAKCOM LIMITED
113. PAK OMAN INVESTMENT COMPANY (PRIVATE) LIMITED
114. PAKISTAN CABLES LIMITED
115. PAKISTAN GUM & CHEMICALS LIMITED
116. PAKISTAN GUM INDUSTRIES (PRIVATE) LIMITED
117. PAKISTAN INTERNATIONAL COMPUTERS LIMITED
118. PAKISTAN MOBILE COMMUNICATIONS (PRIVATE) LIMITED
119. PAKISTAN OILFIELDS LIMITED
120. PAKISTAN PETROLEUM LIMITED
121. PAKISTAN PTA LIMITED
122. PAKISTAN TOBACCO COMPANY LIMITED
123. PAKTEL LIMITED
124. PARKE DAVIS & COMPANY LIMITED
125. PEPSI-COLA INTERNATIONAL (PRIVATE) LIMITED
126. PHARMATEC PAKISTAN (PRIVATE) LIMITED
127. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LIMITED
128. PHOENIX ARMOUR (PRIVATE) LIMITED
129. PREMIER - KUFPEC PAKISTAN B.V.
130. PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED
131. PROGAS PAKISTAN LIMITED
132. QASIM INTERNATIONAL CONTAINER TERMINAL PAKISTAN LIMITED
133. RAFHAN BEST FOODS LIMITED
134. RAFHAN MAIZE PRODUCTS COMPANY LIMITED
135. RAY SHIPPING ENTERPRISES LIMITED
136. RECKITT BENCKISER PAKISTAN LIMITED
137. REUTERS LIMITED
138. RHODIA PAKISTAN (PRIVATE) LIMITED
139. ROCHE PAKISTAN LIMITED
140. ROUSCH (PAKISTAN) POWER LIMITED
141. SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT COMPANY (PRIVATE) LIMITED
142. S. C. JOHNSON & SON OF PAKISTAN (PRIVATE) LIMITED
143. SCHERING ASIA GmbH
144. SECURITY LEASING CORPORATION LIMITED
145. SGS PAKISTAN (PRIVATE) LIMITED
146. SHEIKHOO SUGAR MILLS LIMITED
147. SHELL GAS LPG (PAKISTAN) LIMITED
148. SHELL PAKISTAN LIMITED
149. SIEMENS PAKISTAN ENGINEERING COMPANY LIMITED
150. SINGER PAKISTAN LIMITED
151. STANDARD CHARTERED BANK
152. STORK - IBI PRINTS PAKISTAN (PRIVATE) LIMITED
153. SYNGENTA PAKISTAN LIMITED
154. TAPAL ENERGY (PRIVATE) LIMITED
155. TETHYAN COPPER COMPANY PAKISTAN (PRIVATE) LIMITED
156. TETRA PAK PAKISTAN LIMITED
157. TOTAL ATLAS LUBRICANTS PAKISTAN (PRIVATE) LIMITED
158. TYCO FIRE & SECURITY PAKISTAN (PRIVATE) LIMITED
159. UNILEVER PAKISTAN LIMITED
160. UNION BANK LIMITED
161. UNISYS PAKISTAN (PRIVATE) LIMITED
162. UNITED BANK LIMITED
163. UNITED LINER AGENCIES OF PAKISTAN (PRIVATE) LIMITED
164. WYETH PAKISTAN LIMITED

• **CHAMBER'S REPRESENTATIONS ON VARIOUS BODIES  
FOR THE YEAR 2004-2005**

**REPRESENTATION**

- |  |             |   |
|--|-------------|---|
| 1. Managing Committee of the Federation of Pakistan Chambers of Commerce & Industry            | (Alternate) | President<br>Vice President   |
| 2. Board of Governors-Foreign Trade Institute of Pakistan, Islamabad                           | (Alternate) | President<br>Secretary-General  |
| 3. Advisory Council for the Ministry of Finance  | (Alternate) | President<br>Secretary-General  |
| 4. Advisory Council for the Ministry of Commerce   | (Alternate) | President<br>Secretary-General  |
| 5. Advisory Council for the Ministry of Industries   | (Alternate) | Vice President<br>Secretary-General   |
| 6. Board of Investment, Islamabad  | (Alternate) | President<br>Secretary-General  |
| 7. Board of Investment, Karachi Investment Facilitation Board                                  | (Alternate) | Vice President<br>Chairman of Standing Sub Committee on Industrial & Commercial Matters           |
| 8. Board of Investment & Trade Promotion Punjab  | (Alternate) | Vice President<br>Secretary-General   |
| 9. Board of Trustees - Karachi Port Trust  |             | Mr. S. H. A. Bukhari  |
| 10. Shipping Rates Advisory Board (SRAB) (Ports & Shipping Wing) Ministry of Communications    |             | Secretary-General   |
| 11. Standing Committee on International Maritime Organization (IMO) Ministry of Communications |             | Secretary-General   |
| 12. National Engineering Manufacturers Export Council  | (Alternate) | Chairman of Standing Sub Committee on Industrial & Commercial Matters<br>Co-Chairman of the above |



|   |             |  |
|---|-------------|--|
| 13. Sindh Industries Facilities Board   |             | Chairman of Standing Sub Committee on Industrial & Commercial Matters<br>Co-Chairman of the above                          |
|   | (Alternate) |  |
| 14. Sindh Social Securities Board   |             | To be nominated by the Chairman of Standing Sub Committee on Labour & Employee Relations<br>Co-Chairman of the above       |
|   | (Alternate) |  |
| 15. Advisory Committee for the Regional Commissioner of Income Tax and Wealth Tax |             | Chairman of Standing Sub Committee on Taxation<br>Co-Chairman of the above   |
|   | (Alternate) |  |
| 16. Karachi Port Trust<br>Port Council  |             | Captain M. A. Siddiqui of United Liner Agencies of Pakistan (Private) Limited  |
| 17. Karachi Dock Labour Board   |             | Mr. S. H. A. Bukhari   |
| 18. Managing Committee of the Employers Federation of Pakistan                    |             | To be nominated by the Chairman of Standing Sub Committee on Labour & Employee Relations                                   |
| 19. Member of Governing Body - Workers Welfare Fund                               |             | To be nominated by the Chairman of Standing Sub Committee on Labour & Employee Relations                                   |
| 20. Advisory Committee on Customs & Sales Tax                                     |             | Chairman of Standing Sub Committee on Taxation<br>Co-Chairman of Standing Sub Committee on Industrial & Commercial Matters |
|   | (Alternate) |  |
| 21. Consultative Committee on Industrial Research                                 |             | Dr. Farid Khan of Novartis Pharma (Pakistan) Limited   |
| 22. Export Processing Zone Authority  |             | Chairman of Standing Sub Committee on Industrial & Commercial Matters<br>Co-Chairman of the above                          |
|   | (Alternate) |  |
| 23. Valuation Advisory Committee (ITP) of Collector of Customs Valuation          |             | Chairman of Standing Sub Committee on Industrial & Commercial Matters  |

- |   |             |   |
|---|-------------|---|
| 24. Government of Sindh<br>Labour Advisory Board                  |             | To be nominated by the<br>Chairman of Standing Sub<br>Committee on Labour & Employee<br>Relations |
| 25. National Credit Consultative<br>Council (NCCC)                | (Alternate) | President<br>Secretary-General  |
| 26. Pakistan Environmental Protection<br>Council (PEPC)           | (Alternate) | President<br>Chairman of Standing Sub<br>Committee on Environmental<br>Matters                    |
| 27. Technical Experts Committee of the<br>Ministry of Environment |             | Co-Chairman of Standing Sub<br>Committee on Environmental<br>Matters                              |
| 28. Committee of Investment (Sindh)                               |             | Chairman of Standing Sub<br>Committee on Industrial &<br>Commercial Matters                       |
| 29. Provincial Environment Monitoring<br>Committee on NEQS        |             | Co-Chairman of Standing Sub<br>Committee on Environmental<br>Matters                              |
| 30. National Statistical Council                                  |             | Secretary-General   |

**NOMINATIONS OF CHAMBER'S REPRESENTATIVES TO  
FPCC&I MANAGING COMMITTEE & GENERAL BODY  
FOR THE YEAR 2004**

MANAGING COMMITTEE OF FPCC&I

President

GENERAL BODY OF FPCC&I

Representing Trade:

Mr. Farooq Rahmatullah

Mr. S. H. A. Bukhari

Representing Industry:

Mr. Sohail Wajahat H. Siddiqui

Mr. Farhat Ali

## ➤ **MANAGING COMMITTEE**

Mr. Zaffar A. Khan retired as Chief Executive Officer of Engro Chemicals Pakistan Limited and stepped down from the office of the President. He was succeeded by Vice President Mr. Farooq Rahmatullah on 5<sup>th</sup> January 2004.

### • **MEETINGS OF THE MANAGING COMMITTEE**

During the year under review, the Managing Committee held its meetings on 8<sup>th</sup> January, 17<sup>th</sup> February, 16<sup>th</sup> March & 13<sup>th</sup> April.

At the 144<sup>th</sup> Annual General Meeting held on 20<sup>th</sup> April, 2004, following Members were elected to the Managing Committee for the year 2004 - 2005:

#### **PRESIDENT**

MR. FAROOQ RAHMATULLAH

#### **ORGANIZATION**

SHELL PAKISTAN LIMITED

#### **VICE PRESIDENT**

MR. SOHAIL W. H. SIDDIQUI

SIEMENS PAKISTAN ENGINEERING  
COMPANY LIMITED

#### **MEMBERS** (in alphabetical order)

|                         |   |
|-------------------------|---|
| 1. MR. FARHAT ALI       | ABB (PVT) LIMITED                             |
| 2. MR. HUMAYUN BASHIR   | IBM ITALIA S.p.A                              |
| 3. MR. S. H. A. BUKHARI | MACKINNON, MACKENZIE & CO. OF PAK. (PVT) LTD. |
| 4. MR. SALMAN BURNEY    | GLAXOSMITHKLINE PAKISTAN LTD.                 |
| 5. MR. HANS DEWAELE     | PROCTER & GAMBLE PAKISTAN (PVT) LTD.          |
| 6. MR. NADEEM KARAMAT   | AMERICAN EXPRESS BANK                         |
| 7. FARID KHAN           | NOVARTIS PHARMA PAKISTAN LTD.                 |
| 8. MR. JOHN R. STONEY   | ICI PAKISTAN LIMITED                          |

### • **MANAGING COMMITTEE CO-OPTION**

The following three additional members were co-opted to the Managing Committee on 17<sup>th</sup> May 2004.

#### **NAME:**

#### **ORGANIZATION**

MR. YUKIO HASEGAWA  
MR. BADAR KAZMI  
MR. SYED MUNSIF RAZA

MITSUBISHI CORPORATION  
STANDARD CHARTERED BANK  
PAKISTAN PETROLEUM LIMITED

- **FURTHER MEETINGS OF NEW MANAGING COMMITTEE**

The incoming Managing Committee held meetings on 17<sup>th</sup> May, 22<sup>nd</sup> June, 12<sup>th</sup> July, 24<sup>th</sup> August, 30<sup>th</sup> September, 2<sup>nd</sup> November and 2<sup>nd</sup> December, 2004.

- **ACTIVITIES OF THE MANAGING COMMITTEE**

- **FEDERAL BUDGET PROPOSALS 2004-2005**

The process of formulating budget proposals started during September 2003. Suggestions for the budget proposals were invited from members. All proposals were discussed in detail. Specific proposals which did not have general applicability were excluded. It was agreed to identify and focus on key issues having big impact.

Budget proposals including proposals submitted to the government in the previous year and not agreed upon were added to the summary. The proposals were finalized during a meeting held on 6<sup>th</sup> February 2004.

These proposals were discussed with Mr. Riaz Ahmed Malik, Chairman Central Board of Revenue on 23<sup>rd</sup> February 2004 in Islamabad during a presentation made by Taxation sub committee. The budget proposals were sent to the government on 9<sup>th</sup> March 2004. Summary of the proposals can be seen in **Appendix 1**. Detail proposals can be seen on our web site at [www.oicci.org](http://www.oicci.org)

The budget proposals were subsequently discussed with Mr. Abdullah Yusuf, the new Chairman Central Board of Revenue when he was invited to the Chamber on 10<sup>th</sup> April 2004 and met the Managing Committee members and chamber's standing sub committee on Taxation.

- **MEETING WITH MINISTER FOR FINANCE AND ECONOMIC AFFAIRS**

Mr. Shaukat Aziz, Federal Minister for Finance and Economic Affairs was invited to the Chamber on 29<sup>th</sup> March 2004 and met the Members of the Managing Committee and Chamber's standing sub committee on Taxation. Besides the Federal Budget proposals submitted by the Chamber following issues were also discussed which are enumerated below:-

- a. Proposals to accelerate the inflow of Direct Foreign Investment
- b. The menace of under-invoicing
- c. Preferential Trade Agreement and Free Trade Agreements
- d. New reporting requirements of Related Party Transactions

Welcome address delivered on occasion of his visit can be seen in **Appendix 2**. Subsequently a letter dated 3<sup>rd</sup> May 2004 addressed to the Minister regarding issues discussed during his visit can be seen in **Appendix 3**.

➤ **MEETING WITH MR. TASNEEM NOORANI, FEDERAL SECRETARY INTERIOR**

Mr. Tasneem Noorani Federal Secretary Interior visited the Chamber on 12<sup>th</sup> March 2004 and met the members of the Managing Committee and Security Law and Order Sub committee. A number of issues relating to security concerns of member companies were discussed. After the visit the chamber released a press note on 15<sup>th</sup> March 2004 which can be seen on the website.

A presentation by working group of security law and order sub committee was given to Ministry of Interior on 6<sup>th</sup> April 2004 in Islamabad in which measures were suggested for improving the workings of the private security companies. Presentation including recommendations can be seen on our web site [www.oicci.org](http://www.oicci.org)

➤ **TRADE POLICY PROPOSALS 2004-2005**

Members' suggestions were invited for Trade Policy Proposals for the year 2004-2005. It was decided that the issues to be included in Trade Policy were to be supported by rationale.

Chamber's trade policy proposals were forwarded to the Ministry of Commerce on 23<sup>rd</sup> April 2004. Summary of the proposals can be seen in **Appendix 4**. Detailed proposals can be seen on our web site at [www.oicci.org](http://www.oicci.org)

➤ **DIRECTOR GENERAL LARGE TAX PAYERS UNIT (LTU)**

Mr. Shahid Jamal, Director General LTU was invited to the Chamber on 9<sup>th</sup> July 2004 and met the Vice President and members of taxation sub committee. Following issues were discussed.

1. Adjustment of Advance Tax
2. Paying and adjusting refund to tax payers
3. Facilitation services provided to LTUs.
4. Mindset of Income Tax Officers requires to be changed.
5. Department auditors required to be more informed regarding rules and regulations.
6. Tax Payers paying regular tax be recognized and those evading taxes should be dealt strictly as per the law.

➤ **VISIT OF MEMBER SALES TAX, CBR**

A meeting was called at the request of the Secretary General of the Chamber with Mr. Shahid Ahmed, Member Sales Tax, CBR on 12<sup>th</sup> July to discuss anomalies created by the Federal Finance Bill 2004. The Managing Committee members along with members of standing sub committee on taxation attended the meeting. Following issues were discussed.

1. 15 % CED levied on shipping agency as per Finance Bill 2004 announced in Budget 2004-2005.
2. Sales Tax levied at the rate of 15% on cattle feeds and its ingredients announced in Budget 2004-2005
3. Different entries in Customs first schedule and sixth schedule of sales tax regarding computer software which have created an anomaly.
4. The definition of plant, machinery and equipment as mentioned in SRO 500 (1) 2004 was not specific and required clarification.

Minutes of the meeting dated 15<sup>th</sup> July 2004 can be seen at our web site.

#### ➤ **INTELLECTUAL PROPERTY RIGHTS ISSUES**

Justice ® Dr. Ghaus Mohammad Director General Sindh Judicial Academy was invited to the Chamber on 12<sup>th</sup> August 2004 and met members of IPR sub committee. The Honorable Justice had following suggestions for IPR committee to pursue which could help in changing the environment for IPR enforcement in Pakistan.

- a. Judges education via the Sindh Judicial Academy
- b. IPR be included in the law education syllabus at College / University level.
- c. Consolidating 3 separate laws on IPR into one and establishing single court (like the Banking Tribunal) for trial of IPR violations.

It was agreed that emphasis be laid on following

1. Members should make presentations on IPR issues to judicial officers attending refresher courses at the Judicial Academy
2. International ramifications of IPR law violations.
3. The poor enforcement of laws in Pakistan
4. The impact on the local economy, the industry and the consumer
5. Awareness on IPR issues be made part of syllabus in law colleges.
6. OICC&I to invite judges of the high court and other judicial officers and give them presentation on violations of IPR laws

#### ➤ **VISIT OF MR. MOHAMMEDMIAN SOOMRO, CHAIRMAN OF THE SENATE AND ACTING PRESIDENT OF PAKISTAN**

His Excellency Mohammedmian Soomro, Chairman of Senate and at that time Acting President of the country accompanied by Dr. Arbab Rahim, Chief Minister of Sindh and Mr. Aslam Sanjrani Chief Secretary of the Province visited the Chamber on 29<sup>th</sup> September 2004 and met members of Managing Committee and Head of firms. Issues discussed during the meeting are enumerated below:-

- a. Poor infrastructure in Karachi and Inadequate supply of water through piping system
- b. The traffic arrangements in main district of Karachi.

- c. Poor conditions of roads in the business district and industrial areas.

After the visit, a press release was issued on 29<sup>th</sup> September 2004 which can be seen on the website.

➤ **MEETING OF PRESIDENT OICC&I WITH PRIME MINISTER OF PAKISTAN**

President of the Chamber had a one to one meeting with Prime Minister on 16<sup>th</sup> October 2004 in Islamabad. The issues relating to status of oil pricing subsidy was discussed. An invitation was also extended by the President to the Prime Minister for Chambers Dinner and Investment Conference. The Prime Minister agreed to attend the Chamber's Dinner to be held in Karachi on 4<sup>th</sup> December 2004 and for the investment conference to be held in Islamabad on 26<sup>th</sup> March 2005

➤ **MEETING WITH FEDERAL MINISTER FOR INDUSTRIES AND PRODUCTION**

Mr. Jehangir Khan Tareen Federal Minister for Industries and Production visited the Chamber on 5<sup>th</sup> October 2004 and met members of the Managing Committee, Head of firms and members of the standing sub committee on Industrial and Commercial matters.

The issues discussed during the meeting are summarized below:-

1. Human Resources / Need for vocational training.
2. Challenges posed by WTO
3. Charges of electricity and reduction of production losses.
4. Port charges need to be aligned with regional ports. Port incapable of handling bigger vessels.
5. Tax be imposed on production and not investment.
6. Rail / Road networks need to be made safer, cheaper and faster.
7. Anti competition laws need to be enforced.
8. Corporate tax be reduced for industry to be competitive.
9. Government should ensure consistency of policies.
10. Regulatory authorities like OGRA and NEPRA should have private sector representation

➤ **VISIT OF MR. SHAUKAT AZIZ, PRIME MINISTER OF PAKISTAN TO OICC&I**

His Excellency Mr. Shaukat Aziz was invited for OICCI Winter Dinner meeting on 4<sup>th</sup> December 2004 held at Governor House Sindh. The dinner was attended by Begum Shaukat Aziz, Governor Sindh Dr. Ishrat Ul Ebad, Chief Minister Sindh Mr. Arbab Ghulam Rahim and Head of Firms of OICCI. The issues raised by the President discussed during the dinner meeting are enumerated below:-

1. Measures to accelerate the inflow of Direct Foreign Investment.
2. Simplification and rationalization of taxes
3. Need to improve infrastructure and reduce operating cost in Pakistan
4. Overprotective labour laws.
5. Government not to act as a competitor and regulator at the same time.
6. The impact of the rise in the international oil prices on national economy.

Speech delivered by the President of the Chamber on the occasion can be seen in **Appendix 5**.

