3rd Edition

Economic Outlook

August, 2015

Research & Development Department
The Lahore Chamber of Commerce & Industry

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1st ISO-9001 Certified Chamber in Pakistan

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The Lahore Chamber of Commerce & Industry

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Foreword

It is a matter of great pleasure for me to present the third edition of LCCI Quarterly Research Journal Economic Outlook.

In this edition, we have tried to portray the actual picture of Pakistan's economy and its performance during the last fiscal year. This would not only help our members to comprehend new business trends but also enable them to formulate their future business strategies.

Considering the importance of Central Asia as a major economic block in the future due to exploitation of its abundant resources, a detailed study has been prepared to assess the potential of this market for the Pakistani exporters.

The reasons behind the recent Debt Crisis in Greece are also unearthed. The huge potential of cosmetics industry in Pakistan has also been examined which would help new entrants in this line of business. The new scenarios developing in the world of energy have also been discussed in this issue.

This journal also contains an article on the Informal Economy of Pakistan. The informal or grey economy prevails in all countries at various scales but in Pakistan, it is parallel to the formal economy which is causing an irreparable loss to the national exchequer.

The article on Japan-Pakistan Trade Relations sheds light on the tremendous possibilities of enhancing bilateral trade between the two countries.

Your valuable feedback on this issue would be highly appreciated.

(IJAZ AHMAD MUMTAZ)
PRESIDENT

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Pakistan Economy at a Glance

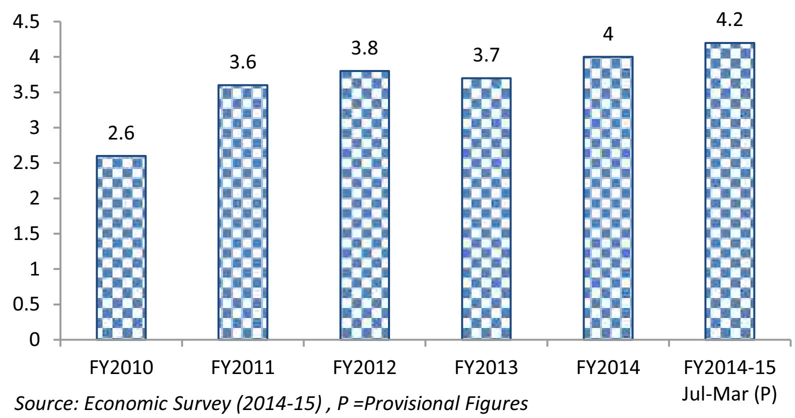
Sidra Khan

Macroeconomic indicators portray a satisfactory picture of Pakistan's economy in fiscal year 2014. The stable economic growth, sustained collection, lower inflation, reduction in current account deficit, higher worker's remittances, rising foreign reserves and successful launch of Sukuk are among the significant improvements during the last year.

Modest Increase in GDP Growth:

- The growth of Gross Domestic Product (GDP) not only stabilized but accelerated to 4.2 percent during 2014-15 (Jul-March) as compared to 4.03 percent in the same period a year before (See Fig 1). According to a report of IMF, GDP is expected to grow further.

Fig 1: GDP Growth (%)

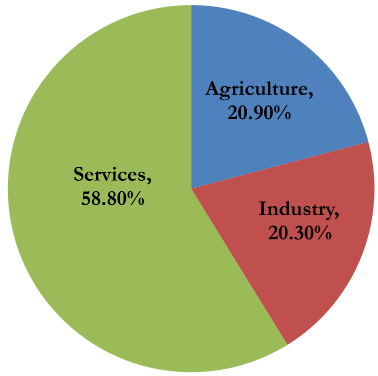


Source: Economic Survey (2014-15) , P =Provisional Figures

- GDP per capita also increased from US$ 1,384 in 2013-14 to 1,512 in 2014.
- GDP in value term improved from Rs.23,903,982 million in 2013-14 to Rs.25,821,943 million in 2014-15.
- Pakistan is an agrarian country blessed with four seasons and fertile land suitable to grow almost all of the vegetables and fruits. Agriculture sector accounts for 43.5 percent of total employment. Despite of these facts, the performance of agriculture sector has been decelerating. The sector which used to be more than half of Pakistan's GDP, contributed only 20.90 percent to GDP in 2014 (See Fig 2).

Ms. Sahaab Jawad assisted in this article.

Fig 2: Sectoral Contribution to the GDP growth in 2014

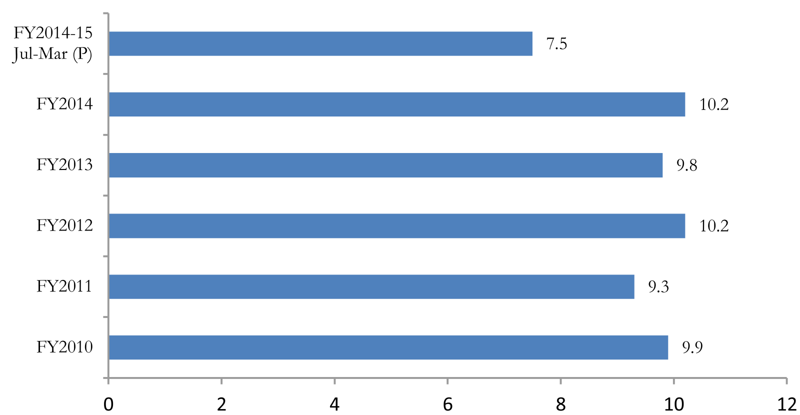


Source: Economic Survey (2014-15)

- The major source of the Government's tax revenue is the industrial sector. In 2014, it contributed 20.30 percent to GDP. The growth of industrial sector showed a modest increase from 3.62 percent in 2013 to 4.45 percent in 2014.
- "Energy generation & distribution & Gas Distribution" is a sub-sector of Industrial Sector. Given the on-going energy crisis, this sub-sector has huge importance in Pakistan's economy. It is important to note that the growth of this sub-sector has decreased from 5.57 percent in 2013 to 1.94 percent in 2014. Different projects of energy generation have been started which give the hope that Pakistan would soon overcome its energy crisis.
- The Service Sector has turned out to be the only dominating sector of Pakistan's economy, contributing 58.80 percent to GDP in 2014. The Service Sector grew slightly from 4.37 percent in 2013 to 4.95 percent in 2014.

