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Pakistan attracts power and infrastructure opportunities

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Another major country in Asia that hasn't been very familiar so far to Czech entrepreneurs is Pakistan. The country is well situated to become one of Asia's premier trade, energy and transport corridors thanks to its proximity to the Middle East, Africa, China and Europe, said Nadia Rehman, commercial counselor with the Embassy of Pakistan in Prague. Rehman spoke during the Czech-Asian Forum organized in Prague by the conference manager Image Conference & Consulting.

She emphasized that recent developments to realize this vision in Pakistan include the Gawadar port, linking Afghanistan, Iran, China and onward to Central Asia, the Middle East and Europe. In Pakistan, the population is growing at a rate of 1.9 percent, representing 2.5 percent of world's population.

CZECH EXPORTS IMPROVE, BUT FAIL TO MEET HIGHER EXPECTATIONS

January's surplus of the external trade balance reached Kč 13.1 billion, only moderately below market expectations. A comment by analysts with Komerční banka note that, seasonally adjusted, the commodity balance improved Kč 0.9 billion; however, the ex-commodity balance deteriorated Kč 7.5 billion. Overall, KB saw signs of deterioration—from Kč 14.9 billion to Kč 8.4 billion on the seasonally adjusted basis. "Foreign car-scrapping subsidies should no longer be helping Czech car exports, and the inventory cycle should soon be at its bottom. Furthermore, the commodity balance could start to deteriorate in the future as well, in the case of increasing commodity prices," the report noted. The relatively high export dynamics in January are positive, as exports rose 9.1 percent year-on-year, while imports grew only 3.5 percent. Overall, foreign trade surplus will decrease this year. A certain revival of foreign demand may lead to higher exports this year. KB expects exports to increase 4.7 percent on the year, after a fall of 14.1 percent in 2009. However, inventories will have to be rebuilt at least partially, which will result in higher imports as well—plus 7.5 percent on the year after minus 18.1 percent in 2009. The commodity balance has started to deteriorate in Q309 already, due to higher commodity prices. "This trend should continue in the upcoming quarters as well. Overall, we expect the foreign trade balance to deteriorate this year, from the record-breaking surplus of Kč 152.0 billion reached in 2009 to Kč 100.7 billion," the report said.

Per capita incomes are also rising, despite the significant population size. Like in the case of Turkey, Pakistan features a very young population, with 54 percent below 19 years of age. Rehman emphasized that Pakistan's governmental Poverty Reduction Strategy 2009–10 has defined a nine-point agenda to increase productivity, efficiency and growth rates. Two of these points are energy and public-private partnerships (PPPs) for infrastructure development.

Investment incentives in Pakistan

For investments into telecommunications, Pakistan provides:
• 100 percent foreign equity allowed in software houses
• Tax holiday on software exports
• Duty free imports of hardware and software
• 90 percent first year allowance of equipment cost
• Tax holiday of seven years for venture capitalist funds
• 30 percent depreciation allowed on all computer related equipment

The power sector remains one of the most significant to the country. Currently, only some 65 to 70 percent of the population has access to electricity. There is an increasing electricity demand and the government of Pakistan is committed to increase private sector participation, Rehman said.

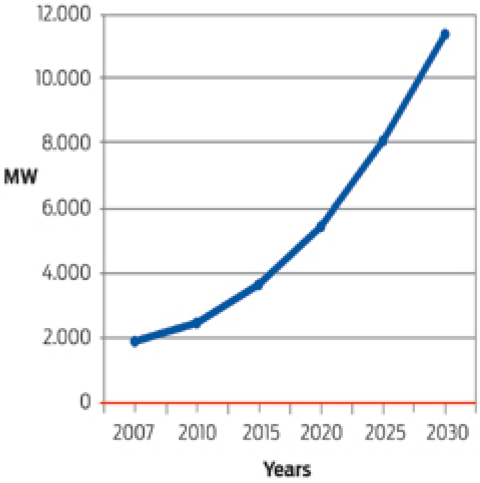
In energy, the country offers incentives

Fiscal Incentives:
• Customs duty at the rate of 5 percent on import of plant and machinery not manufactured locally
• No sales tax on plant, machinery and equipment
• Exemption from Income Tax
• Initial depreciation allowance at the rate of 50 percent
• of pre-commencement expenses allowed at the rate of 20 percent annually

Financial Incentives:
• Permission to issue corporate registered bonds
• Permission to issue shares at discounted rates
• Raising of local/foreign finance allowed
• Abolition of the 5 percent limit on investment of equity
• Full repatriation of capital, capital gains, dividends and profits are allowed
• Double taxation treaties

Long-term agreements available on:
• Build, Own, Operate and Transfer (BOOT)
• Build, Own and Operate (BOO)
• Protection against changes in taxes and duties
• Indexation of foreign operating and maintenance cost (variable and fixed) with U.S. CPI.

Power demand in Pakistan



Hydropower potential in Pakistan