## • **SIGNIFICANT CORRESPONDENCE**

### ➤ **LETTER TO CHAIRMAN, CBR**

Chamber's letter dated 20<sup>th</sup> February 2004 to the Chairman CBR submitting Federal Budget proposals for the year 2004-2005 to enable CBR to simplify and streamline the tax collection process. This can be seen in **Appendix 6**

### ➤ **EXEMPTING COMPANIES FROM PAYING SOCIAL SECURITY CONTRIBUTION**

Chamber's letter dated 8<sup>th</sup> March 2004 to Secretary Ministry for labour and Transport, Government of Sindh requesting them to exempt companies providing medical facilities to the employees at the work place from paying social security contributions. This can be seen in **Appendix 7**

### ➤ **RELATED PARTY TRANSACTIONS AND TRANSFER PRICING**

Chamber's letter dated 8<sup>th</sup> March 2004 to chairman SECP regarding request to defer the application of amendments prescribing that all transactions between related parties should be on basis of arms length. This can be seen in **Appendix 8**

### ➤ **DRAFT SALES TAX REFUND RULES**

Chamber approached Secretary Revenue Division (Sales Tax Wing) vide letter dated 30<sup>th</sup> March 2004 for incorporating comments on the draft sales tax refund rule. This can be seen in **Appendix 9**

### ➤ **QUARTERLY STATEMENT OF ACCOUNTS OF LISTED COMPANIES INSTEAD OF PUBLISHING BE PUT ON THE WEBSITE**

Chamber's letter dated 13<sup>th</sup> April 2004 to chairman SECP seeking that Quarterly accounts need not be published but put on the web site of companies. This can be seen in **Appendix 10**



➤ **OICCI SUGGESTION AT ADVISORY COUNCIL ON INDUSTRIES & PRODUCTION MEETING HELD ON 14<sup>TH</sup> APRIL 2004 IN ISLAMABAD**

Chamber's letter dated 27<sup>th</sup> April 2004 to Federal Minister for Industries and Production confirming the suggestions made at the subject meeting can be seen in **Appendix 11**

➤ **ISSUES RAISED BY OICCI AT ADVISORY COUNCIL MEETING WITH FEDERAL MINISTER OF COMMERCE HELD ON 28<sup>TH</sup> APRIL IN ISLAMABAD**

Chamber addressed the Federal Minister of Commerce vide their letter dated 30<sup>th</sup> April 2004 regarding issues raised at the meeting. This can be seen in **Appendix 12**

➤ **TAXATION RATES**

On 3<sup>rd</sup> May 2004 Chamber addressed to the Chairman, CBR suggesting the government to reduce corporate tax rates and reduce differential of import duties on raw material and finished products. This can be seen in **Appendix 13**

➤ **OBTRUSIVE DISPLAY OF BUNKERS AND MACHINE GUNS AND MILITARY VEHICLES IN KARACHI**

Chamber approached Corps Commander Karachi vide their letter dated 12<sup>th</sup> May for taking necessary measures to make the subject bunkers machine guns and military vehicles less obtrusive. This can be seen in **Appendix 14**

➤ **PLACEMENT OF QUARTERLY ACCOUNTS BY LISTED COMPANIES ON THE WEBSITE**

Chamber's letter dated 17<sup>th</sup> May 2004 to SECP seeking certain clarifications on circular No. 19 issued by SECP. This can be seen in **Appendix 15**

➤ **STAKEHOLDER'S MEETING FOR ESTABLISHING AN INSTITUTE OF CORPORATE GOVERNANCE IN PAKISTAN HELD ON 19<sup>TH</sup> APRIL 2004**

Chamber's letter dated 25<sup>th</sup> May 2004 to SECP forwarding their comments on the subject can be seen in **Appendix 16**

➤ **FOREIGN CURRENCY COMMERCIAL REMITTANCE**

Chamber wrote on 21<sup>st</sup> June 2004 to Deputy Governor SBP seeking that the remittance of US \$100,000 per transaction for IT, telecommunication and other related services be allowed. Amendments to this effect be carried out in Foreign exchange central manual. This can be seen in **Appendix 17**

➤ **LEVY OF CED ON SHIPPING AGENTS – FINANCE BILL 2004**

Chamber's letter dated 22<sup>nd</sup> June 2004 to Member Central Excise CBR apprising him about the problems created by substituting clause 96ZZK of Central Excise Rules 1944. This can be seen in **Appendix 18**

➤ **TRANSMISSION OF QUARTERLY ACCOUNTS FOR LISTED COMPANIES**

Chamber approached Karachi Stock Exchange vide their letter dated 25<sup>th</sup> June 2004 suggesting them to do away with the requirement of submitting 1000 copies to KSE as it was agreed that quarterly accounts could be transmitted to shareholders through web site. This can be seen in **Appendix 19**

➤ **NATIONAL INDUSTRIAL POLICY**

Secretary General and Co Chairman of standing sub committee on Industrial and Commercial matters participated at brain-storming session with stake holders on the above subject organized by Expert Advisory Cell Ministry of Industries and production on 17<sup>th</sup> June 2004 in Islamabad. The remarks made by the Secretary General at the meeting can be seen in **Appendix 20**

Chamber's letter dated 12<sup>th</sup> July 2004 addressed to Ministry of Industries and Production regarding recommendation / suggestions for formulating National Industrial Policy can be seen in **Appendix 21**

➤ **INCREASE IN INCIDENCE OF KIDNAPPING AND ABDUCTIONS**

Chamber's letter dated 14<sup>th</sup> July 2004 addressed to President of Pakistan inviting his attention on the subject for taking remedial measures and early recovery of kidnapped employees to bring relief to the companies can be seen in **Appendix 22**

➤ **INFRINGEMENTS OF PATENTS**

Chamber wrote to Federal Minister of Health vide their letter dated 22<sup>nd</sup> July 2004 regarding concerns of pharmaceutical companies for developing a system through which products with valid patents are identified and registration of products infringing these patents are denied. This can be seen in **Appendix 23**

➤ **SMUGGLING OF PETROL DIESEL AND LUBRICANTS FROM IRAN / AFGHANISTAN**

Secretary Petroleum and Natural Resources was addressed on the above subject vide Chamber's letter dated 4<sup>th</sup> August 2004. This can be seen in **Appendix 24**

➤ **DUMPING OF DUTY FREE FUELS**

Chamber wrote to Chairman CBR vide their letter dated 6<sup>th</sup> August 2004 drawing his attention about the irregular sale of duty free fuels meant for export in border areas by some marketing companies can be seen in **Appendix 25**

➤ **ISSUANCE OF OIL MARKETING LICENSES**

Chamber approached Secretary Ministry of Petroleum and Natural Resources vide their letter dated 6<sup>th</sup> August 2004 proposing that experts from industry be

included in the process of evaluation before issuing and monitoring of oil marketing licenses. This can be seen in **Appendix 26**

➤ **WTO MATTERS**

Remarks made by Secretary general at WTO Expert's Moot held in Islamabad on 18<sup>th</sup> August 2004 forwarded to Project Director Industrial information Network vide Chamber's letter dated 30<sup>th</sup> August 2004 can be seen in **Appendix 27**

➤ **FUELLING AT ALLAMA IQBAL INTERNATIONAL AIRPORT LAHORE**

Chamber wrote to Secretary Petroleum and Natural Resources vide their letter dated 6<sup>th</sup> September 2004 regarding monopoly for supplying of jet A – 1 fuel at Lahore airport. This can be seen in **Appendix 28**

➤ **ESTABLISHING OF NEW REGIONAL / ZONAL TECHNOLOGY SUPPORT CENTRES**

Comments forwarded to Ministry of Industries and Production vide Chamber's letter dated 9<sup>th</sup> September 2004 can be seen in **Appendix 29**

➤ **TAX ON ADVERTISEMENT BOARD AND NEON SIGNS**

Chamber's letter dated 23<sup>rd</sup> September 2004 to City Nazim city district government apprising him about exorbitant increase in tax on advertisement boards and neon signs. This can be seen in **Appendix 30**

➤ **REDUCTION IN CUSTOM DUTY ON LARGE SIZED CARS**

President's letter dated 24<sup>th</sup> September 2004 addressed to Federal Minister for Industries and Production drawing his attention to high incidence of taxation on vehicles of 1800 cc and above. This can be seen in **Appendix 31**

➤ **LISTED COMPANIES (SUBSTANTIAL ACQUISITION OF SHARES) ORDINANCE 2002 – NON-ISSUANCE OF RULES**

Chamber's letter dated 26<sup>th</sup> October 2004 to Chairman SECP requesting them for issuing the rules to implement the subject legislation. This can be seen in **Appendix 32**

➤ **TRADE PROMOTION SCHEMES AFFECTED BY SECTION 294 B OF PAKISTAN PENAL CODE**

Chamber's letter dated 14<sup>th</sup> December 2004 addressed to Federal Minister of Commerce regarding uncertainties prevailing regarding section 294-B. This can be seen in **Appendix 33**

• **OTHER ACTIVITIES INCLUDING SEMINAR, WORKSHOPS, FORUM AND EVENTS**

**8TH MAY 2004 SEMINAR ON PRE-BUDGET 2004-2005**

The subject seminar was organized by Institute of Cost and Management Accountants of Pakistan. This was attended by Secretary General and Mr. Parvez Ghias, Co-Chairman of taxation sub committee. Mr. Parvez Ghias made a presentation on behalf of the OICCI. Secretary General chaired the afternoon session.

**18TH MAY 2004 SEMINAR ON IPR IN PAKISTAN: ISSUES AND CHALLENGES**

The above seminar was organized by IPR Academy of Pakistan in Islamabad. This was attended by Mr. Amar Naseer, member of IPR sub committee of the Chamber.

**15TH JULY 2004 WORLD BANK WORKSHOP ON CARBON FINANCE BUSINESS**

World Bank organized a workshop on the subject in Islamabad. President of the Chamber participated in the workshop.

**26TH AUGUST 2004 WTO SEMINAR ON AGREEMENT AND QUALITY MANAGEMENT**

A seminar on the subject was organized by Institute of Bankers Karachi. Mr. Farhat Ali Chairman Standing sub committee on Industrial and Commercial matters attended the above seminar.

**16TH SEPTEMBER 2004 SEMINAR ON ANTI-DUMPING**

Secretary General participated in the above seminar organized by Management Association of Pakistan in Karachi. Chairman Tariff Commission was the keynote speaker.

**10TH OCTOBER 2004 PAK-GERMAN BUSINESS FORUM**

Board of Investment organized the subject forum in Islamabad. President participated at the above forum

**4TH NOVEMBER 2004 PAKISTAN SMALL PROJECT FACILITY AWARENESS EVENT**

European Union arranged the subject event in Karachi. Secretary General participated in the above event.

**9TH DECEMBER 2004 SEMINAR ON TRANSPARENCY AND GOOD GOVERNANCE**

Transparency International organized a seminar on the subject on 1<sup>st</sup> anniversary of the International anti-corruption day. Mr. Jonathan Stoney, Chairman standing sub committee on Corporate Social Responsibility and External Relations spoke on corporate business principles and compliance issues.

**SIGNIFICANT MEETINGS HELD IN THE CHAMBER****15TH JANUARY 2004 VISIT OF INTERNATIONAL CHAMBER OF COMMERCE TEAM**

Chairman, Mr. Jean Rene Fortou along with Madame Maria Livanos Cattai, Secretary General, International Chamber of Commerce, Mr. Tariq M. Rangoonwala, Chairman, ICC - Pakistan visited the Chamber and met Members of the Managing Committee, Chairmen and Co-chairmen of Chamber's Standing Sub Committees and Head of Firms.

**16TH JANUARY 2004 FIAS MISSION – WORLD BANK**

Ms. Fatima Zehra Shah, Private Sector Development Analyst, World Bank, Mr. Jean-Paul Gauthier, Attorney at Law and Ms. Sheri Ann Pitigala, Senior Consultant, visited the Chamber and met Secretary-General, Mr. Salman Burney, Mr. Hasan Ali Khan and Mrs. Amcena Saiyid.

**19TH APRIL 2004 DELEGATION OF THE MONOPOLY CONTROL AUTHORITY**

Mr. Abdul Ghaffar, Member, Mr. Ahmed Khan, Consultant and Mr. Harst Nolkensmeier, German Consultant of monopoly control authority visited the Chamber and met Members of the Corporate Law Sub Committee and the Secretary-General. The proposed changes in the Legislation were discussed.

**13TH MAY 2004 COMMERCIAL SECRETARIES AND REPRESENTATIVE OF EPB**

A delegation of Commercial Secretaries alongwith Representatives of Export Promotion Bureau visited the Chamber for induction / training. Secretary-General conducted the induction course.

**11TH AUGUST 2004 MEETING WITH BRITISH DEPUTY HIGH COMMISSION**

Mr. Hamish Daniel, British Deputy High Commissioner visited the Chamber and met Members of the Managing Committee and Heads of British Companies.

**21ST SEPTEMBER 2004      DIRECTOR OF INTERNATIONAL TRADE  
NOTTINGHAMSHIRE CHAMBER OF  
COMMERCE**

Mr. Michael Brosch Director of Nottinghamshire Chamber of Commerce & Industry, accompanied by Leader of UK Trade Mission to Pakistan visited the Chamber and met Members of the Managing Committee and Head of British Firms. Mr. Hamish Daniel, British Deputy High Commissioner was also present.

**23RD SEPTEMBER              EUROPEAN UNION**

Mr. Peter O'Brien, Team Leader from European Union / SAARC Trade and Investment Project, Belgium and Mr. Adam Robinski visited the Chamber and met the Secretary-General. They discussed prospects of European Companies in the SAARC Region.

**10TH NOVEMBER 2004      WORLD BANK MISSION**

Ms. Asya Akhlaque (Task Leader), Mr. Milan Vodopivec (Co-Task Leader) visited the Chamber and met Chairman taxation sub committee and Secretary-General over Luncheon meeting. They discussed the Labour Market Study.

**•      SIGNIFICANT MEETINGS HELD OUTSIDE THE CHAMBER****9TH JANUARY 2004              MEETING WITH SECURITIES & EXCHANGE  
COMMISSION OF PAKISTAN**

A meeting was held with Dr. Tariq Hasan, Chairman, Securities & Exchange Commission of Pakistan in the Karachi Office with Heads of Foreign Insurance Companies. Mr. Mujib Khan, Dr. Mumtaz Hashmi and Mr. Umer Ali Shah participated.

**16TH JANUARY 2004              NATIONAL CREDIT CONSULTATIVE COUNCIL  
MEETING**

The subject meeting was held in SBP. Secretary General attended the meeting.

**22ND JANUARY 2004              INTELLECTUAL PROPERTY RIGHTS**

The above meeting was held in Islamabad when an Advisory committee was formed by Federal Secretary of Commerce. Secretary-General along with some members of IPR sub committee participated in the meeting.

**22ND JANUARY 2004 LUNCHEON MEETING BY THE COUNCILOR  
OF USA TO MEET IPR ADVISORY  
COMMITTEE**

A Luncheon meeting was arranged by Mr. William Monroe councilor USA to meet IPR Advisory Committee in Islamabad. This was attended by Secretary-General and Mrs. Ameena Saiyid, member of Managing committee.

**22ND JANUARY 2004 MEETING ON INSTITUTE OF CORPORATE  
GOVERNANCE**

Chairman, Securities & Exchange Commission of Pakistan, called a meeting on the subject in Islamabad. This was attended by Secretary-General and Mrs. Ameena Saiyid

**26TH MARCH 2004 MEETING WITH CHAIRMAN CBR**

Secretary-General called on the Chairman CBR and discussed policy issues relating to the forthcoming budget

**24TH APRIL 2004 2ND TASK FORCE MEETING ON ROTATION  
OF AUDITORS**

Mrs. Ameena Saiyid and Mr. Hasnain Moochhala, members of Corporate Law sub committee attended the subject meeting in Karachi.

**28TH APRIL 2004 55TH MEETING OF THE ADVISORY COUNCIL,  
MINISTRY OF COMMERCE**

The above meeting was held in Islamabad and was attended by Secretary-General

**21ST MAY 2004 3RD TASK FORCE MEETING ON ROTATION  
OF AUDITORS**

Mr. S. H. A. Bukhari, Chairman, Chamber's Standing Sub Committee on Corporate Law assisted by Mr. Hasnain Moochhala attended the meeting.

**8TH MAY 2004 INTERNATIONAL CONFERENCE ON  
INVESTMENT OPPORTUNITIES IN  
BALOCHISTAN**

Ministry of Investment & Privatization in collaboration with BOI had arranged the subject conference. Vice President participated at the above conference.

**1ST JULY 2004 MEETING WITH MEMBER SALES TAX &  
MEMBER EXCISE, CENTRAL BOARD OF  
REVENUE**

A meeting was held on 1st July, 2004 in Islamabad in which Mr. S. H. A. Bukhari, Mr. M. Moonis and Secretary-General participated.

**17TH JULY 2004****STATE BANK OF PAKISTAN - ANNUAL NCCC MEETING**

Mr. Badar Kazmi, Chairman, Chamber's Standing Sub Committee on Banking, Finance, Leasing & Insurance Matters represented the Chamber at the above Meeting.

**20TH JULY 2004****MEETING ON INDUSTRIAL POLICY**

The Secretary-General participated at the above meeting in Islamabad organized by Experts Advisory Cell, Ministry of Industries & Production.

**21ST JULY 2004****WORKING GROUP ON INDUSTRIAL DEVELOPMENT PLANNING COMMISSION FIVE YEAR PLAN (2005 - 2010)**

The Secretary-General participated at the above meeting in Islamabad organized by planning & development division (Industries & Commerce section)

**22ND JULY 2004****GERMAN BUSINESS DELEGATION**

Secretary-General participated at the above meeting hosted by Mr. Farhat Ali, President / Chief Executive Officer, ABB (Private) Limited in Lahore to meet the visiting German delegation.

**23<sup>RD</sup> JULY 2004****MEETING - VISIT OF THE FEDERAL GERMAN MINISTER OF FOREIGN AFFAIRS, MR. JOSCHKA FISCHER**

Secretary General also participated at the above meeting held at Lahore hosted by Pakistan German Business Forum.

**2ND AUGUST 2004****WORKING GROUP ON BALANCE OF PAYMENTS COMMISSIONED BY PLANNING COMMISSION FIVE YEAR PLAN (2005 - 2010)**

The Secretary-General participated at the above meeting organized by the Planning & Development Division in Islamabad.

**2ND AUGUST 2004****PROPOSAL TO ESTABLISH BUSINESS IN AFGHANISTAN**

The Secretary-General participated at the above meeting called by Deputy Chairman Planning Commission in Islamabad.



**4<sup>TH</sup> SEPTEMBER 2004      WORKING GROUP ON INDUSTRIAL  
DEVELOPMENT 5 YEAR PLAN (2005 - 2010)**

Mr. Waqar A. Malik, Co-Chairman of Chamber's Standing Sub Committee on Industrial & Commercial Matters participated at the above Working Group. The meeting was called by Planning & Development Division

**6<sup>TH</sup> SEPTEMBER 2004      FIRST MEETING OF THE BOARD OF  
INVESTMENT**

President participated at the above meeting in Islamabad.

**5<sup>TH</sup> OCTOBER 2004      INITIATION OF PUBLIC PRIVATE  
PARTNERSHIP IN THE AREAS OF  
INDUSTRIALIZATION AND RECOVERY OF  
SICK INDUSTRIAL UNITS**

President attended the above meeting at Chief Minister House Sind.

**10<sup>TH</sup> OCTOBER 2004      PAK - GERMAN BUSINESS FORUM**

President participated at the above Forum organized by Board of Investment in Islamabad.

**13<sup>TH</sup> OCTOBER 2004      EXPO PAKISTAN 2005**

President participated at the 1st Steering Committee meeting of the subject exhibition in Islamabad, organized by Ministry of Commerce and Export Promotion Bureau.

**16<sup>TH</sup> OCTOBER 2004      AMENDMENTS PROPOSED IN IRO - 2002**

Mr. M. Iftikhar, Member, Chamber's Standing Sub Committee on Labour & Employee Relations represented the Chamber at a meeting organized by Ministry of Labour, Manpower & Overseas Pakistanis in Islamabad.

**• VISITORS TO THE CHAMBER****5<sup>TH</sup> JANUARY 2004      US CONSULATE TEAM - ISLAMABAD**

Mr. Joel Reifman, Deputy Chief, Economic Section, U. S. Embassy, Islamabad and Ms. Sara Haroon, Commercial Specialist, U. S. Consulate General, Karachi visited the Chamber and met the Secretary-General.

**9<sup>TH</sup> JANUARY 2004      BRITISH DEPUTY HIGH COMMISSIONER**

Mr. David Peary, British Deputy High Commissioner visited the Chamber and met the Secretary-General and discussed matters of mutual interest.

**6<sup>TH</sup> FEBRUARY 2004****SARGHODIAN SPIRIT TRUST ISLAMABAD**

Air Chief Marshal @ Farooq F. Khan, Sargodhian Spirit Trust, Islamabad visited the Chamber and met the Secretary-General.

**31<sup>ST</sup> MARCH 2004****CONFEDERATION OF INDIAN INDUSTRY**

Mr. Ajay Khanna, Deputy Director General, Confederation of Indian Industry visited the Chamber and met the Secretary-General.

**18<sup>TH</sup> MAY 2004****EMPLOYERS FEDERATION OF PAKISTAN**

Mr. M. Matin Khan Secretary of Employers Federation of Pakistan visited the Chamber and met the Secretary-General.

**9<sup>TH</sup> JULY 2004****RELIANCE INDUSTRIES - INDIA**

Mr. Shakeel Khan, General Manager and Mr. G. S. Arya, Senior Executive Vice President, Shipping & Logistics of Reliance Industries Limited, India visited the Chamber and met the Secretary-General.

**10<sup>TH</sup> NOVEMBER 2004****GLOBAL LIAISON OFFICE BASF GERMANY**

Dr. Werner Burgert, Senior Adviser, Global Liaison Office, BASF, Germany accompanied by Mr. Qazi Sajid Ali, Managing Director, BASF Pakistan (Private) Limited visited the Chamber and met Secretary-General.

**14<sup>TH</sup> DECEMBER 2004****BOARD OF INVESTMENT**

Mr. Akhlaq Ahmed Malik, Director General Mr. Mukhtar Ahmed Director BOI and Mr. Qaiser M. Siddiqui Deputy Director BOI visited the Chamber and met Secretary General and discussed investment facilitation matters.