Tax to GDP Ratio in limelight:

Fig 3: Tax Revenue (% of GDP)



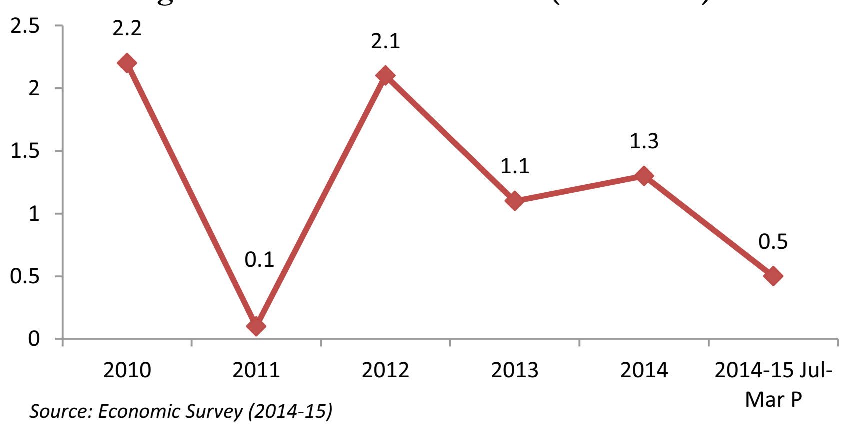
(Source: Economic Survey 2014-15)

- Pakistan is currently taking economic and financial assistance under the Extended Fund Facility (EFF) from IMF which depends on the performance of Pakistan's certain macroeconomic indicators. To broaden the tax net is one of these conditions. FBR is taking various measures to broaden its tax net but Tax-to-GDP ratio still ranges between 9.9 to 10.2 percent.

Stable Current Account Deficit:

- The Current Account Deficit portrays quite a positive and encouraging picture. Though Current Account Deficit grew by just 0.3 percent (from 1.1 percent of GDP in 2013 to 1.3 percent of GDP in 2014), it is still considered under-control (See Fig 4). The Current Account Deficit in 2014-2015 (Jul-Mar) is estimated at 0.5 percent of GDP.

Fig 4: Current Account Deficit (% of GDP)



Source: Economic Survey (2014-15)

- Current Account is one of the important indicators of a country's economic condition. Current Account is the sum of balance of trade (Exports minus Imports), net income from abroad and net current transfers to abroad. A positive current account represents sound economic condition of the country which signifies that the nation is a lender to the rest of the world. On the other hand, a negative current account indicates that the nation is a borrower and that the country is striving to make both ends meet.

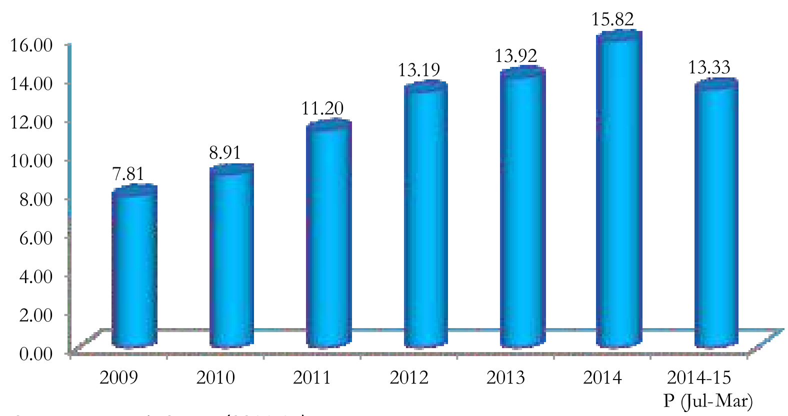
An Upsurge in Workers' Remittances:

- Pakistan was able to attract much more foreign remittances than before. Currently, remittances constitute 6.5 percent of Pakistan's GDP. The Workers'

Remittances increased greatly from US$ 8.91 billion in 2010 to US$ 15.82 billion in 2014.

- During 2014-15 (Jul-Mar), Workers' Remittances stood at US$ 13.33 billion which are expected to increase further at the end of current fiscal year (See Fig 5).
- Bahrain, Canada, Germany, Japan, Kuwait, Norway, Qatar, Saudi Arabia and Oman are the major sources of remittances.

Fig 5:Workers' Remittances (US$ Bln)



Source: Economic Survey (2014-15)

Ups and downs in Foreign Exchange Reserves:

- Pakistan's Total Liquid Foreign Exchange reserves faced sharp ups and downs over the time and decreased from US$ 16,750.4 million in 2009-10 to US$ 14,141.1 million in 2014. However, the provisional figures show a large rise in the reserves as total liquid foreign exchange reserves increased greatly to US$18,705.7 million in June 2015 (See Table 1).

Table 1: Liquid Foreign Exchange Reserves

(Million US$)

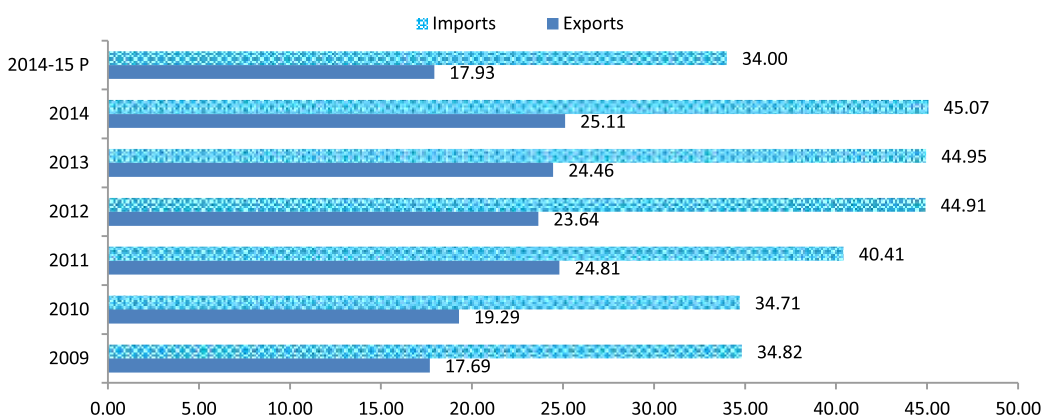
End Period	Net Reserves with SBP	Net Reserve with Banks	Total Liquid FX Reserves
2009-10	12,958.2	3,792.2	**16,750.4**
2010-11	14,783.6	3,460.2	**18,243.8**
2011-12	10,803.3	4,485.3	**15,288.6**
2012-13	6,008.4	5,011.2	**11,019.6**
2013-14	9,097.5	5,043.6	**14,141.1**
June-2015	**13,532.2**	**5,173.5**	**18,705.7**

Source: State Bank of Pakistan

Falling Exports and Rising Imports:

- Growth of exports remained subdued, registering growth rate of just 3.46 percent but the provisional figures of exports showed a darker picture as growth rate of exports decreased to -6 percent in 2014-15 which is very alarming.
- Exports increased from US$ 24.46 billion in 2013 to US$ 25.11 billion in 2014 while exports decreased again to US$ 17.93 billion as per the statistics provisional of 2014-15.
- Pakistani exporters could not fulfill the 27 conventions of GSP Plus status related to quality, productivity, labour, environment, etc. This has brought down Pakistan's exports to EU. Other reasons of lower exports include energy crisis, delay in issuing sales tax refunds, unstable oil prices and widespread floods and torrential rains.

Fig 6: Exports and Imports of Pakistan (US$ Bln)

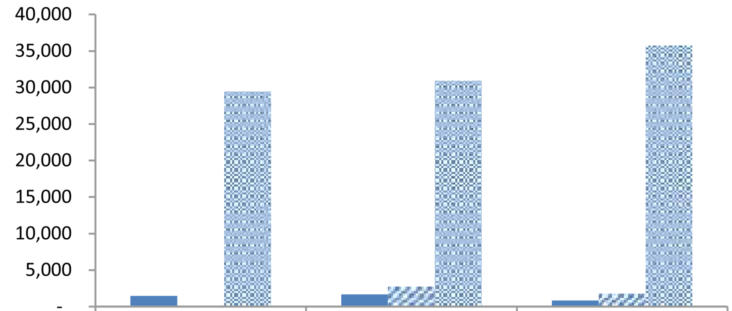


Source: Economic Survey (2014-15)

- On the other hand, imports have increased consistently from US$ 44.95 billion in 2013 to US$ 45.07 billion in 2014. According to the provisional figures of 2014-15, imports have reached US$ 34.0 billion.

Decline in Foreign Direct Investment (FDI):

Fig 7: Total Investment of Pakistan ($ Million)



	2012-13	2013-14	2014-15
FDI	1,456	1,698	825
Portfolio Investment	125	2,738	1,778
Domestic Investment	29,456	30,919	35,753

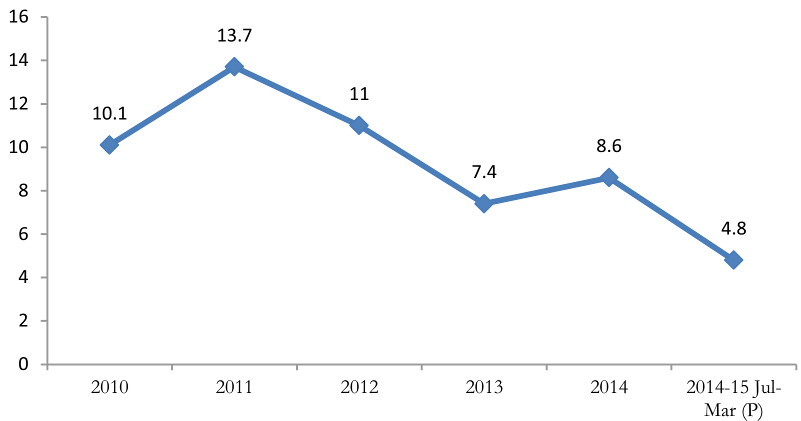
FDI   Portfolio Investment   Domestic Investment

(Source: Board of Investment, Pakistan) *FDI is from Jul-April . Domestic Investment is provinsional.*

- Foreign investment remained problematic for Pakistan. Not much investment could be attracted rather a sharp fall in the Foreign Direct Investment (FDI) was recorded. FDI decreased from US$ 1,698 million in 2013-14 to US$ 825 million in 2014-15.
- The sectors that received largest investments include Oil & Gas, Financial services, Textile, Trade, Construction, Power and Chemicals. No privatization program has been materialized.
- Portfolio investment increased from US$125 million in 2012-13 to US$ 2,738 million in 2013-14 before dropping down to US$1,778 million in 2014-15.
- Decrease in the FDI and Portfolio investment has been offset by the increase in Domestic Investment. Domestic investment increased from US$29.456 million in 2012-13 to US$35,753 million in 2014-15.