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

The new Managing Committee on 17<sup>th</sup> May 2004 decided that three additional sub committees be constituted. The additional sub committees approved in addition to eleven sub committees already existing are as under

1. Corporate Social Responsibility and External Relations
2. Investment and Infrastructure (to replace Ports, Shipping & Communications)
3. Programme and Events

The following standing sub committees were formed with respective chairmen and co-chairmen.

|     | <b><u>SUB COMMITTEE:</u></b>                                   | <b><u>CHAIRMAN:</u></b>                  | <b><u>CO-CHAIRMAN:</u></b>            |
|-----|--|--|---------------------------------------|
| 1.  | BANKING, FINANCE,<br>LEASING & INSURANCE                       | BADAR KAZMI<br>STANDARD CHARTERED        | HUMAYUN MURAD<br>ORIX LEASING         |
| 2.  | CORPORATE & SOCIAL<br>RESPONSIBILITY AND<br>EXTERNAL RELATIONS | JONATHAN STONEY<br>ICI                   |                                       |
| 3.  | CORPORATE LAW  | S. H. A. BUKHARI<br>MACKINNON, MACKENZIE | MRS. NAUSHEEN AHMED<br>ICI            |
| 4.  | ENERGY   | S. MUNSIF RAZA<br>PAKISTAN PETROLEUM     | MUQTADAR QURAISHI<br>CALTEX           |
| 5.  | ENVIRONMENTAL  | DR. FARID KHAN<br>NOVARTIS               | JAVED AKBAR<br>ENGRO VOPAK            |
| 6.  | INDUSTRIAL & COMMERCIAL  | FARHAT ALI<br>ABB                        | WAQAR MALIK<br>PAKISTAN PTA           |
| 7.  | INTELLECTUAL PROPERTY RIGHTS                                   | HANS DEWAELE<br>PROCTER & GAMBLE         | M. TAHIR IQBAL<br>MERCK SHARP & DOHME |
| 8.  | INVESTMENT & INFRASTRUCTURE                                    | SOHAIL W. H. SIDDIQUI<br>SIEMENS         |                                       |
| 9.  | I. T. & E COMMERCE   | HUMAYUN BASHIR<br>IBM                    | MS. SEEMA MOZAFFAR<br>UNILEVER        |
| 10. | LABOUR & EMPLOYEE RELATIONS                                    | S. MUNSIF RAZA<br>PAKISTAN PETROLEUM     | SHAHID QURESHI<br>GLAXOSMITHKLINE     |
| 11. | PHARMACEUTICAL   | DR. FARID KHAN<br>NOVARTIS PHARMA        | IQBAL BENGALI<br>PARKE DAVIS          |
| 12. | PROGRAMME & EVENTS   | M. SALMAN BURNEY<br>GLAXOSMITHKLINE      |                                       |
| 13. | SECURITY, LAW & ORDER  | SOHAIL W. H. SIDDIQUI<br>SIEMENS         | NAVEED QAZI<br>AMERICAN EXPRESS       |
| 14. | TAXATION   | NADEEM KARAMAT<br>AMERICAN EXPRESS       | PARVEZ GHIAS<br>ENGRO CHEMICAL        |

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

## **MEETINGS OF STANDING SUB COMMITTEES**

### **ADMINISTRATION SUB COMMITTEE**

The following members were appointed to this sub committee

President

Vice President

Mr. Salman Burney

Meetings of the Administration sub committee were held on 12<sup>th</sup> August, 30<sup>th</sup> September, 14<sup>th</sup> October and 11<sup>th</sup> November 2004

### **CONSTITUTION OF WORKING GROUP**

A brain-storming away day session was held on 12<sup>th</sup> February 2004 in which President and five members of the Managing Committee participated.

At this meeting it was decided to form a working group. This group was to prepare recommendations for consideration and approval of Administration sub committee. Thereafter Administration sub committee be entrusted the task of evaluating and implementing these recommendations. It was agreed that the working group will consist of following:

- a. Mr. Saleem Piracha (Shell)
- b. Mr. Leon Menezes (Shell)
- c. Mr. Sher Afzal Mazari (Unilever)
- d. Mr. Mohammad Zubair (IBM)
- e. Mr. Afzar Naqvi (American Express)

The terms of reference for the working group was as under:-

- a. To revisit the vision and mission statement
- b. A survey be conducted amongst all OICCI members to determine what members expect from the Chamber (Mr. Mazari)
- c. Based on the result of the survey, an event calendar be developed for the Chamber.
- d. To suggest recommendations for a new organizational structure to support the activities of the Chamber and the events calendar.
- e. Make recommendations for membership eligibility criteria for the Chamber.

### **REVISED CRITERIA FOR MEMBERSHIP**

The revised criteria for new membership was considered and approved during a Managing Committee meeting held on 17<sup>th</sup> May 2004. It was agreed that the existing members of the Chamber would not be effected by the new criteria.

The consequential changes required in articles of association of the Chamber, a draft be put up by the Chamber's legal advisor and presented before the Annual General Meeting of members to approve changes in Article of Association.

## **RECOMMENDATIONS OF THE WORKING GROUP**

Progress arising from the recommendations of the working group was reviewed during a Managing Committee meeting held on 22<sup>nd</sup> June 2004. The changes proposed in the New Vision of the OICC&I was approved. It was decided that the members of the Administration sub committee may not have time to work out the details of the matter and could only perform the role of steering committee. To do the detail work following task force was constituted.

- a. Mr. Khurram Mehdi (Siemens)
- b. Mr. Javed Ahmedjee (Glaxo)
- c. Mr. Saleem Piracha (Shell)

The task force attention was drawn to the responses received to the Chamber's survey and only high priority item be addressed. A copy of the responses to the survey can be seen in **Appendix 34**

The task was to recommend a re-organisation plan in six weeks. It was decided that the re-organisation plan should reflect the needs of the Chamber to perform activities indicated by the membership survey.

## **RECOMMENDATIONS OF THE TASK FORCE**

Task force meetings were held on 30<sup>th</sup> June in the Chamber and on 6<sup>th</sup> & 9<sup>th</sup> July 2004 at Shell House and 12<sup>th</sup> July at the Chamber.

Interim recommendations made to the Administration sub committee are listed below:-

1. Workshops be organized by OICC&I Sub Committees, in collaboration with the Government of Pakistan. Managing Committee to decide the sectors for the workshops.
2. Chamber to seek through selected Ministries for Government of Pakistan's approval for formation of Joint Advisory Councils with OICC&I.
3. Each Sub Committee to prepare an Annual Report in a structured manner for each Sector. President / Vice President to set out goals / benchmarks for Committees.
4. President suggested that the Federal Minister of Finance during his last visit to the Chamber had sought data for the Chamber for Port User charges prevailing in the regional Ports. This should form the focus of attention for the Infrastructure Sub Committee.
5. The Task Force suggested that the Committee headed by Mr. Salman Burney to propose an annual calendar of events.
6. The Administration Committee of the Chamber to address the issue of

recruitment of additional staff for the Chamber. An events Manager to be recruited.

7. That a study be done within OIC&I to develop electronic management for OIC&I documentation. One person each from IBM; Siemens and Shell be nominated for this purpose of doing the study.
8. The Chamber to organize an International Investment conference on an annual basis. This activity should generate funds for the Chamber.
9. It was suggested that a presentation be made to the whole Membership of the Chamber outlining the Task Force recommendations.

- **BANKING, FINANCE, LEASING & INSURANCE MATTERS**

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

10<sup>th</sup> February, 5<sup>th</sup> April, 18<sup>th</sup> June, 30<sup>th</sup> July and 29<sup>th</sup> November 2004.

- **CORPORATE LAW**

The following meetings were held during the year 2004

9<sup>th</sup> February, 29<sup>th</sup> March, 10<sup>th</sup> May, 21<sup>st</sup> June & 27<sup>th</sup> September 2004.

- **ENERGY SECTOR**

The sub committee held its meetings on:

28<sup>th</sup> June, 23<sup>rd</sup> August & 19<sup>th</sup> October 2004

- **ENVIRONMENT**

The sub committee meeting was held on

24<sup>th</sup> June and 27<sup>th</sup> December 2004.

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

The sub committee held its meetings on:

17<sup>th</sup> August 2004

- **INDUSTRIAL & COMMERCIAL MATTERS**

The sub committee held its meetings on

15<sup>th</sup> April, 24<sup>th</sup> May, 3<sup>rd</sup> June, 16<sup>th</sup> June, 30<sup>th</sup> June, 3<sup>rd</sup> September & 28<sup>th</sup> September 2004

- **INTELLECTUAL PROPERTY RIGHTS**

The following sub committee meetings were held during the year 2004:

16<sup>th</sup> June, 12<sup>th</sup> August, 6<sup>th</sup> October & 24<sup>th</sup> November 2004.

- **LABOUR & EMPLOYEE RELATIONS**

The sub committee meeting was held on

16<sup>th</sup> March, 21<sup>st</sup> July, & 7<sup>th</sup> September 2004

- **PHARMACEUTICAL**

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

9<sup>th</sup> July, 7<sup>th</sup> September and 23<sup>rd</sup> November 2004.

- **SECURITY LAW & ORDER**

Following sub committee meetings were held during the year 2004.

5<sup>th</sup> April, 28<sup>th</sup> June and 28<sup>th</sup> July, 2004.

- **TAXATION**

During the year under review, following sub committee meetings were held.

26<sup>th</sup> January, 6<sup>th</sup> February, 20<sup>th</sup> February, 18<sup>th</sup> May, 21<sup>st</sup> June, 16<sup>th</sup> August, 12<sup>th</sup> October & 30<sup>th</sup> November 2004.

- **INVESTMENT AND INFRASTRUCTURE**

During the year under review, following sub committee meetings were held.

28<sup>th</sup> June, 28<sup>th</sup> July, 8<sup>th</sup> September, 13<sup>th</sup> October & 23<sup>rd</sup> November 2004

- **CORPORATE & SOCIAL RESPONSIBILITY & EXTERNAL RELATIONS**

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

22<sup>nd</sup> July, 24<sup>th</sup> August, 28<sup>th</sup> September, 2<sup>nd</sup> November and 10<sup>th</sup> December 2004.

- **PROGRAMMES AND EVENTS**

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

1<sup>st</sup> September, 14<sup>th</sup> September, 20<sup>th</sup> September, 24<sup>th</sup> September, 26<sup>th</sup> October and 8<sup>th</sup> November 2004

The minutes of the above-mentioned meetings can be read from our website at [www.oicci.org](http://www.oicci.org)

## ➤ **ADMINISTRATION & OTHER MATTERS**

### • **ANNUAL GENERAL MEETING**

144<sup>th</sup> Annual General Meeting of the Chamber was held at 11 AM on Tuesday 20<sup>th</sup> April 2004 in the Chamber's Hall. Mr. Farooq Rahmatullah presided the meeting. Minutes are attached on page VI of this report.

### • **MEASUREMENT DEPARTMENT'S ACTIVITIES**

In the year 2004 the Measurement Department earned revenue of Rs. 3,918,307 compared to Rs. 2,789,839 last year. Revenue of the previous four years are listed below:

|      |               |
|------|---------------|
| 2000 | RS. 1,067,908 |
| 2001 | RS. 977,006   |
| 2002 | RS. 1,512,040 |
| 2003 | RS. 2,789,839 |

### • **KARACHI CHAMBER HOSPITAL ASSOCIATION**

The Managing Committee for the year 2003-04 was elected at the 51<sup>st</sup> Annual General Meeting held on 24<sup>th</sup> October 2003. Mr. S. H. A. Bukhari of Mackinnon Mackenzie was nominated by the Chamber as the Chairman of the Association for year November 2003 to October 2004. The secretarial services were provided by the Chamber. The Deputy Secretary of the Chamber acted as Secretary to the Association.

The new Managing Committee for the year November 2004 – October 2005 was elected at the 52<sup>nd</sup> AGM held on 29<sup>th</sup> October 2004. Mr. S. H. A Bukhari has been nominated again as the Chairman by the Chamber for the year November 2004 to October 2005. Copy of the report for 2004 is available in the Chamber.

### • **REMEMBRANCE DAY**

A wreath laying ceremony was held on 21<sup>st</sup> November 2004 under arrangements of Common Wealth Ex-services Association of Pakistan to commemorate the persons who gave their lives in the two World Wars.

The customary site for the said function has always been the Karachi War Cemetery but due to prevailing law and order situation in the city this was held at British Deputy High Commission, Karachi.

Mr. Jonathan Stoney, member of the Managing Committee laid a wreath on behalf of OICC&I



• **MERCHANTS GOLF CUP COMPETITION**

Karachi Merchants Golf Cup Competition was held on Sunday 18<sup>th</sup> January, 2004 at the Arabian Sea Country Club. This tournament has been sponsored by Overseas Investors Chamber of Commerce & Industry since 1923. Secretary General in his address welcomed the chief guest Mrs. Shahida Farooq Rahmatullah.

62 persons participated. Mrs. Shahida Farooq Rahmatullah distributed the prizes to the following winners

|                        |                   |   |
|------------------------|-------------------|---|
| <b>MERCHANT'S CUP:</b> | <b>WINNERS</b>    | MR. SALIM KHAN<br>MR. SARDAR NAUFIL MAHMUD<br>OF ICI PAKISTAN LIMITED   |
|                        | <b>RUNNERS UP</b> | MR. ZAFFAR A. KHAN<br>MR. PARVEZ GHAS<br>OF ENGRO CHEMICAL PAKISTAN LIMITED   |
| <b>PRESIDENT'S CUP</b> | <b>WINNERS</b>    | MR. ABDUL HAMEED<br>MR. ASGHAR ALI<br>MEMBERS OF KARACHI GOLF CLUB  |
|                        | <b>RUNNERS UP</b> | MR. AKBAR PESANI<br>MR. SULTAN FAROOQ<br>MEMBERS OF KARACHI GOLF CLUB   |
| <b>BOOBY PRIZE</b>     |                   | MR. SHABI IKRAM<br>OF JOHNSON & JOHNSON PAKISTAN (PVT)<br>LIMITED<br>MR. WAQAR ALI<br>OF LAKSON TOBACCO COMPANY LIMITED |

• **CONSUMER PRICE SURVEY**

The Committee arranged the Consumer Price Index (CPI) survey. Ferguson Associates conducted the survey on behalf of the Chamber. The survey was carried out in Karachi during last two weeks of September 2004. Those members who contributed towards the cost were provided a copy of the survey report.



**4TH MARCH, 2005.**

Overseas  
Investors  
Chamber of  
Commerce  
& Industry

**COMMITTEE'S REPORT ON THE ACCOUNTS FOR 2004**

The audited accounts of the Chamber for the year ended 31st December, 2004 together with Auditors Report thereon, are attached.

The current year's working has resulted in excess of income over expenditure amounting to Rs. 7,205,280 as compared to Rs. 5,272,916 for last year. After providing for Income Tax for the year amounting to Rs. 1,900,000 this surplus is reduced to Rs. 5,305,280.

There was a nominal overall increase of Rs. 399,173 in the expenditure as compared to last year. However the income of the Chamber increased by Rs. 2,331,537 compared to previous year, which was mainly due to increased revenue income of the Measurement Department. There has also been some increased income from Membership Subscription, Building Rental and Exchange gain.

**FAROOQ RAHMATULLAH  
PRESIDENT**

**ZAHID ZAHEER  
SECRETARY-GENERAL**

**MEMBER  
MANAGING COMMITTEE**


**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Overseas Investors Chamber of Commerce and Industry as at December 31, 2004 and the related income and expenditure account together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.


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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies 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, 2004 and of the surplus for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Chartered Accountants

Karachi 

Dated: **18 MAR 2005**

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

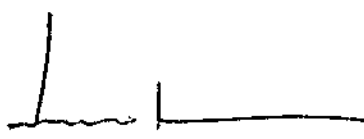
BALANCE SHEET AS AT DECEMBER 31, 2004

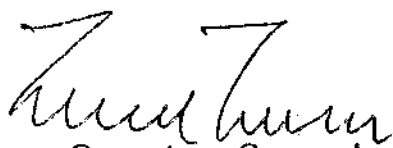
|                                  | Note | 2004<br>Rupees    | 2003<br>Rupees    |
|----------------------------------|------|-------------------|-------------------|
| <b>SURPLUS ACCOUNT</b>           |      |                   |                   |
| Balance as at January 1          |      | 38,988,162        | 35,015,246        |
| Surplus for the year             |      | 5,305,280         | 3,972,916         |
|                                  |      | <u>44,293,442</u> | <u>38,988,162</u> |
| <b>DEFERRED LIABILITY</b>        |      |                   |                   |
| Provision for staff gratuity     |      | 3,755,835         | 3,435,051         |
| <b>CURRENT LIABILITIES</b>       |      |                   |                   |
| Creditors                        |      | 209,834           | 293,883           |
| Accrued liabilities              |      | 1,889,052         | 1,526,351         |
| Subscription received in advance |      | 3,506,000         | 3,280,000         |
| Rentals received in advance      |      | 5,000,658         | 4,762,204         |
| Other liabilities                |      | 1,101,725         | 1,083,025         |
| Taxation                         |      | -                 | 1,242,340         |
|                                  |      | 11,707,269        | 12,187,803        |
| <b>COMMITMENTS</b>               | 3    | <u>59,756,546</u> | <u>54,611,016</u> |

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|   | Note | 2004<br>Rupees    | 2003<br>Rupees    |
|---|------|-------------------|-------------------|
| FIXED ASSETS                                  | 4    | 1,516,381         | 1,570,816         |
| INVESTMENTS                                   | 5    | 34,393,980        | 36,496,645        |
| LONG-TERM DEPOSITS                            |      | 300,946           | 300,946           |
| <b>CURRENT ASSETS</b>                         |      |                   |                   |
| Stationery - at cost                          |      | 161,538           | 113,362           |
| Sundry debtors - considered good              |      | 482,837           | 270,530           |
| Accrued mark up                               |      | 216,134           | 6,407,619         |
| Advances, short-term deposits and prepayments | 6    | 287,230           | 444,725           |
| Taxation                                      | 7    | 352,968           | -                 |
| Cash and bank balances                        | 8    | 21,544,532        | 9,006,373         |
|   |      | 23,545,239        | 16,242,609        |
|   |      | <u>59,756,546</u> | <u>54,611,016</u> |

The annexed notes form an integral part of these financial statements

  
President

  
Secretary General

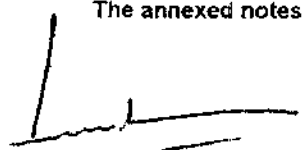
  
Member

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2004

|  | Note | 2004<br>Rupees    | 2003<br>Rupees    |
|--|------|-------------------|-------------------|
| <b>INCOME</b>  |      |                   |                   |
| Membership subscription and entrance fee   |      | 6,701,667         | 6,300,000         |
| Fees for measurement etc.  |      | 3,918,307         | 2,789,839         |
| Secretarial fee  |      | 60,000            | 60,000            |
| Commission on sale of publication  |      | -                 | 7,800             |
| Building Fund Contributions  |      | 655,166           | 615,000           |
| Surplus on compilation of COLA index   |      | 66,500            | 67,000            |
| Rent   |      | 4,077,700         | 3,797,415         |
| Airconditioning charges  |      | 5,657,912         | 5,269,009         |
| Return on investments  |      | 2,385,826         | 2,106,274         |
| Return on deposit accounts   |      | -                 | 537,882           |
| Gain on sale of fixed assets   |      | -                 | 51,667            |
| Exchange gain  |      | 428,195           | -                 |
| Other income   |      | 135,575           | 153,425           |
|  |      | <u>24,086,848</u> | <u>21,755,311</u> |
| <b>EXPENDITURE</b>   |      |                   |                   |
| Salaries and allowances  |      | 7,496,504         | 7,082,485         |
| Contribution to provident fund   |      | 355,318           | 320,686           |
| Contribution to E.O.B.I.   |      | 30,600            | 32,400            |
| Medical expenses   |      | 681,832           | 343,962           |
| Provision for staff gratuity   |      | 545,754           | 524,796           |
| Cost of staff uniforms   |      | 33,300            | 43,545            |
| Entertainment and promotional expenses   |      | 329,374           | 208,881           |
| Insurance  |      | 623,240           | 597,651           |
| Electricity and gas [net of recoveries Rs. 95,400; (2003: Rs. 188,533)]            |      | 1,795,140         | 1,872,278         |
| Municipal taxes and ground rent [net of recoveries Rs. 20,703; (2003: Rs. 20,703)] |      | 289,903           | 289,903           |
| Repairs and maintenance  |      | 790,177           | 1,078,353         |
| Postage, telegram and telephone  |      | 508,239           | 496,923           |
| Printing and stationery  |      | 395,166           | 457,885           |
| Books and periodicals  |      | 71,354            | 118,042           |
| Subscription   |      | 49,400            | 45,800            |
| Travelling expenses  |      | 415,633           | 216,193           |
| Lease rentals  |      | 590,460           | 1,223,057         |
| General expenses [net of recoveries Rs. 7,255; (2003: Rs. 11,798)]                 |      | 569,289           | 465,409           |
| Motor car maintenance  |      | 234,350           | 326,850           |
| Depreciation   |      | 151,066           | 157,293           |
| Amortization of premium on WAPDA Bonds   |      | 198,898           | 49,989            |
| Generator running expenses   |      | 195,926           | 52,350            |
| Legal and professional   |      | 241,730           | 6,000             |
| Ex-members' subscription fee considered irrecoverable written off                  |      | 19,525            | -                 |
| Exchange loss  |      | -                 | 225,859           |
| Auditors' remuneration   | 9    | 123,000           | 98,000            |
| Golf club competition  |      | 146,390           | 147,805           |
|  |      | <u>16,881,568</u> | <u>16,482,395</u> |
| <b>SURPLUS BEFORE TAXATION FOR THE YEAR</b>  |      | <u>7,205,280</u>  | <u>5,272,916</u>  |
| Taxation - current   |      | 1,900,000         | 1,300,000         |
| <b>SURPLUS AFTER TAXATION FOR THE YEAR</b>   |      | <u>5,305,280</u>  | <u>3,972,916</u>  |

The annexed notes form an integral part of these financial statements.