Inflation under Deflationary Risk:

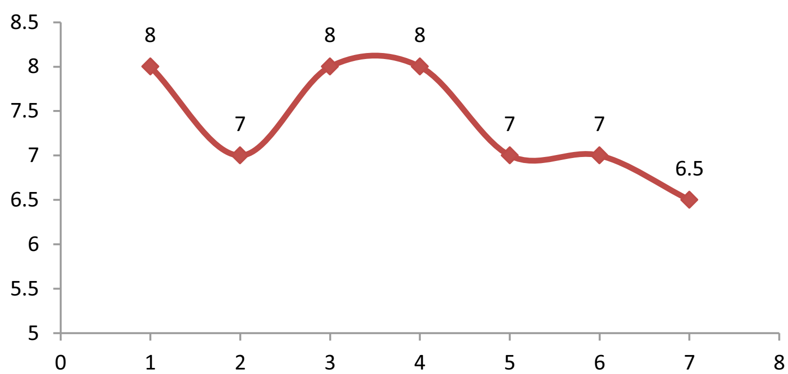
Fig 8: Inflation % (Consumer Price Index (CPI))



Source: Economic Survey (2014-15)

- Though CPI inflation increased from 7.4 percent in 2013 to 8.6 percent in 2014, but it decreased almost to its half during 2014-15 (July-March). The reduction is quite sharp and has created the fear of deflation in the circumstances where inflation had been in double digits since long. However, the good performance of macroeconomic indicators and stable current account deficit are said to be responsible for lower inflation.

Fig 9: Discount Rate (Percent per Annum)



(Source: State Bank of Pakistan)

- The State Bank of Pakistan has decided to keep the discount rate at 6.5 percent for July 2015 as well which is an indication that it is a good time to invest in Pakistan.

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Important Shifts in the World of Energy

Kamran Saeed

1) Surge in U.S. Oil Production

- The energy independence of USA has been increasing rapidly over time. In 2006, the United States imported more than half of the oil it consumed. The country is now able to meet around 90 percent of its energy consumption through its own production.
- The total production of petroleum in 2014 was 12.7 million barrels per day, around 1.6 million barrels per day higher than 2013 (table 1). This has broken the previous record of 1970. The breakup of petroleum production is shown in the following table.

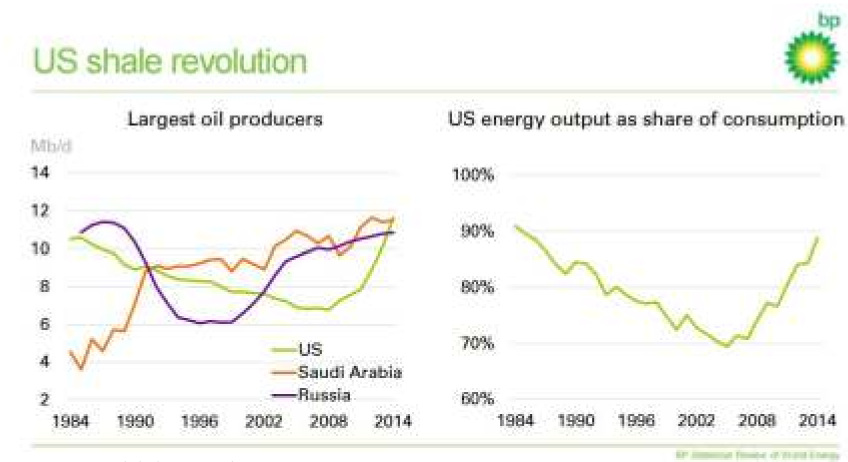
Table 1

US production of Petroleum and other Liquids (million barrels per day)

	2013	**2014**
Crude Oil	7.46	8.72
Natural Gas Plant Liquids	2.61	2.96
Fuel Ethanol	0.87	0.94
Biodiesel	0.089	0.081
Total	**11.01**	**12.7**

Source: US Energy Information Administration

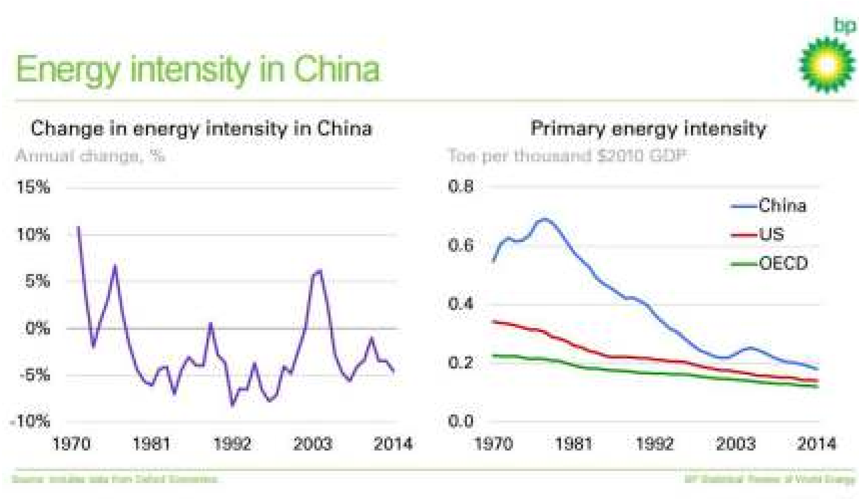
- The main reason for the increase in the oil production is the advancement in shale extraction technology (hydraulic fracturing and horizontal drilling). This boom in the shale oil technology has altered the entire landscape of the global oil markets.
- This scenario has made USA the largest producer of crude oil in the world, a position that was previously held by Saudi Arabia.
- The crude oil production of US is expected to escalate from 8.7 million barrels per day in 2014 to 9.5 million barrels per day in later half of 2015 and then drop slightly to 9.3 million barrels per day in 2016 .



Source: British Petroleum

2) Slump in China's Energy Demand

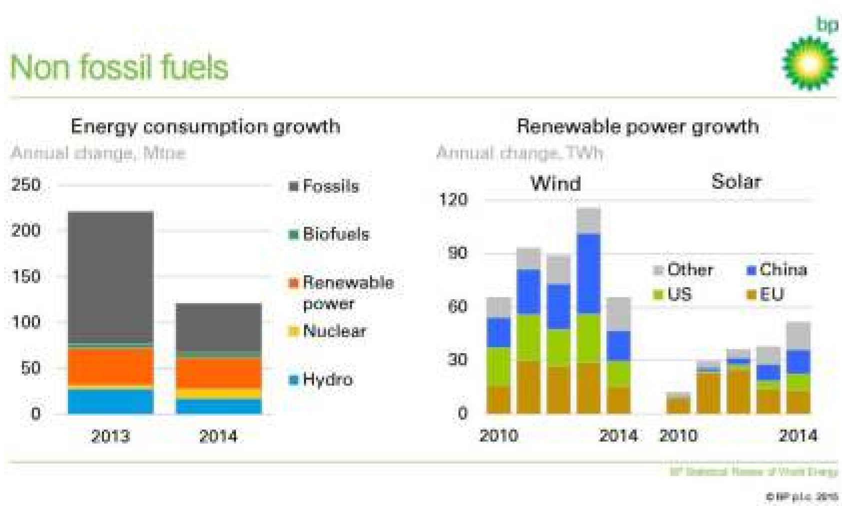
- There has been a remarkable decrease in the energy consumption growth of China in the recent times. The energy consumption growth in 2014 was just 2.6 percent. This is lowest since the Asian economic recession of 1998 and half of the recent average of China.
- The main reasons for this trend are the decrease in GDP growth rate of China and a shift away from the heavy industrialization (Steel and Cement factories).
- The energy intensity of China (the fuel it needs to consume to generate one dollar of GDP) in the recent times has got very close the levels of US and Europe.



Source: British Petroleum,
OECD: Organization of Economic Cooperation and Development

3) The Boom in Solar Energy

- Renewable energy, which was once an unknown commodity in the global energy mix, has now gained vital importance.
- Around 40 GW of solar power in the world was added in 2014, taking the total solar power in the world to around 180 GW. The cumulative capacity of solar power is 100 times of what it was in the year 2000. Around 55 GW of Solar Power is expected to be added in 2015 and this can figure is projected to increase to 135 GW in 2020.
- In 2014, the increase in global consumption of renewable energy was greater than that of oil, gas and coal combined.
- The installations of solar panels have reached record level as the price of solar panels is 75 percent less as compared to the year 2009.
- The combination of an increase in renewable energy and decrease in global energy demand has resulted in a decrease in expansion rate of global emissions.
- In 2014, the global emissions expanded by just 0.5 percent, lowest since the financial crisis.



Source: British Petroleum

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Is Central Asia a New Potential Market for Pakistan?

Kamran Saeed

Abstract: *: Although Central Asia is not amongst the major trading blocks of the world but due to abundant untapped Hydrocarbon resources, broadening of industrial base (as a result of economic liberalization after independence from Soviet rule) and development of various infrastructure projects for better linkage with other regions, Central Asia has the potential of becoming one of the major economic hubs of Asia. The economic surge in Central Asia is expected to open new opportunities for a variety of industries in the surrounding region, putting Pakistan in a perfect position to enhance its exports to Central Asia.*

1. Introduction: Central Asia at a Glance before Soviet Breakup

- Central Asia stretches from the Caspian Sea in the west to Central China in the east. The northern part of Central Asia borders southern Russia while the southern part borders Iran, Afghanistan and Northern Pakistan.
- The history of Central Asia is quite interesting and includes the Great Silk Road, the rule of Mongol Emperor Timur, nomadic inhabitant cultures, the great political competition in 19th century between British and Russia for control and current interests of major economic blocks in this region.
- About two decades ago, the Central Asian Republics i.e. Kazakhstan, Tajikistan, Kyrgyzstan, Uzbekistan and Turkmenistan were part of the former Soviet Union. They were under the rule of Russia for centuries and supplied raw materials to the major industries of Russia.
- During the Soviet Era, the economic policies/development strategies of these republics were made by Moscow. The important decisions like what to produce, quantity and location of production were taken by Moscow. These decisions were implemented at the republican level through the Ministries and other organs.
- Talking about the individual economies in the Soviet Era, the Uzbek economy thrived on cotton and produced around 70 percent of the raw cotton of Soviet Era.
- Kazakhstan had a more diversified economy. It had substantial grain exports and also possessed a variety of mineral and energy resources.
- Turkmenistan's economy was based on natural gas and experienced a boom in natural gas production during the last few years of Soviet Union. Turkmenistan also had sizeable cotton production and produced around 10% cotton of the former Soviet Union.
- As compared to other Central Asian Republics, Kyrgyzstan and Tajikistan are mountainous regions and had fewer natural resources that could be exploited. These republics however had good potential for Hydel power generation as the two main rivers of Central Asia i.e. Syr Darya and Amu Darya originate from the bordering areas of Kyrgyzstan and Tajikistan. These were the recipient republics in Central Asia.