President



Secretary General



Member

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## OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

#### 1. THE COMPANY AND ITS OPERATION

The company was registered as a non-profit organisation under section 42 of The Companies Ordinance, 1984 as guarantee limited company. The Chamber deals with matters relating to trade and commerce for the foreign investors in Pakistan.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

(a) Overall valuation policy

These financial statements have been prepared under the historical cost convention.

(b) Staff gratuity

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

(c) Fixed assets

These are stated at cost less accumulated depreciation.

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

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

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

(d) Investments

These are stated at cost less provision for diminution in the value of investments.

(e) Stationery

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

(f) 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.

(g) Rates of exchange

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

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

ABB

### 3. COMMITMENTS

Commitments for rentals payable under lease agreements in respect of vehicles and photocopy machine are as follows:

| Year | 2004<br>Rupees   | 2003<br>Rupees   |
|------|------------------|------------------|
| 2004 | -                | 590,460          |
| 2005 | 590,460          | 590,460          |
| 2006 | 396,015          | 396,015          |
| 2007 | 306,840          | 306,840          |
| 2008 | 76,710           | 76,710           |
|      | <u>1,370,025</u> | <u>1,960,485</u> |

### 4. FIXED ASSETS

|   | Cost or revaluation as at January 1, 2004 | Additions/ (disposals) | Cost as at December 31, 2004 | Accumulated depreciation as at January 1, 2004 | Depreciation for the year / (on disposals) | Accumulated depreciation as at December 31, 2004 | Written down value as at December 31, 2004 | Rate of depreciation % |
|---|---|------------------------|------------------------------|--|--|--|--|------------------------|
|   | Rupees                                    |                        |                              |  |  |  |  |                        |
| Leasehold land                            | 1,237,250                                 | -                      | 1,237,250                    | 1,138,271                                      | 24,745                                     | 1,163,016  | 74,234                                     | 50 years               |
| Building on Leasehold land                | 457,958                                   | -                      | 457,958                      | 231,670  | 4,526                                      | 236,196  | 221,762                                    | 2                      |
| Air Conditioning Plant                    | 623,175                                   | -                      | 623,175                      | 46,738   | 43,233                                     | 89,971   | 533,204                                    | 7.5                    |
| Electrical Installations                  | 362,772                                   | -                      | 362,772                      | 292,672  | 5,258                                      | 297,930  | 64,842                                     | 7.5                    |
| Office furniture, fittings and equipments | 1,490,506                                 | 96,631                 | 1,587,137                    | 891,494  | 73,304                                     | 964,798  | 622,339                                    | 5 & 15                 |
|   | <u>4,171,661</u>                          | <u>96,631</u>          | <u>4,268,292</u>             | <u>2,600,845</u>                               | <u>151,066</u>                             | <u>2,751,911</u>                                 | <u>1,516,381</u>                           |                        |
| 2003                                      | 3,643,246                                 | 623,175<br>(94,760)    | 4,171,661                    | 2,470,479                                      | 157,293<br>(26,927)                        | 2,600,845  | 1,570,816                                  |                        |

|  | 2004<br>Rupees    | 2003<br>Rupees    |
|--|-------------------|-------------------|
| 5. INVESTMENTS – at cost   |                   |                   |
| 3 years Special US Dollar Bonds<br>[US\$ 194,000; (2003: US\$ 211,200)]  | 11,533,785        | 12,135,552        |
| 10 years Defence Savings Certificates  | -                 | 2,000,000         |
| 3 years Pakistan Investment Bonds  | -                 | 2,500,000         |
| 5 years Wapda bond [2,800 bonds;<br>(2003: 2,800)] - note 5.1  | 14,659,731        | 14,858,629        |
| Unit trust of Pakistan [ 777 units; (2003: 642 units)]<br>[Market value as at December 31, 2004: Rs. 5,823,615<br>(2003: Rs. 4,952,388)] | 5,002,464         | 5,002,464         |
| Pakistan Income Fund [65,397 units; (2003: Nil)]<br>(Market value as at December 31, 2004:<br>Rs. 3,382,987)                             | 3,198,000         | -                 |
|  | <u>34,393,980</u> | <u>36,496,645</u> |

AB6



- 5.1 On October 7, 2003, Chamber purchased 2,800 WAPDA bonds having face value of Rs. 14 million at a premium of Rs. 908,618. This premium is being amortised over the maturity period of 5 years.

|                               | 2004<br>Rupees    | 2003<br>Rupees    |
|-------------------------------|-------------------|-------------------|
| Cost of WAPDA bonds           | 14,858,629        | 14,908,618        |
| Less: Amortisation of premium | (198,898)         | (49,989)          |
|                               | <u>14,659,731</u> | <u>14,858,629</u> |

6. **ADVANCES, SHORT-TERM DEPOSITS  
AND PREPAYMENTS**

|                        |                |                |
|------------------------|----------------|----------------|
| Advances to employees  | 12,450         | 11,250         |
| Advances to suppliers  | 2,137          | 85,233         |
| Short-term prepayments | <u>272,643</u> | <u>348,242</u> |
|                        | <u>287,230</u> | <u>444,725</u> |

7. **TAXATION**

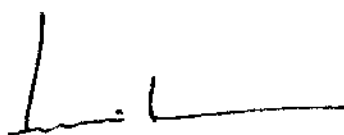
While finalising the assessments for 1997-98 through 2002-2003 the Deputy Commissioner of Income Tax (DCIT) had raised additional tax demand of Rs. 1.74 million by following a basis not in line with that applied by Chamber consistently for allocation of its expenses. On an appeal before Commissioner Income Tax Appeals (CITA), the treatment of Taxation Officer was set aside. The management has nevertheless filed appeal against the order of CITA with Income Tax Appellate Tribunal and is hopeful of a favorable outcome. Therefore, no provision has been made in these accounts in respect of the additional tax demand.

|   | 2004<br>Rupees    | 2003<br>Rupees   |
|---|-------------------|------------------|
| 8. <b>CASH AND BANK BALANCES</b>                      |                   |                  |
| With banks  |                   |                  |
| - on deposit accounts                                 |                   |                  |
| - foreign currency [US\$ 25,752; (2003: US\$ 46,359)] | 1,531,041         | 2,663,785        |
| - on current accounts                                 | 20,001,027        | 6,323,125        |
| Cash in hand  | <u>12,464</u>     | <u>19,463</u>    |
|   | <u>21,544,532</u> | <u>9,006,373</u> |

9. **AUDITORS' REMUNERATION**

|              |                |               |
|--------------|----------------|---------------|
| Audit fee    | 23,000         | 23,000        |
| Tax services | <u>100,000</u> | <u>75,000</u> |
|              | <u>123,000</u> | <u>98,000</u> |

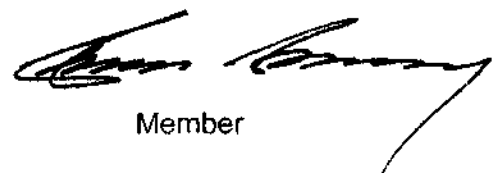
\*86



President



Secretary General



Member

# Appendixes

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**Summary****Proposals for Federal Budget 2004-2005****A) Big Ticket Items**

- 1) INCOME TAX
- 2) SALES TAX & EXCISE DUTY

**B) Detailed Proposals – INCOME TAX**

- 1) **Advance Tax**
- 2) **APPEAL PROCESS**
  - a) Appeal to Commissioner (Appeals)
  - b) Income Tax Appellate Tribunal (ITAT)

**3) ARBITRARY POWERS to Tax Officials**

- a) Adhoc Disallowances
- b) Re-characterization of Transactions and Deductions
- c) Allowability of Business Expenditure

**4) TAX ON SALARIED EMPLOYEES**

- a) Tax Rates
- b) Perquisites
- c) Marginal rate of tax
- 5) Rate of Corporate Tax
- 6) Minimum Turnover Tax
- 7) Deduction Allowed on Depreciable Assets
- 8) Withholding Tax
- 9) Delayed Tax Refunds
- 10) Tax Credit on Bad Debts
- 11) Restricted Cost for Depreciation
- 12) Presumptive Tax on Contracts and Commercial Imports
- 13) Foreign Currency proceeds
- 14) Local Supply Against Orders Received from Outside Pakistan
- 15) Tax on COI's and TFC's
- 16) Extra Shift Allowance on plant and machinery
- 17) Tax Exemption on Income of Gratuity and Pension Funds
- 18) Reimbursement of Medical Expenses
- 19) Tax on tax exemption be reinstated
- 20) Payment of Salary
- 21) Amalgamation/Merger
- 22) Withholding Tax on Prizes and Winnings
- 23) Unexplained Income or Assets

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- 24) Requirement for furnishing asset wise details
- 25) Unrealistic demands by Income Tax authorities
- 26) Quarterly Statement of Salary
- 27) Withholding Tax Exemption Certificates
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- 29) Alternate Dispute Resolution (ADR)
- 30) Non-deduction of Tax on Supply of Goods
- 31) Taxation of Non-residents

**C) Detailed Proposals – SALES TAX & EXCISE DUTY**

- 1) **Elimination of Excise Duty**
- 2) **CHANGES IN SECTION 73**
  - a) Restricting Credit Period to 120 days
  - b) Payment Mechanism introduced in 2003
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- 6) Issues Decided by Higher Forums
- 7) Levy of 30% further Sales Tax on supply to un-registered buyers
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- 9) Registration as Retailer
- 10) Definition of Supply
- 11) Sales Tax on Fixed Assets
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**Procedural Issues**

- 13) Sales Tax Refunds

**D) GENERAL**

- 1) Consistency and Predictability
- 2) Delay in receiving opinions or replies to queries
- 3) Unfair Burden on Manufacturing Companies
- 4) Audits
- 5) Tiresome procedure for the realization of concession

Tax Reform Process at LTU

**SPEECH OF THE PRESIDENT ON THE OCCASION OF THE VISIT OF MR. SHAUKAT AZIZ, MINISTER FOR FINANCE & ECONOMIC AFFAIRS TO THE CHAMBER ON MONDAY 29TH MARCH, 2004 AT 1.15 PM**

Mr. Shaukat Aziz, Honourable Federal Finance Minister of Pakistan and the respected Members of the Chamber.

AA & welcome to the Chamber.

I also welcome Dr. Ashfaq Khan, Advisor to the Finance Minister, Mr. Shahid Ahmad, Member Sales Tax, CBR and Mr. Tehseen Iqbal, Additional Secretary.

We are delighted with your visit and with it 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 formed in 1860.

The current membership is 165, of which 111 are industrial undertaking, 23 trading, 17 banking & financial services & 14 insurance, shipping & airlines. Several Members are listed in the Fortune 500 Companies. The sales of member companies constitute 9% of the total GDP of the country and nearly 28% of the GDP of the manufacturing sector. They contribute nearly one fifth of the total tax revenue of the Government of Pakistan, and employ around 50,000 people.

The Chamber exemplifies the success of business investment in Pakistan. This forum has also been proactive in highlighting issues to the Government and the Government has been receptive to the recommendations presented by the Chamber. For e.g. with regards to tax reforms, at the recommendation of the Chamber, the Government set up a joint committee which proposed the concept of "large taxpayers unit", This concept was subsequently embodied in the Income Tax Ordinance 2001. There are however certain other issues that we would like to share with you and this meeting is so structured, that the issues will be individually taken up by Members present this afternoon.

I wish to assure you that OICC&I will play its role to accelerate the inflow of direct foreign investment and we will be sharing our views in the presentation that will follow.

Let me conclude by congratulating you and the Government on steering the national economy out of crisis and towards stable economic fundamentals. Highlights include reduction in interest rate, lowering of inflation, strengthening of the rupee, build up of significant foreign exchange reserves, rise in the stock market, and lowering of the national debt. We look forward to a more prosperous 2004 and hope that the economic indicators as projected recently (GDP 6%, per Capita income from \$ 492- \$600) in your recent statements are met if not exceeded. The recent appointment of Chairman CBR is an ample demonstration of the Government's resolve to infuse new blood in the system and to eliminate bureaucratic inefficiencies. Your visit here today, Sir, in itself indicates the importance given to the development of investment and business in Pakistan by the present Government.

Last but not the least, I would also like to thank you for the unprecedented easy access provided to the Chamber and its Members by you and other Members of the Government



**3rd May, 2004.**

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

**Dear Shaukat Aziz Sahab,**

I write to thank you for finding time to visit the Chamber on 29th March, 2004. I enclose a few photographs taken on the occasion.

During the meeting we had advocated lowering of Corporate Tax rates to align these with global and regional trends. In this connection we attach details of Corporate Tax rates from a report prepared by KPMG. The lowering of Corporate Tax rates is likely to attract further investments in Pakistan.

The second point made at this meeting was that relating to a charge on pretax profit for the purpose of Workers Participation in profit (5%) and Workers Welfare (2%). In our view it adds to the manufacturing cost and makes local industry uncompetitive. This charge is not levied on any other sector of the economy, like Banking, Insurance or I. T. Services, all of whom employ people. In this respect it creates an uneven playing field. Our recommendation is that it should be withdrawn, as Employers already pay substantial contributions to the Social Security and Employees Old Age Benefit Institutions, including providing several in-house welfare facilities to their Employees.

We have noted your suggestions about the Chamber's proposed role in improving the perceptions of Pakistan as an investment friendly Country, and we expect to chart out a programme in this respect.

With regard to the problems of under invoicing, we have again noted your suggestion to join hands with FPCC&I and will work with them to resolve this matter and review of the Regional Trade Agreements which are likely to effect Pakistan.

We have also taken your suggestion on board to make the Chamber more proactive in terms of establishing contact with potential stakeholders / investors. In this regard steps are being taken to restructure the Chamber and to reinforce certain areas, which can facilitate engagement in a more proactive manner.

With warm personal regards.

Yours sincerely,

**FAROOQ RAHMATULLAH  
PRESIDENT**

**Attachments:**

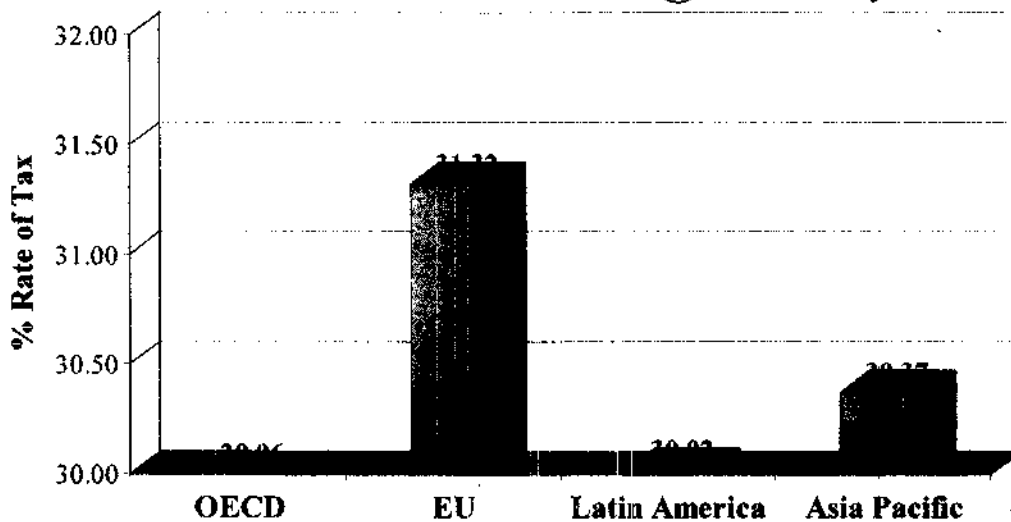
• Lower Corporate Tax rate to attract investments and align rates with global and regional trends:

- ▣ Singapore 22%
- ▣ Malaysia 28%
- ▣ Korea 29.7%
- ▣ Indonesia 30%
- ▣ China 33%
- ▣ Pakistan 35%
- ▣ India 35.875%

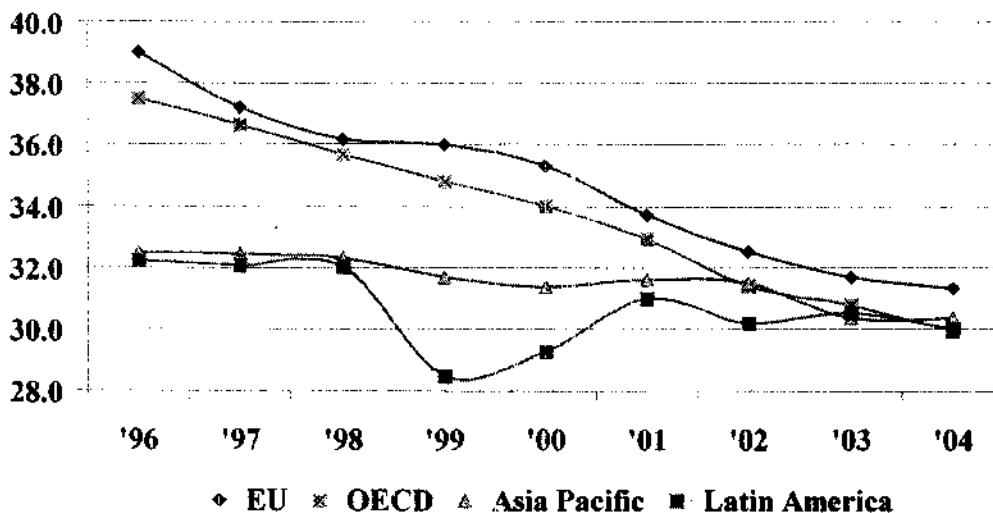
**KPMG Corporate Tax Rates Survey 2004**

- The global trend of decreased tax rates persists
- The trend is most pronounced in Europe
- Small changes in Latin America & Asia Pacific regions

*Average Corporate Tax Rates @ January 2004*



*Trends in Corporate Tax Rates 1996-2004*



**SUMMARY**  
**TRADE POLICY PROPOSALS**  
**2004-2005**

**ISSUES**

TARIFF RATIONALIZATION

SALES TAX

EXCISE DUTY

IMPORT POLICY AND EXPORT POLICY

GENERAL

**SPEECH BY THE PRESIDENT OF THE CHAMBER ON THE OCCASION OF THE WINTER DINNER IN THE HONOUR OF MR. SHAUKAT AZIZ ON 4<sup>TH</sup> DECEMBER 2004**

HONORABLE PRIME MINISTER MR. SHAUKAT AZIZ, GOVERNOR SIND DR. ESHRAT-UL-IBAD, CHIEF MINISTER SIND, MR ARBAB GHULAM RAHIM, EXCELLENCIES, RESPECTED MEMBERS OF THE OVERSEAS INVESTORS CHAMBER, LADIES AND GENTLEMEN

ASSALAM-O-ALAIKUM.

I WOULD LIKE TO THANK THE PRIME MINISTER AND BEGUM SAHIBA FOR KINDLY ACCEPTING OUR INVITATION FOR THIS DINNER. I WOULD ALSO LIKE TO THANK THE GOVERNOR OF SIND FOR ALLOWING US THE USE OF THE GOVERNOR HOUSE PREMISES AND HIS STAFF FOR THEIR SUPPORT. THE OVERSEAS CHAMBER HAS BROKEN NEW GROUND TODAY BY HAVING AT THIS DINNER A LARGE PRESENCE OF PROVINCIAL MINISTERS AND GOVERNMENT OFFICIALS. IT WILL BE OUR ENDEAVOUR TO CONTINUE TO BUILD ON THIS INTERACTION WITH THE PROVINCIAL GOVERNMENT FOR RESOLVING ISSUES AND IMPROVING THE BUSINESS ENVIRONMENT IN THE PROVINCE OF SIND.

MR. PRIME MINISTER, YOU ARE AWARE THAT OUR CHAMBER ALWAYS HAS, AND MORE SO NOW, CONTINUES TO PROMOTE FOREIGN INVESTMENT IN PAKISTAN. I WOULD THEREFORE LIKE TO SHARE WITH YOU OUR VIEWS ON PAKISTAN'S BUSINESS ENVIRONMENT.

THE ECONOMIC REFORMS INTRODUCED UNDER YOUR STEWARDSHIP ARE POSITIVE STEPS TOWARDS REVIVING THE ECONOMY.

WE COMMEND THE EFFORTS THE GOVERNMENT IS MAKING TO ATTRACT DIRECT FOREIGN INVESTMENT IN THE COUNTRY, ESPECIALLY AT A TIME WHEN NEW VAST AREAS OF THE WORLD ARE OPENING UP AND COUNTRIES ARE COMPETING FOR CAPITAL AND INVESTMENT.

PAKISTAN'S MACRO ECONOMIC CONDITIONS CONTINUE TO IMPROVE UNDER YOUR GUIDANCE, BECAUSE OF RESPONSIBLE ECONOMIC MANAGEMENT AND STRUCTURAL REFORMS.

THE WALL STREET JOURNAL IN ITS PUBLICATION OF NOVEMBER 9<sup>TH</sup> HAS DESCRIBED PAKISTAN'S UPTURN IN THE ECONOMY AS AN ECONOMIC RENAISSANCE .