2. Post–Soviet Era:

- The breakup of Soviet Union took place in 1991.The severe economic recession which hit Central Asia immediately after Soviet breakup (1991-1995) was directly interrelated to the atypical structure of division that was prevalent in Central Asia before Soviet breakup.
- The post-independence transition to market economies was very painful for the Central Asian economies and resulted in a decline in growth rate along with increase in poverty levels.
- The transition to market economies resulted in a drastic change in the industrial structure of Central Asian Republics. One such example is the reduction in manufacturing activities.
- During the period of transition, social indicators remained strong as the Central Asian Republics were successful in developing and maintaining good systems for health, education and pension. The high poverty level however remained a concern.
- The transition to market economies was completed by 2000 after which the growth rate of Central Asian Republics started to increase. In the period 2000-2013, the average growth rate of Central Asia was much higher than the global growth rate. Increased growth rate also resulted in a substantial decrease in poverty levels. Despite similarities in history and culture, the Central Asian Republics followed different models of economic development.
- Central Asia's impressive growth rate in the 21st century has been driven mainly by high international prices for energy (oil and gas) and metal resources. Due to high international prices for its indigenous resources, Central Asia has been able to draw considerable foreign direct investment (FDI) in the oil/gas extraction industries and transportation infrastructure. The exports of the resource rich countries like Kazakhstan, Turkmenistan and Uzbekistan soared up due to the international boom in energy prices.
- The boom in international energy prices also benefitted the lesser energy rich Central Asian republics like Tajikistan and Kyrgyzstan. These benefits came in the form of higher remittances of their migrants to energy rich neighboring countries (Kazakhstan and Russia).
- Another structural change in the economies of Central Asia after two decades of

economic transformation is the emergence of mining sector and non-tradable services. In all the five countries, mining and non-tradable services are now the main drivers of economic progress.

- The Agriculture sector in Central Asia, which once held an integral position in terms of growth and employment, has diminished in importance over the years. However, for the rural population of Central Asia, Agriculture is still an important source of livelihood.
- The performance of manufacturing sector has been quite diverse from country to country. In all economies of the region, the role of manufacturing sector has been secondary as compared to oil/gas, mining, and non-tradable services.
- The focus on exports of natural resources has resulted in liberalization of Central Asian economies and better linkage with global economy. This better linkage has come in the form of increased Foreign Direct Investment, trade in goods and services, remittances due to labor migration and official development assistance.
- The specialization in the exports of natural resources is not without its cost. Firstly, it has increased the dependence of Central Asia on few global markets that have the capacity to import the natural resources. Secondly, the increased focus on natural resources has resulted in a neglect of manufacturing and other tradable sectors. Increasing the economic diversification is now an integral part of the economic policies of Central Asian Countries.

3. Potential of Central Asian Republics

3.1 Uzbekistan:

- Uzbekistan occupies a central position in Central Asia as it has borders with all the Central Asian Republics and Afghanistan.
- Around 80 percent of the area of Uzbekistan comprises of desert while 11% is arable land.
- It is ranked fifth in the world in terms of cotton production and also ranks second (after USA) as far as the cotton exports are concerned. However it is a net importer of food.
- Among the Central Asian Republics, Uzbekistan inherited the relatively better rail and road infrastructure from the soviet period. It is the better infrastructure that has made Uzbekistan the regional economic hub in Central Asia despite the fact that the country is landlocked.
- Uzbekistan has a strong human capital base. With the largest population in Central Asia (around 30 million), the republic also possess a large domestic market.
- The prosperous industrial sectors in Uzbekistan include electricity, gas, petroleum oils, chemicals/fertilizers, gold mining, textile products, machinery, vehicles, food processing and metals (ferrous/non-ferrous).

3.2 Kazakhstan

- Kazakhstan has huge deposits of natural gas, oil, zinc, copper, zinc, iron, coal silver and gold. Utilization of this potential began in the last 60 to 70 years.
- In addition to fulfilling its domestic requirement of raw materials, Kazakhstan is also able to export a considerable quantity.
- Before the Soviet breakup, the republic was a major producer of wheat and also an important animal husbandry region. Grain was normally grown in the northern part of the country which had adequate rainfall.
- As compared to other Central Asian Republics, cotton holds less importance in Kazakhstan. Cotton is normally concentrated in the southern part of the country i.e. Chimkent.
- As the industrialization has taken place, the share of Agriculture in the GDP has dropped considerably over time. In 1996, the share of agriculture in the GDP was around 13 percent. In the recent times, the share of agriculture in GDP has dropped to around 5 percent while the share of industrial value added is touching 40 percent.
- The backbone of the industrial sector of Kazakhstan is the extraction of natural resources. The machine building sector also holds great importance and includes construction equipment, tractors, other agricultural machinery and defense related items.
- Owing to country's tremendous oil and gas reserves in the Caspian region, the energy sector presents great profitable opportunities for investors. According to experts, there are huge reserves of oil and gas in the Caspian region that are yet to be exploited.

3.3 Kyrgyzstan:

- Kyrgyzstan inherited an agricultural economy from Soviet Union. At the time of independence from Soviet Union, the contributions of Agriculture and Industry in the GDP of Kyrgyzstan were around 40 percent and 30 percent respectively. The main industries are power generation, metallurgy, agro-machinery, food, textiles and electronics.
- Agriculture still holds considerable importance in Kyrgyzstan in terms of contribution to GDP (17%) and employment. Within agriculture, the largest sub-sector is livestock, facilitated by the mountainous terrain of the region. The main crops grown in Kyrgyzstan are cotton, tobacco, hemp, fruits and vegetables.
- Kyrgyzstan has the potential of turning into a hub of Hydro power generation in the region for two reasons. Firstly, the country has mountainous terrain and many rivers to facilitate hydro power generation. Secondly, Kyrgyzstan has a border with the undeveloped Xinjiang province of China which can make it possible for Kyrgyzstan to sell the Hydro power to China.
- Although Kyrgyzstan has negligible oil and gas reserves, the country is quite rich in mineral resources like coal, uranium, gold, antimony and other metals. Due to lack of resources, the republic has been unable to exploit its mineral resources and is actively seeking foreign cooperation in this regard. This scenario presents a hybrid of opportunities for foreign investors in the mineral extraction industry.

3.4 Turkmenistan:

- Turkmenistan was one of the least developed countries of Soviet Union and was basically a raw material supplier. The country didn't have a significant industrial base but had rich deposits of oil, gas, potassium, sulfur, and salts.
- Agriculture sector had considerable importance in Turkmenistan before Soviet breakup as it employed 40 percent of the labour force. The sector mainly concentrated on the production of cotton. In the last few years before Soviet break-up, the focus diverted to gas as there was a rapid expansion in the production of natural gas.
- According to some estimates, Turkmenistan has 45.44 Billion tones (oil equivalent) hydrocarbon resources. The total gas production of Turkmenistan in 2012 was more than 69 billion cubic meters while oil production was 11 million tons.
- The Government has started a special program for the development of oil and gas. Through this program, the Government expects to increase the gas production to 250 billion tones by 2030 and oil production to 110 million tones.
- As compared to the era before Soviet breakup, the economy of Turkmenistan is much more diversified. The key sectors of the Turkmenistan economy are oil/gas production, electricity, chemicals industry, metal processing and mechanical engineering, building materials and food industry.
- Like other Central Asian Republics, there are tremendous opportunities in the

power sector of Turkmenistan. The Government has been seeking international cooperation for exploiting its huge hydrocarbon resources. The Government is especially keen on developing a multivariate transportation pipeline infrastructure for exporting its energy resources to international markets.

3.5 Tajikistan:

- Like other republics, Tajikistan was a cotton producer in the Soviet era and accounted for around 11 percent of cotton produced in Soviet Union. Around the time of independence, the main industrial products were electric engines, power transformers, aluminum, cable and agricultural equipment.
- Just like Kyrgyzstan, the republic of Tajikistan also has considerable water and mineral deposits. If it realizes its potential for hydro power generation, Tajikistan has the potential of becoming one of the largest exporters of Hydro power in the region. On the minerals side, Tajikistan has more than 30 important gold deposits.
- A high percentage of the population lives in rural areas. Tajikistan has an import based economy as it imports oil, gas, coal, cars, consumer goods, machinery and food items to fulfill its needs. Only a handful of agriculture and industrial items are exported.

4. Post-Soviet Economic Transition & Recent Economic Performance

4.1 GDP Growth:

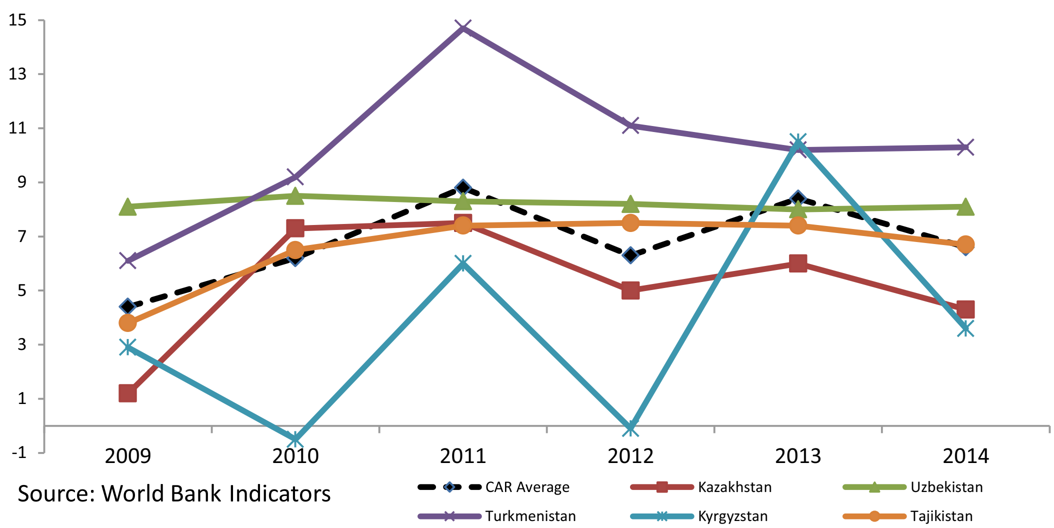
- Due to economic transition in the last two decades, several changes have taken place in the structure of economic development in Central Asia.
- After the break-up of Soviet Union, the economies of Central Asia went through a dismal period in terms of GDP growth. It was only in the late 1990s that the economic recovery started to take place.
- Onwards from the late 1990s, the GDP growth rate picked up remarkably. According to the World Bank Indicators, average growth rate of Tajikistan and Turkmenistan from 1997 to 2014 was above 7 percent. In the same period, the growth rate of Kazakhstan and Uzbekistan was above 6 percent.
- The average GDP growth rate of the Central Asian Republics in 2014 was 6.6 percent, well above the global growth rate of 3 percent (Table 1). This shows the Central Asia's resilience to global economic setbacks.
- When we look at the growth rates of individual countries of Central Asia, the picture becomes more positive. Turkmenistan has been showing double digit growth rate since the last 4 years, peaking at 14.7% in 2011. The growth rate in 2014 was 10.3% (Table 1 and Fig 1).
- Uzbekistan has been showing an impressive growth rate of above 8 percent since 2009, attaining the maximum of 8.5 percent in 2010 (Table 1).A great volatility can be observed in the growth rate of Kazakhstan since 2009. The Kazakh economy recovered remarkably from a growth rate of 1.2% in 2009 to a peak of 7.5 % in 2011. Since then, the growth has decreased steadily, reaching 4.3% in 2014.
- After recovering from the economic crisis in 2009 where its growth rate reached 3.8%, Tajikistan has shown good economic recovery and its growth rate has remained above an average of 7 percent ever since. Despite attaining a peak growth rate of 10.9 percent in 2013, the average growth rate of Kyrgyzstan has remained below 4% in the period 2009 to 2014 (Table 1 and Fig 1).