YOUR EXCELLENCY, GOING FORWARD 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.

PAKISTAN MUST ALLOW TRADE AND ECONOMIC GOALS TO SHAPE ITS FUTURE EXTERNAL AND MORE IMPORTANTLY ITS INTERNAL POLITICAL AGENDA, AND FURTHER STEPS MUST BE TAKEN TO INCREASE INVESTOR CONFIDENCE.

THIS CAN BE ACHIEVED RAPIDLY IF SIGNS OF GOOD GOVERNANCE BECOME VISIBLE. THE ESSENTIALS OF GOOD GOVERNANCE ARE CREDIBILITY, INTEGRITY, PREDICTABILITY, SPEEDY DISPENSATION OF JUSTICE AND EFFECTIVE, RAPID IMPLEMENTATION OF POLICIES AND SIMPLIFICATION OF PROCESSES.

TO ACCELERATE THE INFLOW OF DIRECT FOREIGN INVESTMENT, SOME OF THE AREAS THAT NEED TO BE ADDRESSED ARE :

- CREDIBILITY IN THE CONTINUANCE AND IMPLEMENTATION OF THE GOVERNMENT'S POLICIES.
- SIMPLIFICATION AND RATIONALIZATION OF TAXES AND EFFECTIVE CONTROL OF SMUGGLING AND PROTECTION OF INTELLECTUAL PROPERTY RIGHTS.
- A LEAN AND CLEAN GOVERNMENT WITHOUT RED-TAPISM IS ESSENTIAL FOR THE IMPLEMENTATION OF POLICIES AND REFORMS.
- WE ACKNOWLEDGE AND COMPLIMENT YOU FOR WORKING TOWARDS CHANGING THE MIND SET WHICH CURRENTLY EXISTS IN CERTAIN LEVELS OF THE ESTABLISHMENT WHEREIN MAKING PROFITS AND GIVING RETURNS TO THE SHAREHOLDERS IS VIEWED NEGATIVELY. THERE IS A LACK OF UNDERSTANDING AND RECOGNITION THAT THE CORPORATE ENTITIES AND BUSINESS HOUSES NOT ONLY PROVIDE EMPLOYMENT AND GENERATE ECONOMIC ACTIVITY BUT ALSO RETURN BACK TO THE GOVERNMENT 40% OF THEIR PROFITS IN THE FORM OF TAXES. THIS GENERATION OF INCOME IS BEING USED BY THE GOVERNMENT FOR ITS SOCIAL DEVELOPMENT AGENDA.
- THERE IS A NEED TO IMPROVE INFRASTRUCTURE AND REDUCE OPERATING COSTS IN PAKISTAN
- OVERPROTECTIVE LABOR LAWS NEED TO BE RATIONALIZED AS THEY INHIBIT PRODUCTIVITY AND DISCOURAGE EMPLOYMENT
- IN ORDER TO REMOVE DETERRENTS IN THIS COMPETITIVE WORLD THERE IS A NEED TO ALLOW MARKET MECHANISMS TO WORK TOWARDS DICTATING PRICES RATHER THAN HAVING PRICE CONTROLS AND GOVERNMENT INTERVENTIONS WHICH WOULD BE TAKEN NEGATIVELY BY THE INVESTORS.
- THE GOVERNMENT SHOULD NOT TO BE A COMPETITOR AND REGULATOR AT THE SAME TIME. IN THIS REGARD WE ACKNOWLEDGE THE GOVERNMENT'S EFFORTS ON PRIVITISATION OF PUBLIC SECTOR COMPANIES. THERE ARE STILL SOME AREAS WHERE MONOPOIES EXIST SUCH AS THE PETROLEUM SECTOR.

YOUR EXCELLENCY AS I STAND HERE IN FRONT OF YOU TODAY, I REPRESENT SOME OF THE LEADING BUSINESS HOUSES WHICH ARE MOSTLY BASED IN KARACHI.

THIS CITY HAS WITHSTOOD THE TEST OF TIME AND DESPITE FALLBACKS CONTINUES TO BE AN EPICENTRE OF ECONOMIC ACTIVITY. THERE IS A DIRE NEED FOR THE DEVELOPMENT OF THE CITY'S PUBLIC AND CIVIC INFRASTRUCTURE FOR ATTRACTING NEW INVESTMENT. WE TAKE COMFORT FROM THE FACT THAT THE GOVERNMENT OF SIND AND THE FEDERAL GOVERNMENT HAVE JOINED HANDS IN TAKING SOME STEPS TOWARDS TRANSFORMING KARACHI HOPEFULLY INTO A WORLD CLASS MODEL CITY. INDEED THE TRANSFORMATION OF KARACHI WILL HAVE A SNOW BALL EFFECT ON THE ENTIRE COUNTRY.

BEFORE I CONCLUDE, MR. PRIME MINISTER I WILL TAKE THE LIBERTY OF SHARING WITH OUR GUESTS THE VIEWS EXPRESSED BY YOU IN AN INTERVIEW WITH THE BLUE CHIP MAGAZINE.  
AND I QUOTE

"THE GREAT ABILITY OF OUR PEOPLE TO FACE HARDSHIPS WITH GREAT DIGNITY AND PATIENCE, WHAT TREMENDOUS RESILIENCE THEY HAVE, WHAT A HARD WORKING AND GOD FEARING PEOPLE WE ALL ARE. GIVEN THE RIGHT ENVIRONMENT WE HAVE THE CHARACTER TO ACHIEVE ANY GOAL, CLIMB ANY MOUNTAIN. OUR MOMENT HAS COME. THIS IS NOT JUST MY FEELING. IT IS MY CONVICTION. ALL THAT REMAINS IS FOR US TO SEIZE OUR MOMENT AND MAKE IT TRULY OURS. I AM DETERMINED THAT WE WILL NOT LOSE THIS MOMENT. WE WILL NOT LET IT SLIP AWAY. WE WILL NOT LET IT PASS. WITH THE HELP OF THE ALMIGHTY AND HIS PEOPLE WE WILL GRASP IT. I KNOW IT. I FEEL IT IN MY BONES.

UNQUOTE

SIR, I BELIEVE THAT YOUR CONVICTION AND VISION IS SHARED BY ALL OF US SITTING HERE TODAY AND BY EVERY PAKISTANI. I ASSURE YOU ON BEHALF OF THE OVERSEAS CHAMBER OF OUR UNSTINTING SUPPORT IN ACHIEVING YOUR VISION.

MR. PRIME MINISTER, I ONCE AGAIN THANK YOU AND BEGUM SAHIBA FOR SPENDING THIS EVENING WITH US.

MAY I NOW INVITE YOU TO ADDRESS THE GATHERING. WE LOOK FORWARD TO HEARING YOUR THOUGHTS ON PAKISTAN'S POLITICAL AND ECONOMIC VISION. TIME PERMITTING, WE HOPE YOU WILL AGREE TO TAKE A FEW QUESTIONS.

20 February 2004

**Mr. Riaz Ahmad Malik**  
**Chairman**  
**Central Board of Revenue**  
**Government of Pakistan**  
**Constitution Avenue**  
**Islamabad**

Dear Mr. Malik,

**OICCI - Federal Budget Proposals 2004**

Foremost, I would like to thank you for the opportunity to meet and present the proposals for the Federal Budget 2004 on behalf of the OICCI.

We are assured that the CBR has shown a distinct willingness to listen and engage with the private sector in a consultative process indeed this is encouraging.

In order to generate action from CBR, we have:

- Identified the 'Big Ticket' Items for income Tax, Sales Tax and Excise which require reform.
- Prepared the Budget Proposals to enable CBR in its efforts:
  - a) To reform the Tax collection process
  - b) To simplify and streamline the process

We would like to support the CBR in carrying forward this process and strengthen its implementation drive, which will help build credibility,

The detailed Budget Proposal and Big Ticket Items are enclosed.

We look forward to be engaged in the Budget discussion process.

Thanking you and kind regards,

Yours sincerely,

**Musharaf Hai**

8th March, 2004.

**Mr. Raja Mohammad Abbas,  
Secretary,  
Ministry for Labour & Transport,  
Government of Sindh,  
KARACHI.**

Dear Sir,

I write to you on behalf of the Overseas Investors Chamber of Commerce & Industry which you are aware represents overseas investors in Pakistan, working in all sectors of the economy.

As you are aware that the Industrial Relations Ordinance 2002 has been promulgated. Other changes have also been made in legislation relating to Social Security, EOBI and Workers Participation in Profit.

The contribution made by the employers towards EOBI, Social Security and Workers Welfare Funds are meant to be spent for the welfare of the Workers.

There are certain companies which provide adequate in-house medical facilities to their Employees, and are still contributing towards the Social Security Fund.

We feel concerned however by the fact that the Workers get little return from these contributions. We request that those Companies who are providing adequate medical facilities to the Employees at the work place be exempted from paying Social Security contribution. We would appreciate if you could look into the matter and seek your support.

Yours truly,

**ZAHID ZAHEER  
SECRETARY-GENERAL**



**March 8, 2004**

**The Chairman  
Securities & Exchange Commission  
of Pakistan  
Islamabad**

**Dear Sir,**

**Related Party Transactions and Transfer Pricing Regulations**

We are writing with reference to the recent pronouncements issued by the Securities and Exchange Commission of Pakistan (SECP) and the amendments made in the Fourth Schedule to the Companies Ordinance 1984 relating to transfer pricing in related party transactions which have become applicable to listed companies.

The changes made require all listed companies to use an arm's length price for transactions with related parties and to maintain records in support of such transactions, amongst other, specifying:

- the basis or method used for determining the amount of consideration received or given for such transactions i.e., the comparable uncontrolled price method, cost plus method, resale price method, profit split method, transactional net margin method, or any other method/ basis with the approval of SECP.
- details of the assumptions and estimates made underlying the transfer price and computation of such price.

First of all there is a conflict between two regulations. Chapter- VI of Income Tax Rules '2002 allows only four methods for determining the transfer price, they are the comparable uncontrolled price method, cost plus method, resale price method, and profit split method and from them profit split method shall only be used if the other three methods cannot be reliably applied. So which regulation would prevail?

In cases where the arm's length price is not used such price is to be approved by the Board of Directors for reasons to be recorded in writing why it was in the interests of the company not to undertake the transaction at arm's length and also disclose in the financial statements the financial impact had such transactions been made on the basis of arm's length.

Under the arm's length principle, related parties must set transfer prices for transactions between them as if they were unrelated entities. The arm's length principle is usually applied by comparing the 'conditions' (e.g. price or profit) of a controlled transaction with those of independent transactions. Where exactly identical goods, say for example, imported from a related party, are also imported by an independent party, the price paid by the independent party provides a reasonable measure of arm's length for comparing the transfer price between related parties. Even where the goods are identical the price may still require adjustment for differences if any in conditions between the two transactions such

as credit terms. But where the items are not exactly identical, comparison has to be made with an inexact comparable in which case a number of factors have to be considered when assessing the comparability of a transaction. These include;

- the specific characteristics of the property of service.
- the function that each enterprise performs, including the assets used and most importantly the risks undertaken.
- the contractual terms e.g. period of credit.
- the economic circumstances of different markets, for wholesale versus retail.
- business strategies, for example, market penetration schemes when a price is temporarily lowered.

Where an inexact comparable is involved the arm's length price then has to be determined by choosing from the methods prescribed the best method suitable to the transaction. Considerable practical difficulties arise when these methods are applied particularly if the transactions are for services and not only for goods.

Under the amendments made companies are now required to state in their financial statements that transactions between related parties are on arm's length and the auditors are required to certify that statement. If an unqualified opinion is expressed by the auditors on the financial statements there is therefore an inherent assumption that transactions between related parties disclosed in the financial statements are on the basis of arm's length.

As application of these methods is predominantly based on subjective judgments and in the absence of relevant comparable information how it would be possible for companies to satisfy the auditors who have to certify that all transactions with related parties are at arm's length? Resultantly, significant disputes may arise between companies and their auditors which could also hinder timely issuance of financial statements.

Some of the practical difficulties with respect to particular methods are discussed in the paragraphs below.

#### **Comparable Uncontrolled Price Method**

Many transactions by multinational companies with related parties are of goods and services for which there is no exact comparable with an unrelated independent party. This is particularly true in industries where products involve extensive research and discoveries are protected through patent rights and are sold only within the group and not to outside independent parties. In the absence of such information the only alternative will be to search for and identify a nearest comparable though not an exactly identical product. In patent products this will obviously not be possible. Even in the case of some non patent items this will be an extremely difficult task, as details and information will not be available with the companies on appropriately comparable products to make adjustments for the

differences in condition between the two transactions arising from factors referred to above to make them comparable.

Inexact comparable products of items purchased by various multinationals usually are imported from abroad. In such cases and even where these are manufactured locally access to data to make such adjustments will neither be available or if available not be allowed by the party manufacturing the comparable product who will naturally be a competitor. Besides this while it may be possible to quantify some of the factors differences in respect of which adjustments will be difficult or impossible to make include, differences in quality of the products, differences in geographic markets and level of markets, differences in manufacturing processes amongst others. How will companies estimate the financial effect of these differences?

For these reasons, the application of this method to arrive at an accurate estimate of an arm's length price by companies will virtually be impossible in Pakistan.

### **Cost Plus Method**

The cost plus method determines the arm's length price by adding to the cost of production an appropriate mark up to the cost of production. The appropriate mark up is the percentage earned by the manufacturer on unrelated party sales, which are similar or very similar to the intercompany transactions.

Companies will face two significant issues in applying this method. The first issue concerns verification of the cost of production for purposes of audit. How will this be done. As stated before multinationals may purchase their raw materials from group companies. The cost records of such materials are located outside Pakistan. To verify these costs companies will either have to engage the services of their own auditors who will have to visit the locations from which the purchases are made or engage the services of other firms of auditors in those locations acceptable to their own auditors. Such locations could be several. This will be an extremely time consuming and costly exercise. Will this be possible in the short time spans in which companies are required to publish their financial statements. Furthermore, where a related party is not a group company e.g. more than 50% purchase rule, how will cost data or access to such data be made available for verification.

As already stated multinationals in Pakistan may purchase raw materials or goods from related parties who are group companies. Such materials are rarely sold by such group companies to independent parties. If these are even sold to an independent party, unless the sale is in the same country in which the purchasing inter group company is located, differences will arise. Where a comparison is to be made between parties, independent or related, located in different countries although the cost of production will be uniform for both countries differences could arise in mark up charged because of difference in conditions that could be present in the two countries such as difference in economic conditions, purchasing power, lower mark up charged to penetrate the market, manufacturing versus retail, amongst others. It is not usual for multinationals to have the details of appropriately suitable data. Quantifying these differences will be a very time consuming exercise, vary from product to product, country to country and involve subjective judgments. Unless the rules for quantifying these adjustments are more

fully defined, significant disputes can arise from differences in opinions on the mark up charged.

These difficulties are considerably enhanced if transactions between related parties involve the provision of services such as technical advice, global strategy, management and coordination of business planning processes, training and staff performance management, and also the provision of shared services such as the design and maintenance of integrated IT systems. For such services it is very difficult to imagine how comparisons could be done given the specific nature of these services to each organization.

### **Resale Price Method**

Under this method an arm's length price is determined by deducting from the resale price an appropriate discount for the activities of the reseller. The discount is the gross margin expressed as a percentage of net sales earned by the reseller on the sale of goods that is both purchased and resold in an uncontrolled transaction in the relevant market. Wherever possible the discount derived should be from unrelated party purchases and sales for the reseller involved in the inter company transaction. When no such transaction exists, an appropriate discount then has to be derived from sales by other resellers in the same similar market.

This method is mostly applied in trading transactions involving finished goods. Such transactions in multinationals are limited to certain goods in Pakistan. Again traded goods are imported and sold by the group companies. Sales of such products are not generally made to unrelated parties. If such transaction does not exist an appropriate discount then has to be derived from sales by other resellers of inexact comparable products. In some items like consumer products this may be possible e.g. say toothpastes but such comparisons will raise the related issues of adjustments for differences in quality, variations in credit and other contractual terms etc. This method further assumes that sufficient industry data will be available to determine the margins on similar or comparable products. Such reliable data is not readily available. Who will provide this data? Under these circumstances how will an appropriate discount rate be determined? These are some issues which need to be addressed and clarified.

### **Profit Split Method**

This method calculates transfer price by dividing profits of a multinational enterprise in a way that would be expected of independent parties in a joint venture relationship. This method is appropriate where the transactions are so interdependent that it is not possible to identify closely comparable transactions. To compute arm's length prices using the profit split method, it is necessary to know how the profits would be split between unrelated parties based on the same facts and circumstances as the related party situation.

For this method it is necessary to compute the revenues and costs of each legal entity involved in the transaction. Although it may be possible to determine the profit made by each legal entity involved in the transaction through this computation, how will one determine what the profit split should have been had the transaction been between unrelated parties as such information is never publicly available and has to be made on judgment. How will the local auditors verify the

revenues and the costs of a group company incurred abroad where the profit split method is used to satisfy themselves as to such costs and revenues? How will they determine in the absence of comparable data whether the profit split is reasonable and the related transaction price based on the profit split is a fair representation of an arm's length price?

### **Conclusion**

As can be seen from the above paragraphs unless there is a comparable transaction of identical goods with unrelated independent parties, determining an arm's length price between related parties using any of the prescribed methods is a subjective exercise involving at times complex adjustments. Recognising these practical difficulties IAS 24 – Related Party Disclosures does not make it mandatory for related party transactions to be carried out at an arm's length basis. Instead it requires identification and disclosure of such transactions so that the users of the financial statements are aware of such transactions. Disclosures required by the IAS are:

- An indication of the volume of the transactions, either as an amount or as an appropriate proportion;
- Amounts or appropriate proportions of outstanding items; and
- Pricing policies

A review of regulations of various developing and developed countries indicates that in almost all cases related party transactions and transfer pricing is dealt with as a tax subject. Almost all require various forms of disclosure in financial statements, but do not prescribe methods under which these transactions must take place.

Keeping in view the above observations and the fact that these changes to the Fourth Schedule were made without sufficient consultation with stakeholders, we request the SECP to defer the application of the amendments which prescribe that all transactions between related parties should be on the basis of arm's length. We further request that a joint committee be formed to examine whether an arm's length price should be used as a basis for all related party transactions, and if so, how this should be implemented.

Yours truly,

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

30th March, 2004.

**Dr. Ashfaq Ahmed Tunio,  
Secretary (STL&P),  
Revenue Division,  
(Sales Tax Wing),  
Central Board of Revenue,  
Government of Pakistan,  
ISLAMABAD.**

Dear Sir,

**DRAFT REFUND RULES - 2004**

We write with reference to your letter dated 28th February, 2004. The draft Sales Tax Refund Rules have been studied in detail and following comments are offered:

**1. ISSUE**

The draft Sales Tax Rules have completely ignored the existing Rule i.e. those Manufacturers cum Exporters who are producing taxable / local supplies have an option to adjust share / part of input tax related with zero rated goods from monthly output tax liability due on account of local taxable supply made during a tax period.

**2. NOT APPLICABLE TO MOST OF THE COMPANIES**

Most of the companies whose share of zero rated / export sales in total sales is small and output tax liability on local sales is more than input tax paid on goods used in exports, do not have to apply for a separate refund application for input tax paid on materials used in export.

**3. OPTION NOT AVAILABLE FOR MANUFACTURERS CUM EXPORTERS WHOSE MAJOR SUPPLIES COMPRISE OF LOCAL SALES**

Under the proposed draft rules, this option is not available to Manufacturers cum Exporters. In such cases the companies have to file refund to the extent of input tax paid on material used in export / zero rated sales. This would involve such companies to file export invoices and other export documents for a very small amount of exports.

**4. RECOMMENDATION**

It is suggested that under the new draft Sales Tax Rules the same option as permissible under existing rules should be available to Manufacturers cum Exporters whose major supplies comprises of local sales.

The above proposal may be incorporated in the proposed Sales Tax Refund Rules.

Yours truly,

**ZAHID ZAHEER  
SECRETARY-GENERAL**

13th April, 2004.

**Dr. Tariq Hasan**  
**Chairman,**  
**Securities & Exchange Commission of Pakistan,**  
**ISLAMABAD.**

Dear Sir,

**COMPANY'S QUARTERLY STATEMENT OF ACCOUNTS OF LISTED COMPANIES ON WEBSITE**

The issue of circulating Quarterly Accounts through internet was discussed by our Standing Committee on Corporate Law Matters. The Members are of the opinion that sharing information via internet is the most convenient and cost effective medium these days. Placing of Quarterly Accounts on Website by Listed Companies would be sufficient for shareholders, instead of publishing them in the Newspapers.

We believe that a proposal on the subject is under consideration at SECP to allow the Listed Companies to place the Quarterly Accounts on their Website.

It is requested that a directive be issued to all concerned and amendment in Companies Ordinance be incorporated to settle this issue.

Thank you.

Yours truly,

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

27th April, 2004.

**Mr. Liaquat Ali Jatoi,  
Federal Minister for Industries & Production,  
Government of Pakistan,  
Pak Secretariat,  
ISLAMABAD.**

Dear Sir,

At the last meeting of the Advisory Council on Industries & Production held in Islamabad under your Chairmanship on 14th April, 2004, you had requested participants to confirm all their suggestions in writing.

On behalf of the Chamber, I wish to confirm the suggestions made at this meeting:

**1. COST OF DOING BUSINESS IN PAKISTAN**

The cost of doing business continues to be high. The electricity tariff, port dues and ground transportation charges continue to be very high, and do not compare favourably with the countries of the region.

Role of regulators NEPRA, OGRA, PTA, etc., leaves a lot to be desired. These organizations must have members who are independent and not beholden to the Government of Pakistan.

We recognize that the infrastructure costs cannot be reduced overnight and will take prolonged efforts on the part of the Government, but the unfair burden on manufacturing industry imposed in the form of a pre tax charge on profit an amount of 7% of the pre tax profit can be easily removed. This consists of 5% pre tax profit to Workers Participation Fund (WPF) and another 2% of pre tax profit to Welfare Fund. This charge is not borne by other sectors of the economy like banking, insurance, shipping and the IT sector all of whom employ people.

In our view this adds to the manufacturing costs and makes local industry incompetent. Our recommendation is that this charge should be withdrawn, as manufacturing industry is already making substantial contribution to Social Security Institution (7% of basic wages) and to the Employees Old Age Benefit Institution towards employee welfare and also paying a profit bonus to employees. All the above are in addition to numerous in-house welfare facilities being provided to the employees.



## **2. APPLICATION OF EXCISE DUTY**

Excise duty must be used sparingly to curtail luxurious consumption on items like perfumes, cosmetics, cigarettes and alcohol. It must not be used as an instrument to enhance revenue. The revenue aspect is well taken care of by imposing a sales tax which at present is very high (15% + 3% = 18% GST). There is little justification in applying excise duty on products that are used in producing capital goods e. g. paints, plastic pipes, transformer oil, etc. Moreover, health and hygiene products like detergents, soap, shampoo and skin creams may be excluded.

## **3. RATIONALIZATION OF TARIFFS**

The Government of Pakistan has attempted to do this in the last budget on several items, but the anomaly exists on many items where the differential of duties applied to the finished product and principal raw material has been reduced to a nominal 5%.

Examples are pipes, aluminum rods and copper rods, confectionery, biscuits and vanaspati industry (raw materials like palm kernel and coconut oil).

## **4. IMPORT DUTY ON CARS**

Import of large cars in Pakistan attract a very high rate of duty. This is not to protect local industry but to prevent luxurious consumption. There is already a very heavy surcharge on petroleum products.

The irony is that Pakistan because of the structure of the oil refining industry has a surplus of motor gasoline. We need to find appropriate use for this motor spirit in Pakistan. One of the ways to do this is to reduce the import duty on large cars.

## **5. SALES TAX ADJUSTMENTS**

Sales tax paid on some inputs is not being allowed to be adjusted against sales tax paid on finished products. Examples are capital goods, spare parts computers, consumption material, diesel and lubricating oil, packing material like hessain and board, and industrial vehicles.

Industry should be allowed to get adjustments at the output stage for all sales tax paid in earlier stages of the manufacturing process.

In case of those products like pharmaceutical and food products, where the Government of Pakistan does not apply sales tax on finished products, for good reason, there should be some method for providing relief of sales tax paid at the earlier stage of manufacturing process.

6. The Pakistan Intellectual Property Rights Organization and its legislation for operation is necessary for earlier enforcement.

7. It is suggested that re-structuring of National Tariff Commission should be initiated by appointing professionals as Members with expertise in local industrial costings equipped with comparative data of Overseas Cost Manufacturing. The Anti-Dumping Law provides room for keeping the industry indemnified from injury caused by subsidized exports and under-invoicing. It is further suggested to create a support cell which will provide industries assistance in preparing cases for anti-dumping. Most of the small and medium industry do not have capacity to prepare the cases before NTC.

We trust you will find these comments useful and some of them will receive your favourable consideration.

Yours truly,

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

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

c.c.: **Secretary,**  
**Ministry of Industries & Production,**  
**ISLAMABAD.**

c.c.: **Mr. Zahid Aziz,**  
**Chief,**  
**Experts Advisory Cell,**  
**Ministry of Industries & Production,**  
**ISLAMABAD.**

30th April, 2004.

**Mr. Humayun A. Khan,  
Federal Minister of Commerce,  
Ministry of Commerce,  
ISLAMABAD**

**Dear Humayun Akhtar Sahab,**

I write to thank you for the opportunity afforded to the Chamber at the Advisory Council meeting on 28th April, 2004.

I reproduce below the issues raised at this meeting.

Pakistan can only increase its exports if it can become a low cost producer. Presently it is not so due to:

**1. Economics of scale not being available**

**2. High infrastructure cost**

- Electricity, port dues, ground transportation are highest in the region

- Extra burden on manufacturing:

7% charge on pre tax profit exclusive to manufacturing - no other sector of economy pays this tax (WPF & WWF). This charge is over and above SESSI, EOBI and Education Cess, Profit Bonus and numerous other voluntary welfare facilities are also provided to employees.

**3. Unfriendly Taxation on Industry**

Taxing materials even before they are received in the factory leave alone converted and sold are examples of unfair taxation. I am referring to the withholding tax at the import stage which has progressively increased and now stands at 6%. In many cases, this along with the advance tax paid each quarter results in an upfront cash outflow, even before the industry has earned anything. Taxation must wait until goods are produced and sold.

**Customs Duties**

On finished products import duties have been progressively reduced, but those on raw materials have not kept pace. In many cases this differential is as low as 5% which makes local industry uncompetitive. Some examples are polyethylene pipes, aluminum and copper rod and raw materials used in the confectionery, varnaspati and soap industry.

### **Sales Tax rate**

Are high and are as much as 23% in some cases. This high rate inhibits market growth and industry cannot take advantage of economics of scale.

Moreover Sales Tax in some cases is charged on the retail price and not on the manufacturer's selling price, and this also inhibits market growth.

Sales Tax paid on the imports in the early stages of manufacture is not always allowed to be adjusted against the Sales Tax paid on the finished goods. In those cases where the Government consciously exempts Sales Tax on finished goods like food and medicines, there is no provision for adjustment of Sales Tax paid on earlier inputs.

### **Excise Duty**

Must not be used for raising revenue. It should only be used to discourage luxurious consumption.

Examples of Excise Duty on non luxurious items are paints, plastic pipes, transformer oil, health and hygiene products like soap, shampoo, detergents and skin creams.

Other than the above, there are issues relating to safeguard measures which are not easily available to local industry, like antidumping duty and countervailing duties. The role of NTC needs to be made more user friendly.

There is also this malaise of counterfeit products and the implementation of IPR laws need to be improved. The formation of PIPRO is a step in the right direction.

With regard to opening of trade with India, the Chamber recommends a pragmatic approach and materials that are not made in Pakistan and can be imported at low cost from India be put on the positive list.

Mr. Minister detailed proposals have been submitted by the Chamber in writing in the form of a booklet. I hope they will receive your favourable consideration.

Kind regards.

Yours sincerely,

**ZAHID ZAHEER  
SECRETARY-GENERAL**

**c.c.: Mr. Tariq Ikram,  
Chairman,  
Export Promotion Bureau,  
Government of Pakistan**

3rd May, 2004.

**Mr. M. Abdullah Yusuf,  
Chairman,  
Central Board of Revenue,  
Government of Pakistan,  
ISLAMABAD.**

**Dear Abdullah Yusuf Sahab,**

I write to thank you for finding time to visit the Chamber on 10th April, 2004.

During the meeting we had advocated lowering of Corporate Tax rates to align these with global and regional trends. In this connection we attach details of Corporate Tax rates from a report prepared by KPMG. The lowering of Corporate Tax rates is likely to attract further investments in Pakistan.

The second point made at this meeting was that relating to a charge on pretax profit for the purpose of Workers Participation in profit (5%) and Workers Welfare (2%). In our view it adds to the manufacturing cost and makes local industry uncompetitive. This charge is not levied on any other sector of the economy, like Banking, Insurance or I. T. Services, all of whom employ people. In this respect it creates an uneven playing field. Our recommendation is that it should be withdrawn, as Employers already pay substantial contributions to the Social Security and Employees Old Age Benefit Institutions, including providing several in-house welfare facilities to their Employees.

Other concerns to our Members are as follows:

1. The reducing differential of import duties on raw materials and finished products. In some cases it has come down to as little as 5%.

Some examples are plastic (polythene) pipes, aluminum rods, copper rods, the confectionery, biscuits and vanaspatti industry. In order to create a level playing field for local industry which already suffers the burden of high infrastructure cost, this differential should be maintained at a minimum of 10%.

2. There is need to consider the application of excise duty as there are presently industries that produce products for capital goods, like paint and transformer oil still have to bear the burden of excise duty.
3. You are aware Pakistan has a surplus of motor gasoline and for the last few years the growth trends had been negative. It is only recently that we are seeing a positive growth. As a result of reduced sale of motor gasoline, the Government Exchequer is losing approximately Rs. 5 Billion in terms of petroleum development levy and other taxes. It is recommended that reduction

is made in the penal rate of duties presently applicable to the import of large cars as these are unlikely to compete with the locally assembled vehicles and would form a niche of their own in the market place.

I trust you will find these suggestions of merit and they will receive appropriate consideration.

With warm personal regards.

Yours sincerely,

**FAROOQ RAHMATULLAH  
PRESIDENT**

**Attachment:**

**Note:** The attachment is the same which is appended with **Appendix 3**

**12 May 2004**

**Lieutenant General Ahsan Saleem Hyat  
Corps Commander  
5 Corps  
Karachi**

**Dear General Sb,**

I write to you on behalf of and as the present President of the Overseas Investors Chambers of Commerce and Industry; an organization having more than 164 members and close to 150 years of history.

Aside from matters related to commerce and investment, the members of the chamber take keen interest in the security situation of the country and of the region; matters which acutely affect investment in the country, both local as well as international,

We have constituted a special panel to work on security matters. Some prominent people have come and spoken to the chamber on this subject and others related to it. Recently we had the Secretary Interior, Mr. Tasneem Noorani as our guest, and in the ensuing discussion one of the points that came up, and which he felt merited further consideration was regarding the very high visibility of Law Enforcement vehicles and personnel, sand bagged bunkers, machine guns ready to fire atop escort vehicles and the like. These are scenes, which can scare away the most determined investor and the most adventurous tourist. They portray the image of a strife-torn city.

This image when coupled with the negative press, which Karachi receives from the western media, creates serious reservations in the minds of those who would like to come here and invest.

You will agree that that such visibility is aimed at deterrence and has no actual bearing on the control of crime and acts of terrorism. In fact these troops and vehicles have themselves been targets of terror related attacks. Bomb blasts, shootings, assassinations have not abated despite these overt displays of force.

It was felt amongst the members of the forum, which included security professionals, that Rapid Reaction Teams, concealed from view and located at different parts of the city, whose strength and location is not known to the criminals, may actually be a greater deterrent, and certainly achieve the element of surprise and, speed when reacting to some incident,

In addition it will help improve the image of the city, in the eyes of a visitor; who will be able to see the more beautiful sights that the city has to offer. Karachi desperately needs to improve its image in order to attract the kind of investment which would kick start its economy once again,

We would like you to consider this suggestion, and if you so desire, meet with our representatives so that a better and more effective solution may be found to the problems we all face in this city.

The chamber and its members feel that we all have a common interest and that we can mutually benefit each other as well the city we live in, which in turn is the work horse of our national economy.

Be assured of our continual cooperation.

With warm personal regards,

Yours sincerely,

**Farooq Rahmatullah**  
**PRESIDENT**

**Copy to: Mr. Shaukat Aziz**  
**Minister Finance**  
**Government of Pakistan**  
**Islamabad**

**Mr. Tasneem Noorani**  
**Secretary Interior**  
**Government of Pakistan**  
**Islamabad.**



17 May 2004

**Mr Imran Bashir  
Director (Enforcement)  
Securities and Exchange  
Commission of Pakistan  
NIC Building  
63-Jinnah Avenue  
Islamabad**

Dear Sir,

**TRANSMISSION OF QUARTERLY ACCOUNTS BY THE LISTED COMPANIES**

This refers to your Circular No.19 dated 14 April 2004.

We deeply appreciate the Securities and Exchange Commission of Pakistan's recent decision to allow listed companies to place the quarterly accounts on their website instead of transmitting the same by post in compliance with Section 245 of the Companies Ordinance 1984. This will not only assist listed companies to reduce costs but will also relieve them of the cumbersome exercise involved in printing and dispatching of the quarterly accounts.

We have, however, some reservations about some of the conditions laid down in the said Circular.

Condition no.(i) of the Circular requires listed companies to obtain shareholders' approval at a general meeting to avail the aforesaid facility. As the Circular has been issued in the month of April most of the companies having their year end in December, (also in September) have already held their AGMs. This would therefore mean deferring the matter for a year.

We would therefore request the SECP to grant a temporary waiver to those companies who have year ends in December or September from the application of condition no.(i) of the said Circular to allow them to avail the facility starting from the second quarter ending 30<sup>th</sup> June 2004. These companies would undertake to obtain shareholders' approval in the next Annual General Meeting as and when it becomes due.

Further, condition no.(v) of the Circular requires the companies to file the prescribed number of copies with the Commission and the stock exchanges. We would like to mention here that the related Listing Regulations of KSE, LSE and ISE require the listed companies to send 300 copies each to the KSE and the LSE and 200 copies to the ISE of each of the quarterly accounts within the time stipulated in the Ordinance. Our concern is that if this requirement is allowed to exist the listed companies will still have to go for the printing of around 1,000

copies of the accounts every quarter. This will negate the effect of cost savings to a considerable extent as fixed costs involved in the printing and designing of the booklet will have to be incurred irrespective of the number of copies printed. Our suggestion in this respect would be to do away with this particular requirement. The stockbrokers/members can access the accounts from the companies' websites or the website of the concerned stock exchange where these accounts are required to be placed under condition number (vii) of the Circular. The companies should only be required to file three copies each to the SECP, the Registrar and the stock exchanges of the first, second and the third quarterly accounts as stipulated in Section 245(b) of the Companies Ordinance 1984.

Further we presume that the requirement of seeking prior permission of the SECP for transmitting the quarterly accounts through website (as required by condition no.(ii)) and informing shareholders through advertisement in the press (as required by condition no.(iii)) is a one time requirement and these need not be repeated every quarter. We would be grateful if the SECP could send us a confirmation in this respect too.

Looking forward to a favourable response.

Yours faithfully,

**Zahid Zaheer**  
**Secretary General**

25th May, 2004.

**Ms. Aisha Khan,  
External Communications Officer,  
Securities & Exchange Commission of Pakistan,  
ISLAMABAD.**

Dear Madam,

**STAKEHOLDERS' MEETING FOR ESTABLISHING AN INSTITUTE OF  
CORPORATE GOVERNANCE IN PAKISTAN**

Reference the above meeting, we are attaching herewith the Chamber's comments for your further necessary action.

Yours truly,

**ZAHID ZAHEER  
SECRETARY-GENERAL**

**Attachment**

**Our response to each of the "Working Paper" is submitted below:**

**WP # 1 Agreement on Name of Institute**

Before we comment on suggested name of the Institute, let us place on record that the formation a body committed towards improving corporate governance within Pakistan is a commendable initiative.

Considering the success internationally and countries similar to ours, the name of the Institute should be "Institute of Directors — Pakistan".

Having said that, we also feel that the possibility of affiliation with international bodies committed towards th same cause could be explored further.

**WP # 2 Agreement on Location of Institute**

Agree

**WP # 3 Agreement on Objects and Activities of the Institute**

Agree

**WP # 4 Agreement on Initial Subscribers of Institute**

Agree in principle but our research unearths preference by all major corporate governance institutes upon individual membership over institutional membership. The prevailing philosophy focuses upon first-hand director training, with the knowledge imparted to directors trickling down the ranks of their respective organizations This approach seems to be favoured over institutional membership, or even sector-wise membership as is the proposed structure of the ICG, We are of the opinion that the pros and cons of the various membership structures should be studied in further detail.

**WP # 5 Financial Commitment from each Subscriber I Promoter**

(a) It has been noticed in the forecasted financial statements of the ICG that a significant proportion of expenditure is infrastructural in nature. However, given the fact that the proposed composition of members of the ICG includes bodies within which well established infrastructures and a strong human capital base exist, we feel it would be cost effective, as well as convenient, to employ the use of these existing facilities. For instance, academic bodies, such as the Lahore University of

Management Sciences (LUMS) and the Institute of Business Administration (IBA) could, in their capacity as members of the ICG be tapped to provide support for research, event organization, technical expertise and routine consultancy.

(b) Irrespective of our comments in (a) above, endowment fund contribution by Corporate Sector should not exceed Rs. 2.5 million in line with Corporate Regulator and others. Therefore proposed contribution in our case (Corporate Sector) amounting to Rs. 3.5 million not agreeable.

**WP # 6 Agreement on Process of Selecting Stakeholders' Nominees to Board of Directors.**

Agree with composition of the first Board of Directors, provided in Corporate Sector the representation should be restricted to (1) FPCCI and (2) OICCI thus guaranteed board seat for FPCCI and OICCI based on large chunk of private sector. Marketing Association of Pakistan should be part of Professional Institutions.

Irrespective of any procedure for subsequent Board election, OICCI should be given permanent Board seat to represent / protect Overseas Investment in Pakistan.

**WP # 7 Approval of Memorandum And Articles of Association of Institute**

Agree subject to detailed scrutiny by legal experts firms.

**WP # 8 Further steps for establishment of Institute**

To be discussed in the meeting.

**21st June 2004**

**Mr. Tawfiq A. Husain  
State Bank of Pakistan  
11 Chundrigar Road  
Karachi**

**Dear Mr. Tawfiq**

**FOREIGN CURRENCY COMMERCIAL REMITTANCE**

I write to you on behalf of the Overseas Investors Chamber of Commerce and Industry which you are aware represents the interests of Overseas Investors in Pakistan working in all sectors of the economy. We fully appreciate that State Bank of Pakistan has made considerable efforts in liberalizing Foreign Exchange regulations.

A case on behalf of OIC&I was taken up by the Chamber's of Banking Finance Leasing & Insurance sub committee vide letter dated 19th December 2003. During these meetings / presentations held on the subject State Bank of Pakistan had agreed that remittance of US\$ 100,000 per transactions for IT, telecommunication and other related service will be allowed without reference to State Bank of Pakistan.

Mr. M Mehkari Khan Director Foreign Exchange State Bank of Pakistan vide his letter dated 7th January 2004 informed the Chamber that all the points relating to commercial remittance are likely to be covered in the revised policy to be issued by the government shortly. It was also intimated that the amendment, in Foreign Exchange Control Manual will be done after the approval of Economic Coordination committee is received.

Your personal attention on this matter is requested for issuing formal notification in amending the Exchange Control Manual.

Thank you,

**ZAHID ZAHEER  
SECRETARY-GENERAL**

22<sup>nd</sup> June, 2004

**Mr. Naseer Ahmed  
CBR Member Central Excise  
Islamabad.**

Dear Sir,

**LEVY OF CED ON SHIPPING AGENTS - FINANCE BILL 2004**

We refer to the CBR notification dated 12<sup>th</sup> June, 2004 for substitution of clause 96ZZK of the Central Excise Rules, 1944 and would like to apprise you of the following facts:

**A Non-Resident Shipping Companies (NRSC) are subject to:**

- i. 8% income tax on gross freight under section 7 of the Income Tax Ordinance, 2001;
- ii. 8% income tax on gross collection of Terminal Handling Charges (THC) and Container Service Charges (CSC);
- iii. 15% GST charged by stevedores on stevedoring services.

**B Local agents of NRSC are additionally subject to:**

- i. Income tax at the corporate rate of 41% on all of their income (net of costs) including commission received from their principals (i.e. NRSC).

Now, as we understand from the above referred proposed amendment in the Central Excise Rules, 1944, the agents will charge to their principals (i.e. NRSC) an additional 15% on account of CED on all excisable services including commission.

Please appreciate that the proposed levy will result in multiple taxes on the same income and will over-burden the NRSCs.

**We will be highly obliged if you kindly consider the above facts and recommend and support the withdrawal of the proposed amendment from the Finance Bill 2004.**

Yours truly,

**ZAHID ZAHEER  
SECRETARY GENERAL**

cc: **Mr. Abdullah Yousuf  
Chairman CBR – Islamabad**

25<sup>th</sup> June 2004

**The Managing Director  
Karachi Stock Exchange (G) Limited  
Stock Exchange Building  
Stock Exchange Road,  
Karachi**

**Dear Sir,**

**Subject: Transmission of Quarterly Accounts for Listed Companies**

We are extremely thankful to the Securities & Exchange Commission of Pakistan and the stock exchanges for agreeing that the quarterly accounts may be transmitted to shareholders through the website of the company.

However under condition number (v) of Circular No.19 dated 14<sup>th</sup> April 2004 physical copies of the Quarterly Accounts still have to be given to the stock exchanges as required under the Listing Regulations. Our concern with this requirement is that the listed companies will still have to print around 1,000 copies of the accounts every quarter. This will negate the effect of cost savings to a considerable extent as fixed costs involved in the printing and designing of the booklet will have to be incurred irrespective of the number of copies printed. Our suggestion in this respect would be to do away with this particular requirement. The stockbrokers/members can access the accounts from the companies' websites or the website of the concerned stock exchange where these accounts are required to be placed under condition number (vii) of the Circular. The companies should only be required to file three copies each to the SECP, the Registrar and the stock exchanges of the first, second and the third quarterly accounts as stipulated in Section 245(b) of the Companies Ordinance 1984.

We are taking this issue up with you as the Securities & Exchange Commission of Pakistan has advised that removal of this condition is only possible if agreed to by the stock exchanges. We would request your positive consideration in this matter.

Yours faithfully,

**Zahid Zaheer  
Secretary General**

cc: The Secretary  
Lahore Stock Exchange (Guarantee) Ltd  
19, Khayaban-e-Aiwan-e-Iqbal  
Lahore - 54000

cc: The Managing Director  
Islamabad Stock Exchange (Guarantee) Ltd  
Stock Exchange Building



**24<sup>th</sup> June 2004**

**Engineer Zahid Aziz  
Chief  
Experts Advisory Cell**

**Dear Sir,**

Thank you for inviting me to participate in the National Industrial Policy meeting.

During the workshop meeting on 17<sup>th</sup> July 2004 I received a request from a member of your staff for a copy of the remarks I made at this meeting.

Please find enclosed a copy of the verbatim remarks I made at this brainstorming session. I hope you will find them useful.

Kind regards,

Yours sincerely,

**Zahid Zaheer  
Secretary-General**

## **Remarks of Mr. Zahid Zaheer – Secretary General OICCI**

### **Proposals for Industrial Policy 2004**

#### **Objectives**

Industrial Policy to have a long term perspective with time bound benchmarks for periodic review. It must also have global perspective and have a multi sectoral and cross-sectoral stance. Pakistan must also consider the need and choice of Regional Trade Agreements and this must be dovetailed into the Industrial Policy.

Priority and non-priority areas must be identified. Keeping geographical disparities and social inequities in mind and a balanced growth approach must be followed.

The aim of the Industrial Policy must be to improve the share of the manufacturing and mining sector in the economy and also to enable Pakistan to increase its value added manufactured exports, thereby increasing its share in the world trade in order to increase the per capita income in the country. The alleviation of poverty must remain high on the agenda and the benefit of wealth creation must be more equitably distributed within the nation.

To achieve the above objectives the following areas need to be addressed.

**Pakistan's Comparative advantage** needs to be clearly identified. Bland statements like low wage economy and the need for labour intensive industries, need to be thought fully assessed. Low wages do not necessarily mean lower labour costs. Labour productivity can influence labour costs. Overprotective labour laws that inhibit productivity and frighten away much needed productive investment must be revisited. Vocational and technical training institutes in the Public sector are in disarray and do not provide the necessary skills to labour. Incentives should be considered to employers who embark upon vocational and technical training.

**The high cost of manufacturing in Pakistan needs to be addressed** to compete in a fiercely competitive global trade environment.

The cost of manufacturing in Pakistan tends to be higher when compared with the costs in countries with whom Pakistan has to compete. The cost of infrastructure places an undue burden on manufacturing costs. Electricity water and ground transportation charges are the highest in the region. Port user charges in Karachi / Port Qasim are also highest in the region. Since most of these infrastructure services are provided by the public sector, the remedial task is not easy and there are no quick fix solutions. Privatization of hopelessly under-deployed assets in the public sector must be followed with the greatest conviction and sincerity and remain high on the agenda.

Surprisingly in Pakistan manufacturing sector is burdened with a 7% charge on pretax profit (in addition to a relatively high corporate tax) which is not charged to other sectors of the economy and is collected in the name of workers share in profits and welfare. There is little justification for this extra burden as the manufacturing sector, especially when employee payroll related levies for social security old age benefits and workers children education fund are separately payable.

**Tax reforms have been successfully implemented** to achieve macro economic stability and broaden the tax base and increase revenue collection, however, more needs to be done. In the eagerness to do collect more taxes Government of Pakistan has been taxing investment, rather than production. There is little justification for any import duties and other taxes on capital equipment not manufactured in Pakistan.

Government of Pakistan must wait for goods to be produced and discontinue the practice of charging a withholding tax on raw materials at import stage as this places an additional cash flow burden on manufacturing industry and adds to the cost of manufacturing as do payments of advance income tax.

To encourage productive investment incentives of accelerated depreciation are given for fixed capital investments, but in earlier years when the industry suffers a loss, a presumptive minimum tax of ½ % of sales turnover is charged to nullify the incentive offered.

Tax incentives based on geographical location of investment have been tried in the past but have resulted in distortions misuse and created uneven playing fields for manufacturers in other areas. If for social considerations less developed geographical areas have to be industrialized then giving a one time capital grant for poor infrastructure should be considered or Government of Pakistan, or sharing infrastructure costs may be a solution.

**Poor implementation of IPR laws** have resulted in large scale counterfeiting of products, damaging both the consumer's and investor's interest and have deprived government tax revenues estimated to be about Rs. 20 Billion per annum. Apart from foreign brands even local brands are being counterfeited and in the case of food and medical products damaging the health of consumers. IPR laws should have exemplary severe punishments for violators and vigorously enforced. To protect consumer interest consumer protection laws which were introduced in the Federal territory must be replicated in the provinces.

**Anti competition laws need to be conceived and enforced** in order to prevent unfair market dominance and price fixing and these will ensure fairer prices to the consumers.

The government should let market forces determine prices and do away with price controls especially in those area where adequate return to investors is jeopardized by artificial price controls.

**Safeguard measures under the WTO regime** need to be made more industrial user friendly. The institutional capacity of the Tariff commission and other Government of Pakistan commercial Ministries should be built up to help prevent injury and disruption to domestic industry by implementing timely safeguard measures

12th July 2004

**Engineer Zahid Aziz  
Chief Expert Advisory Cell  
Ministry of Industries & Production  
SEDC Building (STP)  
5 A Constitution Avenue  
Islamabad**

Dear Sir,

**National Industrial Policy**

Further to our letter dated 24th June 2004, enclosed please find recommendations / suggestions for formulating the proposed policy.

I hope you will find them useful.

Truly yours,

**FAROOQ RAHMATULLAH  
PRESIDENT**

## **National Industrial Policy**

Industrial Policy to have a long term perspective with time bound benchmarks for periodic review. It must also have global perspective and have a multi sectoral and cross-sectoral stance. Pakistan must also consider the need and choice of Regional Trade Agreements and this must be dovetailed into the Industrial Policy.

Priority and non-priority areas must be identified. Keeping geographical disparities and social inequities in mind and a balanced growth approach must be followed.

The aim of the Industrial Policy must be to improve the share of the manufacturing and mining sector in the economy by increasing Pakistan's export of value-added goods.

Pakistan needs to strategically align itself to attract higher amounts of investment. Key emphasis should be placed on alleviation of the negative trade balance by being competitive in the global marketplace and alive to the challenges posed by the Multi Fibre Agreement (MFA) quota phase out in 2005. This, in turn, shall increase Pakistan's market share in world trade, helping to enhance per capita income in the country and alleviate poverty. Clearly stated, time bound benchmarks should be established for periodic review to ensure the success of this policy.

Overall, attention should be allotted to a multi-sectoral, balanced growth towards self sufficiency approach keeping in view the global perspective, geographical disparities and social inequities. The Policy's main thrust should be to develop an open, market driven, innovative and dynamic economy which is:

- Internationally integrated
- Globally Competitive
- Fully equipped to exploit the opportunities created by the MFA phase out

In order to achieve the above, key imperatives for the National Industrial Policy to be addressed are as follows:

### **1. Human Resource/Development of Labor**

Vocational and technical training schools in the public sector are in disarray and do not provide the necessary skills to labour. Vocational and technical training institutes need to be established through the country in the private sector and suitable tax incentives should be offered to employers who embark upon vocational and technical training. Overprotective labor laws that frighten away much needed productive investment need to be revisited to allow equitable benefit to both Employee and Employers. Ways should be found to make labour more efficient and emphasis should be placed on development of a solid work ethos amongst our labour force

## **2. Electricity and Water**

Not only is electricity and water tariff higher in Pakistan than its regional competitors, but also, the lack of reliable supply causes production losses or requires investment in infrastructure. The industrial policy needs to pay special emphasis to the development of these basic necessities, re-aligning the availability and cost in line with those prevalent in the region.

## **3. Sea Port Facilities**

GOP needs to demarcate a dedicated Chemical handling area at the sea ports, where service industries should be encouraged to develop specialist storage and handling facilities. Additionally, the costs need to be realigned as currently the charges for Port Users at Karachi and Port Qasim are exceptionally high. Studies should be undertaken to determine port charges else where in the region/Asia. These benchmarks should then be used to determine the tariff structures in Pakistan.

## **4. InLand Transportation**

The network of both Road and Rail transportation within Pakistan needs to be improved. Emphasis should be on providing safe, fast and cheap modes of transport, so that Industries can maximize the benefit of local availability by reducing substantially their Working Capital. Incentives should be given to private investors to explore new modes of transport, such as Silo Trucks, bulk container cargo etc. The surcharge on petroleum products which makes ground transportation expensive needs to be revisited.

## **5. Taxation**

Industrial Policy should recognize the importance of concessionary/deferred taxation for start up industries. Presumptive and import stage Withholding Tax, Turnover Tax and Advance Tax should be abolished as they place unnecessary financial and working capital burden on growing/new industries. Additionally, there should be an emphasis on taxing production, not investment, and therefore, the import duties & taxes on capital equipment not manufactured in Pakistan should be abolished. The extra burden on manufacturing which is a levy of 7% of pre tax profit only makes manufactured goods uncompetitive and should be withdrawn.

## **6. Consistency in Policy**

Investment and feasibility is based on prevailing policies & tariffs and changes in regulatory goalposts have a negative impact on investor confidence. Since the industry is led by technology enhancements, restricting investment will make the industry inefficient, ultimately resulting in industrial decline due to uneconomic returns. The objective of industrial policy should be a practicable long-term regulatory framework that does not make excessive demands on small and medium sized firms.

### **7. Country image-building**

Foreign missions should be used to objectively build country image. A stable political environment should be provided, supported by an improved law & order situation to inspire confidence in investment security, helping to attract vital foreign capital and technology.

### **8. Vertical Integration**

Vertical integration should be given high priority, with incentives for investment in "missing link" industries. Attention should also keenly be given to key support industries which, although not earning high levels of foreign exchange, provide vital raw materials to value added industries. A key example of such a missing link industry would be an Ethylene Cracker, filling an important gap in the petrochemical chain, in turn opening the opportunity for a Paraxylene Plant, as well as other petrochemical derivatives in Pakistan.

### **9. Protection of Industry**

Stronger implementation of IPR laws should be enforced, in order to protect the interest of both consumer's and investor's from spurious products, as well as prevent the leakage of tax revenues for the Government. Expertise should be developed at the Tariff Commission level on issues such as Anti-Dumping Laws and Countervailing duties, which are safeguard measures that are permissible under the WTO regime to prevent injury and disruption to local industries.

### **10. Encourage Market Driven Pricing**

Anti Competition laws need to be conceived and enforced in order to prevent unfair market dominance and price fixation. This will ensure better customer satisfaction and force local industries to shift toward higher efficiencies in order to survive ultimately making them globally competitive. Market forces should be allowed to determine prices and price controls removed.

14<sup>th</sup> July 2004

**The Honourable  
General Pervez Musharraf  
President of the Islamic Republic of Pakistan  
and Chief of Army Staff  
President House  
Islamabad.**

Sir,

The Overseas Investors Chamber of Commerce & Industry (OICCI) of Pakistan is a prestigious institution that represents the interests of foreign owned companies in Pakistan. It currently has a membership of 164 foreign owned companies who are substantial contributors to the revenue of the country.

The OICCI members, who include some of the leading global multinational companies, also play an important role in attracting foreign investment to Pakistan by giving confidence to potential investors about the investment climate of the country.

With this backdrop, we bring to your kind attention our serious concern about the recent increase in incidence of kidnappings and abductions of employees of commercial organizations. Presently 5 employees of Treet Corporation, Shahnawaz Ltd., Rafan Foods and Smith Kline & Beecham have been kidnapped in Sindh, and the concerned agencies have been unable to recover these employees.

As you will appreciate, this has led to a feeling of insecurity amongst the employees of commercial organizations and multinational companies. This insecurity is affecting the productivity and future investment plans of these companies.

We request you to kindly direct the Government of Sindh to arrange for the early recovery of these kidnapped employees which will bring great relief to the concerned companies.

We would be most grateful for your early action.

Thanking you

Yours truly,

**(Farooq Rahmatullah)  
President**



22nd July, 2004

**Mr. Muhammad Nasir Khan,  
Federal Health Minister,  
Ministry of Health,  
Government of Pakistan,  
Islamabad.**

Dear Sir,

**INFRINGEMENT OF PATENTS**

I am writing to you to express the concern of 25 of our members comprising of research based Pharmaceutical Companies.

They have collectively conveyed their observations regarding the apparent violations, albeit inadvertently and unknowingly, made over the past months by the Ministry's Drug Registration Board in awarding product registration to products for which valid patents exist.

Such infringements of Intellectual Property Rights tarnish the image of Pakistan as an investor friendly country as they go against TRIPS and WTO agreements and have a negative impact on industries other than merely pharmaceuticals.

May I therefore suggest that you kindly consider initiating a dialogue between senior Ministry officials and representatives of our Pharma Sub-Committee, in order to develop a system through which products with valid patents are identified and registration of products infringing these patents are denied.

With best wishes.

Yours sincerely,

**SOHAIL WAJAHAT H. SIDDIQUI  
VICE PRESIDENT**

4<sup>th</sup> August 2004

**Mr. Ahmed Waqar  
Secretary Petroleum and Natural Resources  
Pak Secretariat  
Islamabad**

Dear Sir,

**SMUGGLING OF PETROL DIESEL AND LUBRICANTS FROM IRAN /  
AFGHANISTAN**

The Chamber vide its letter dated 9<sup>th</sup> July 2003 had addressed Mr. Naurez Shakoor Minister of Petroleum and Natural Resources seeking the elimination of smuggling which was causing substantial loss to the Oil Marketing Companies and revenue to the government.

In this regard a reply was received from Ministry of Petroleum vide their letter dated 11<sup>th</sup> August 2003 informing us that necessary steps have been taken to eliminate smuggling. We feel that the steps taken by the government to curb smuggling have not been very effective.

Chamber's standing sub committee on Energy Sector would welcome an opportunity to meet with you and discuss the proposals for eliminating smuggling and other related issues.

I write formally on behalf of the Chamber to invite you to visit us on any date suitable to you and discuss the problems faced by our members.

We would appreciate your confirming the date and time convenient to you.

Thanking you,

Yours truly,

**ZAHID ZAHEER  
SECRETARY GENERAL**

6th August 2004

**Mr. Abdullah Yusuf  
Chairman,  
Central Board of Revenue (CBR),  
Government of Pakistan,  
Islamabad.**

Dear Sir,

**Subject: Dumping of Export Fuels**

On behalf of the Overseas Investors Chamber of Commerce & Industry (OICCI) I would like to draw your kind attention to the recent news-items about the dumping of duty-free fuels in the border areas of Pakistan by some oil marketing companies. These fuels are meant for export to Afghanistan but are being sold in the border areas at lower prices.

As you will appreciate, this situation is causing considerable loss of revenue to the government as well as creating an un-level playing field for the other oil marketing companies who are unable to compete with the dumped products in the border areas.

In this regard we would like to request that strict action be taken to curb this activity. Such action will go a long way to restore commercial confidence in the country, and would send the right signals to the international community.

Kindly let me know if we can be of any further assistance.

Thanking you,

Yours sincerely,

**(Zahid Zaheer)  
Secretary-General**

**Copy:  
Director-General,  
Customs Intelligence,  
Government of Pakistan,  
Islamabad.**

6th August 2004

**Mr. Ahmed Waqar**  
**Secretary,**  
**Ministry of Petroleum & Natural Resources,**  
**Government of Pakistan,**  
**Islamabad.**

**Subject: Issuance of Oil Marketing Licenses**

Dear Sir,

On behalf of the Overseas Investors Chamber of Commerce & Industry (OICCI) I would like to draw your kind attention to the ongoing process of issuance of oil marketing licenses to new applicants in Pakistan.

OICCI is fully supportive of the policy of opening up markets to fair competition. However there is concern about the quality of the new applicants being issued oil-marketing licenses, as well as about implementation of the investment requirements under the licensing conditions.

In this regard we would like to propose that experts from the industry be included in the process for the issuance and monitoring of oil marketing licenses. In our view this would be seen as a proactive measure for strengthening the process, and would send the right signals to the international community.

Kindly let me know if we can be of any further assistance.

Thanking you,

Yours sincerely,

**(Zahid Zaheer)**  
**Secretary-General**

**30TH AUGUST 2004**

**Mr. Vickas Hasan Mokal  
Project Director  
Industrial Information Network  
SMEDA  
Ministry of Industries and Production  
Government of Pakistan  
Islamabad**

**Dear Sir,**

Thank you for your letter dated 16th August 2004 on the studies you propose to conduct on WTO matters.

Please find enclosed a copy of the remarks made by the Secretary General of the Chamber at the recently concluded WTO Experts moot in Islamabad - I trust you will find these useful

Kind regards,

Yours sincerely,

**ZAHID ZAHEER  
SECRETARY GENERAL**

### Secretary General Remarks

#### WTO Experts Moot in Islamabad on 18th August 2004

Mr. Chairman Minister Tariq Ikram distinguished panel members ladies and gentlemen.

1. Pakistan's goal must remain the development of developing countries.
2. Although 3/4 ths of the members of WTO are developing countries yet their voice they have in negotiations is very limited.

In this context the emergence of the G-21 group and Pakistan joining it albeit belatedly is a very welcome step. Pakistan must pursue the course of better utilization of this alliance.

The WTO panel on disputes in which Brazil was sole complainant on June 18th ruled that the US cotton subsidies violate WTO trade rules. Now Brazil has scored a second victory on August 4th when WTO panel has ruled that the \$ 1.4 Billion subsidy of EU sugar exports are illegal.

The outcome of both the panel rulings establishes the fact that the rich states have failed to abide by the subsidy rules that they created during the Uruguay Round.

3. The July meeting in Geneva also known as the July package has not achieved very much. At best it can be described as a framework agreement, and is a statement of good things in the future, that is rationalization of subsidies on agricultural products, which the developing countries have been seeking for quite some time.

The July package clearly lacks political will and strong commitment from the key players. Contrary to the governments claim of "historic victory" developing countries have lost out in Geneva.

Nothing substantial has been achieved on Non-agricultural market access issues (NAMA). Singapore issues have been unbundled to have stand alone negotiations on trade facilitation, whereas the other three issues have been put on the backburner. There has also been no progress on the demand of countries for liberalized and more open movement of natural persons.

In fact Oxfam international has criticized this deal as and turned is as a betrayal of developing countries.

4. The Uruguay Round which created the WTO consists of a plethora of agreements, and it is not possible to cover these in a forum of this sort.

I will briefly touch upon the main agreements which are of some concern to Pakistan.

- (I) General Agreement for Trade in Goods (GATT)
- (II) General Agreements on Trade in Services (GATS)
- (II) General Agreements on Agriculture (GAA)
- (IV) Trade Related Intellectual Property Rights (TRIPS)

5. On the Trade of Goods sides they are unfounded fears in Pakistan that come. Jan 2005 all goods in Pakistan will arrive duty free and cause disruption and injury to local industry and cause closure of factories and unemployment.

This is far from the truth. Generally Pakistan bindings on the tariffs under the WTO agreement are on the high side. The applied tariffs are lower and they have been willingly reduced driven more by IMF agreements rather than pressures from WTO.

In any case there are sufficient safeguard measures under the WTO regime for application of countervailing and antidumping duties and even putting quota restrictions if injury and disruption to local industry can be established. In this respect the workings of the National Tariff Commission and the period elapsed before relief is forthcoming needs to be improved.

6. The agreement on textile and clothing (ATC) has been insufficiently implemented after the Uruguay Round in 1995 to the disadvantage of developing countries. It took 50 years for the developing world to have the quotas removed so why should we feel unhappy at the removal of quotas.

What will happen in the post quota world that every textile and clothing manufacturing country will have an even playing field and there will be opportunities for greater market access for the efficient. Only those who are competitive with low manufacturing costs will benefit.

Pakistan manufacturing products have to suffer high infrastructure costs like Electricity, Water, Port User Charges and ground transportation.

Electricity tariffs in Pakistan are the highest in the region, as are water charges.

Ground transportation is expensive and time consuming due to poor conditions of roads. GOP compounds the problem by putting excessive surcharge on petroleum products, which translates to a burden on transportation and cost of doing business in Pakistan.

Infrastructure inefficiencies can not be corrected in the short term but how does one explain the extra burden on manufacturing which is levied as a 7% charge on pre tax profit, in the garb of employee welfare and share in profits.

The employees do not receive the benefits of this charge. All sectors of the economy like services, banking, insurance, shipping employ people yet it is

only manufacturing that suffers this extra burden, making goods un-competitive.

7. *Poor implementation of IPR laws is a specific concern of investors and frightens away foreign investment.*

The un-checked sale of counterfeit products results in both the owner of the brand and the consumer being cheated. The GOP loses at least Rs.20 Billion tax revenue in the bargain. Some consumers may benefit by getting cheap computer programmes and DVD movies and text books but surely this can not be allowed to go un-checked.

The uncoordinated efforts of the various ministries in the enforcement of IPR laws has been a problem, and the belated formation of PIPRO is a step in the right direction but it must not have foster parents and be nursed appropriately.

The Patent Ordinance is not TRIPS compliant and this matter needs to be addressed. Compulsory licensing has been allowed under WTO rules under circumstances of National emergencies which confer the right to manufacture patented drugs without the patent holders consent for domestic consumption. This should satisfy those who have feared exploitation.

8. Two thirds of the world trade today takes place on a preferential basis. The drift towards regionalism is not a good omen for the growth of international trade. The list of Regional Trade Agreements is long and goes on increasing. Bilateral deals undermine the global trading system. Regional Trade Agreements can undermine the developing countries. The dependence on EU, NAFTA & APEC for exports is a cause of concerns. Nearly 94% of world trade will be in these countries.

Pakistan has so far made feeble efforts to enter into RTAs. The agreement with Sri Lanka could not materialize. More work needs to be done to establish how and if Pakistan can benefit from RTAs.

Although Trade between developing countries is only 11 % of world trade; nonetheless, the tariff barriers between poor countries are still higher than those between rich and poor countries.

The SAFTA process needs to be evaluated expeditiously and if to Pakistan's advantage should be expedited.

Mr. Chairman I must confine my remarks. I know that many issues have not been covered, but the other delegates who follow me will hopefully cover these.

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



6<sup>th</sup> September 2004

**Mr. Ahmed Waqar  
Secretary,  
Ministry of Petroleum & Natural Resources,  
Government of Pakistan,  
Islamabad.**

Dear Sir,

**FUELLING AT ALLAMA IQBAL INTERNATIONAL AIRPORT, LAHORE**

On behalf of the Overseas Investors Chamber of Commerce & Industry (OICCI) I would like to draw your kind attention to the issue of the supply of Jet A-1 fuel at the Allama Iqbal International Airport, Lahore.

Our understanding is that Pakistan State Oil is currently the sole supplier at Lahore airport and is levying a very high hospitality charge on other oil marketing companies who wish to fuel their airline customers at the airport. This is leading to a monopoly situation at Lahore airport.

We further understand that as per directive of the Ministry of Defence, CAA carried out a detailed study of the fuelling operations at Lahore airport and recommended a fair hospitality charge to be levied by PSO. We would appreciate if CAA's recommendation is implemented at the earliest, which will provide a level playing field for all concerned and send positive signals to overseas investors.

Assuring you of our support and cooperation.

Yours sincerely,

**ZAHID ZAHEER  
SECRETARY GENERAL**

Copies:

1. Lt. Gen. ® Hamid Nawaz Khan, Secretary, Ministry of Defence, Government of Pakistan, Islamabad
2. Mr. Shahid Anwer, Deputy Secretary (P&D), Ministry of Defence, Government of Pakistan, Islamabad
3. Mr. Waseem Haqqie, BOI, Islamabad

**9th September 2004**

**Engr. Zahid Aziz  
Chief  
Expert Advisory Cell  
Ministry of Industries and Production  
SEDC Building (STP), 5 A Constitution Avenue  
Islamabad**

**Dear Sir,**

**ESTABLISHMENT OF PITAC, REGIONAL / ZONAL SUPPORT CENTRE**

Thank you for your letter dated 19th July 2004.

Your proposal for establishing 26 Regional / Zonal Technology support centres throughout the country was considered by our standing sub committee on Industrial and Commercial matters during its last meeting.

Most of the members were of the opinion that the existing centres already operating in the country should be upgraded and utilized more appropriately.

In view of the above the Chamber does not wish to make any proposals for the location of 22 new zonal centres. The funds likely to be available from the donor agency may be utilized for the improvement and upgrading of the existing centres. This would help the government in improving the technical support to the Industrial sector.

Yours truly,

**ZAHID ZAHEER  
SECRETARY GENERAL**

**23rd September, 2004.**

**Mr. Naimatullah Khan,  
City Nazim City District Government,  
1st Floor, Civic Centre,  
University Road,  
KARACHI.**

**Dear Sir,**

**TAX ON ADVERTISEMENT BOARDS AND NEON SIGNS**

I write to you on behalf of the Overseas Investors Chamber of Commerce & Industry. which you are aware represents overseas investors in Pakistan working in all sectors of the economy.

A number of member have received notices and challans from the City District Government, Karachi in respect of tax on advertisement boards and neon signs. The rate being charged by them is Rs. 250 per square foot. In our view the charges are exorbitant and in most cases more than the cost of advertisement itself. Moreover notices have also been received to pull down the advertisements if the taxes are not paid.

In this regard a delegation of OICC&I members would like to meet you on urgent basis and discuss this issue. We would appreciate your confirming any date and time convenient to you.

Thank you.

Yours truly,

**ZAHID ZAHEER  
SECRETARY-GENERAL**

24 September 2004

**Mr. Jehangir Khan Tareen  
Federal Minister for Industries & Production  
Government of Pakistan  
Islamabad**

Dear Sir,

I had written to you earlier inviting you to visit the Overseas Investors Chamber of Commerce & Industries. While I look forward to your acceptance of the invitation, I take this opportunity to draw your attention to the high incidence of taxation on vehicles of 1800cc and above.

Prior to the announcement of the Federal Budget, I also engaged Mr. Abdullah Yusuf, Chairman CBR, on this subject. It was heartening to note that the duty structure was reduced from 150% to 100%. However despite this reduction a European or Japanese car of 2000cc and above still costs around Rs.6mn or more.

You would appreciate that these cars have a niche market and do not in any manner compete with or negatively impact the market of locally manufactured cars. Therefore even if the duty structure is reduced to 50% the market / producers of locally manufactured cars will not suffer. On the other hand reducing the duty on such cars will provide the upper end user the purchasing power to buy luxury cars. This shift of the demand benefits the producers by taking away pressure on their production capacities and eases the waiting time (and premiums) for the average customer.

A white paper is attached with some information on the impacts.

I am available if you wish to discuss any of the above-mentioned aspects further. On my part I will take the first opportunity to call upon you when I am in Islamabad and look forward to meeting you.

Yours sincerely,

**FAROOQ RAHMATULLAH  
PRESIDENT**

### **Reduction in Customs Duty on Large-sized Cars**

- The refineries in Pakistan are not producing at full capacity because the refinery production of Motor Gasoline exceeds the present market demand in the country.
- Refineries have a Motor Gasoline production capacity of 1.5 million MT of which 1.25 million MT was produced in 2003-04. Hence, only 83 % refinery capacity was utilized (77% in 2002-03).
- Surplus Motor Gasoline therefore needs to be exported, which is not commercially viable for refineries as compared to local sales. Combined losses of refinery for export of Motor Gasoline and Naphtha are estimated as US \$ 20 million for 2000-1, US \$35 million for 2001-2 and US \$40 million for 2002-3.
- This loss also translates into revenue loss by Government on duty and PDL. According to an estimate, if refineries were to be able to operate at 100% capacity, the government would be able to generate additional revenue collection of Rs. 2.8 bn. Not only this, but the country will save foreign exchange on imports of Diesel and Fuel Oil if full refining capacity is utilized.
- Although the consumption of Motor Gasoline has started to grow due to Government policies on consumer financing, Government can introduce further measures to enhance consumption of Motor Gasoline by reducing import duties on higher engine capacity cars because they are more likely to increase consumption of Motor Gasoline. (In the recent budget, import duties for above 1,800cc cars have been reduced from 150% to 100%, but there is need to reduce this further). In addition, since higher engine capacity cars are not being manufactured locally they will not have an adverse impact on local car manufacturers.

(September 2004)

26th October, 2004.

**Dr. Tariq Hasan,  
Chairman,  
Securities & Exchange Commission of Pakistan,  
NIC Building,  
63-Jinnah Avenue,  
ISLAMABAD.**

Dear Sir,

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

We write with reference to our letter dated 7th July, 2004.

We deeply appreciate SECP's effort in issuing the subject Ordinance, which was promulgated in 2002.

The Ordinance could not be enforced as rules to implement the law have not been issued.

Your attention to this matter is requested and will be greatly appreciated.

Thank you.

Yours truly,

**ZAHID ZAHEER  
SECRETARY-GENERAL**

14th December, 2004.

**Mr. Humayun A. Khan,  
Federal Minister of Commerce,  
Ministry of Commerce,  
Block 'A', Pak Secretariat,  
ISLAMABAD**

Dear Humayun Akhtar Sahab,

**TRADE PROMOTION SCHEMES AFFECTED BY SECTION 294 - B  
OF PAKISTAN PENAL CODE**

I write to you on behalf of the Overseas Investors Chamber of Commerce & Industry, which you are aware represents overseas investors in Pakistan, working in all sectors of the economy.

It has been brought to our notice that Section 294-B of Pakistan Penal Code which deals with offering of prize in connection with trade, etc., requires clarification on interpretation and application.

**ISSUE:**

There is uncertainty in the market, as to the actual content and effect of Section 294 - B, as to the promotion schemes that are allowed and those if any, which still attract punishment of imprisonment or fine or both. This uncertainty places at a disadvantage to those Companies particularly the MNC's who wish to comply with the law and carry out business under a regulatory environment, in which the applicable rules are certain clear and reasonable. However at the same place, Companies are having trade promotion schemes involving an element of chance and giving prizes or rewards to the purchasers qualifying for them under the scheme. Officially such practices have not been approved or disapproved.

**PROPOSAL:**

The uncertainties prevailing regarding Section 294 - B requires to be addressed immediately. Following is suggested:

1. It is important that a level playing field be provided to all Companies marketing their products. The use of trade promotion schemes are in conformity with international trading practices and also not repugnant to the injunction of Islam. (Federal Shariat Appellate Bench PLD 1992 SC 153).
2. As such it becomes necessary to either repeal Section 294 - B from PPC or to amend it, so as to exclude from the section trade promotion schemes of the kind mentioned.

We seek your support to address this uncertainty, as it is integral to good governance.

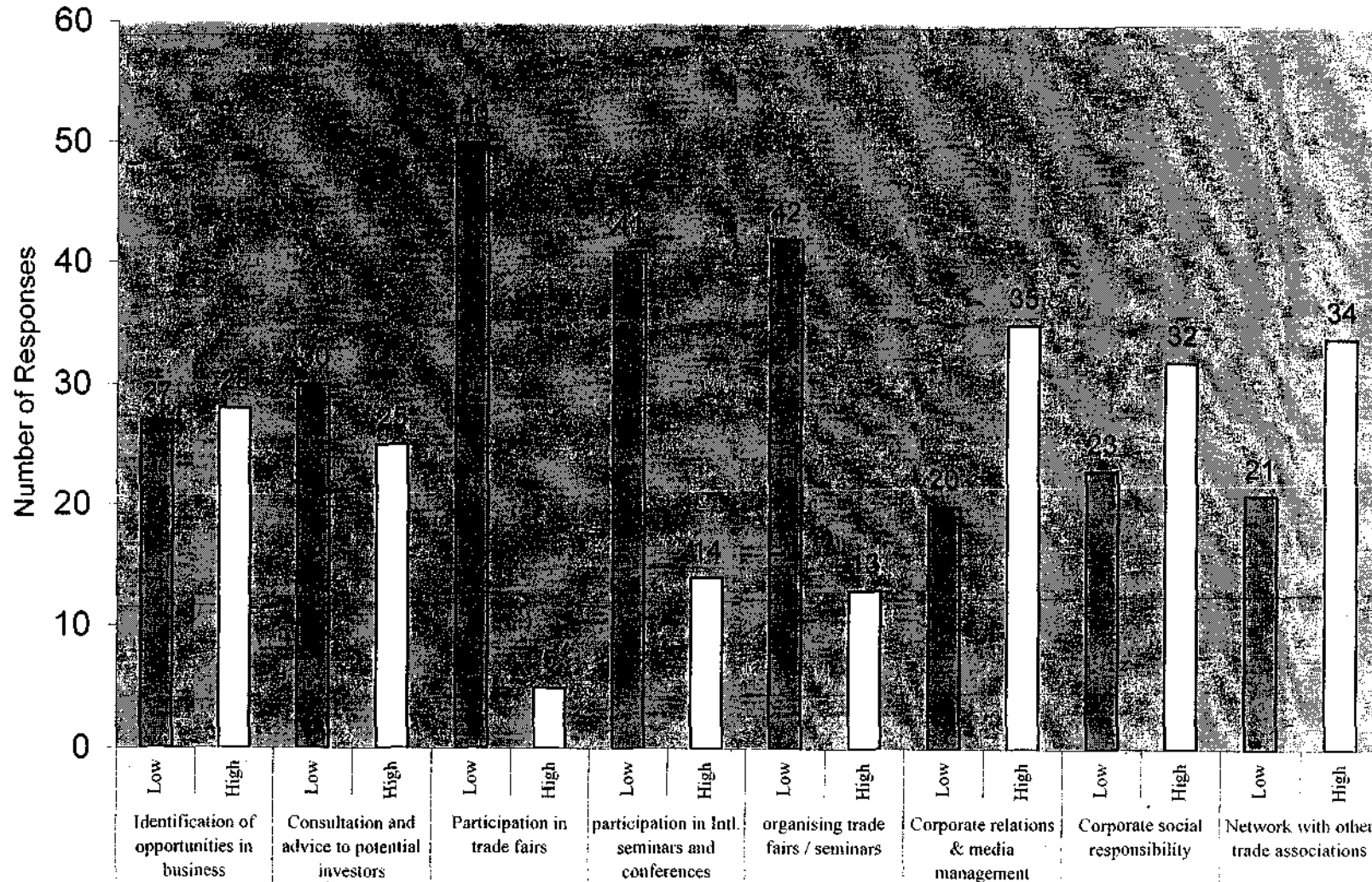
Thank you.

Yours sincerely,

**ZAHID ZAHEER  
SECRETARY-GENERAL**

# Analysis of Responses to Survey

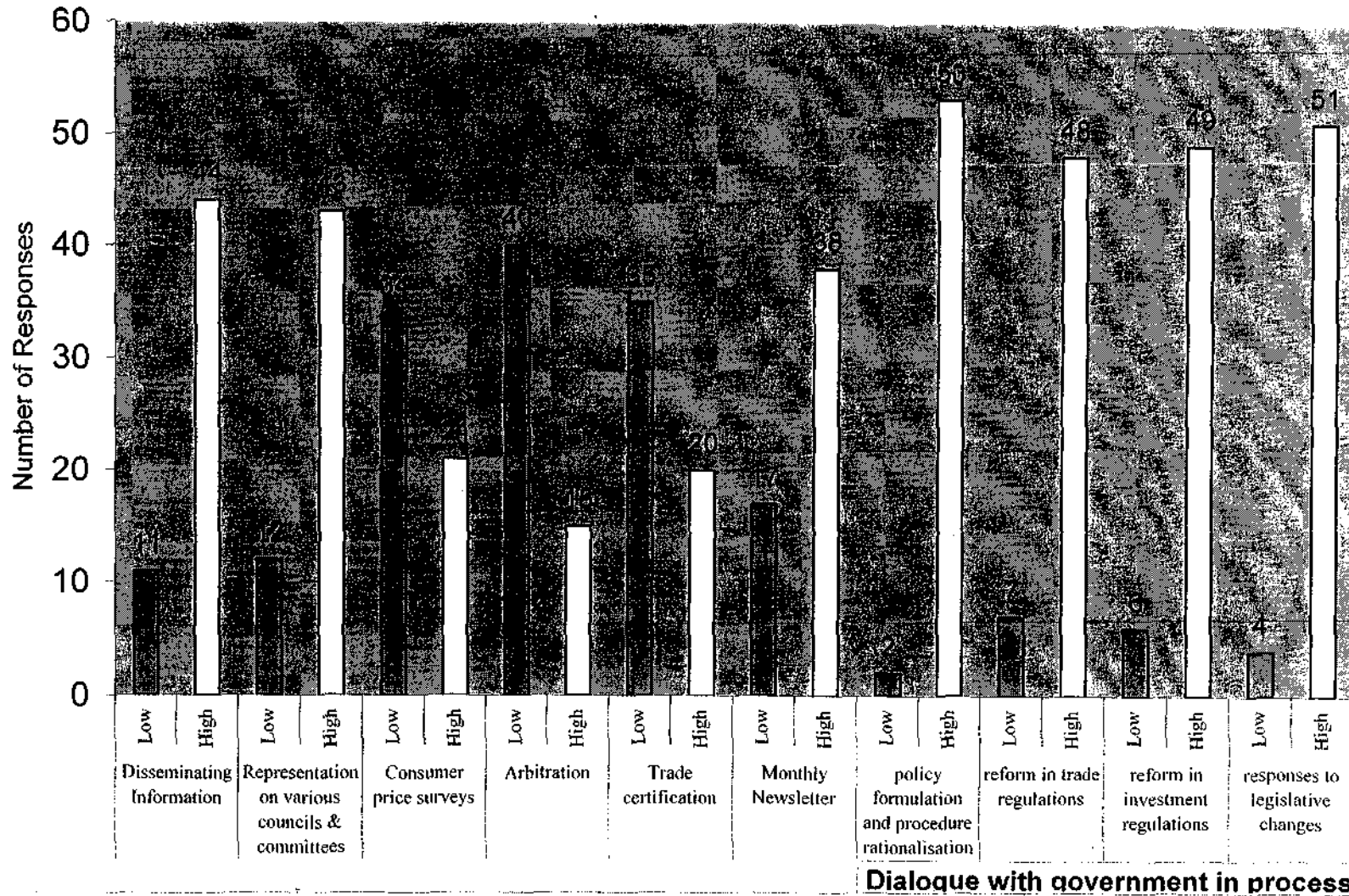
Relevance of Proposed activities for OICC&I





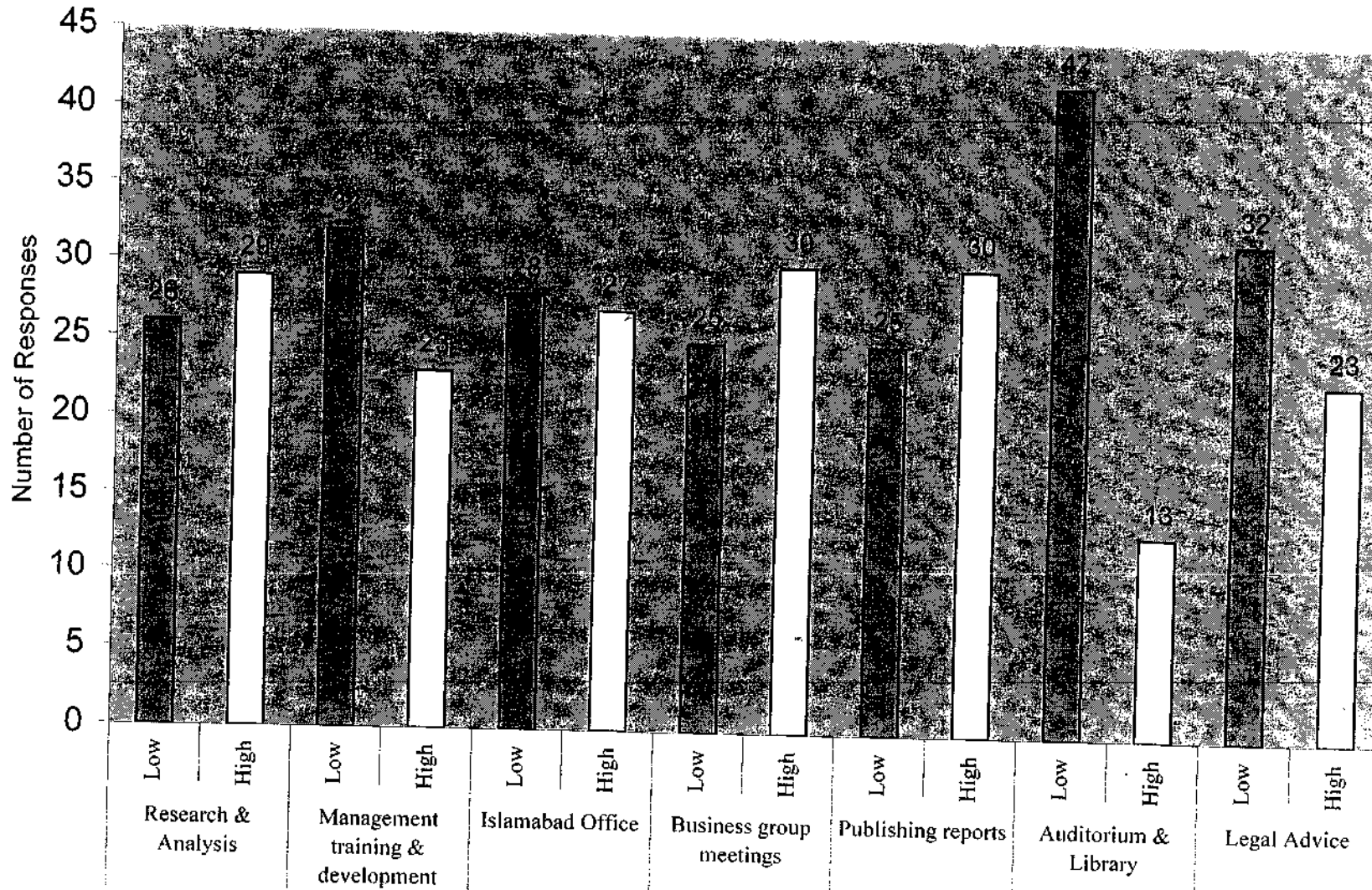
# Analysis of Responses to Survey

Relevance of Current activities of OIC&I



# Analysis of Responses to Survey

Relevance of Proposed activities for OICC&I



## Analysis of Responses to Survey

### Importance of Services currently provided by OICCC&I