Table 1
GDP Growth: Central Asian Republics

Countries	2009	2010	2011	2012	2013	2014
Central Asian Republics Average	4.4	6.2	8.8	6.3	8.4	6.6
Kazakhstan	1.2	7.3	7.5	5.0	6.0	4.3
Uzbekistan	8.1	8.5	8.3	8.2	8.0	8.1
Turkmenistan	6.1	9.2	14.7	11.1	10.2	10.3
Kyrgyzstan	2.9	-0.5	6.0	-0.1	10.9	3.6
Tajikistan	3.8	6.5	7.4	7.5	7.4	6.7

Source: World Bank Indicators

Fig 1: GDP Growth of Central Asian Republics



Source: World Bank Indicators

4.2 Reasons for High Growth Trend:

- Central Asia can be divided mainly into oil/gas exporting countries (Kazakhstan, Turkmenistan, and Uzbekistan) and non-oil/gas exporting countries (Kyrgyzstan and Tajikistan).
- The main reasons for recent growth in the oil exporting countries have been the high international energy prices and extensive investment in the energy related infrastructure.
- Talking about the individual countries, the main drivers of growth in Kazakhstan have been the investments in oil/gas infrastructure and sound macro-economic

management. Economic diversification into various other sectors i.e. machinery, food processing, oil refinery and chemicals has also brought fruitful results.

- The pillars of economic growth in Turkmenistan have been the natural gas and the textile industry which received considerable foreign investment.
- The main sectors contributing in the growth of Uzbekistan's economy have been mining, manufacturing, and services.
- Kyrgyzstan's economy benefitted a lot from minerals (gold) and services (mainly tourism) in terms of GDP growth. Workers' remittances also played a part in fostering economic growth
- For Tajikistan, agriculture, remittances, and foreign aid have provided the basis for growth. Workers' remittances play a huge role in Central Asia: the Remittances to GDP ratios of the Kyrgyzstan and Tajikistan are the highest in the world.

4.3 Future Outlook

- One thing alarming about the growth of Central Asian Republics is that the growth lacks the element of economic diversification. The growth has been overly dependent on extraction of natural resources, agriculture and exports of low value added manufacturing items.
- The growth of services sector in the last ten years has been quite dependent on the workers' remittances from the other countries. This economic interdependence with the other countries has become concentrated.
- The Central Asian Republics are in high need of economic diversification in terms of products and export destinations. This is imperative as the natural resources of Central Asian Republics would eventually be exhausted.
- The slight decline in the average GDP growth rate has been observed in 2014, mainly due to economic recession in Russia and the lower commodity prices. This trend is expected to continue in 2015.
- In the oil exporting republics of Central Asia, the lower energy prices and economic recession in Russia has resulted in a decline in local oil production. This will have the effect of decreasing the growth rate of oil exporting republics of Central Asia in 2015 by around 2%.

- The other factors like drop in domestic demand due to fall in remittances and lower prices for non-oil export commodities (aluminum, gold, copper) will have an effect of reducing exports and pushing the growth rate down.

4.4 Inflation:

- It can be observed ahead in table 2 that in 2014, average inflation in the Central Asian Republics decreased by around 0.15% as compared to 2013. The main reasons for this slight decline in inflation are lower global food and commodity prices, weakening economic activity, and monetary tightening in some countries.

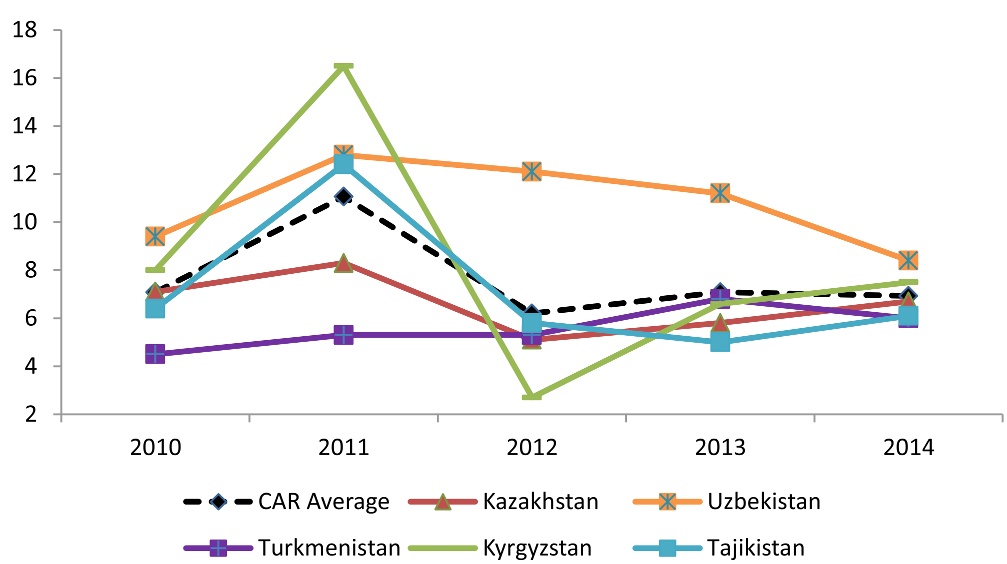
Table 2

Inflation Rate of CAR Countries

	2010	2011	2012	2013	2014
CAR Average	7.08	11.06	6.2	7.08	6.93
Kazakhstan	7.1	8.3	5.1	5.8	6.7
Uzbekistan	9.4	12.8	12.1	11.2	8.4
Turkmenistan	4.5	5.3	5.3	6.8	6.0
Kyrgyzstan	8.0	16.5	2.7	6.6	7.5
Tajikistan	6.4	12.4	5.8	5.0	6.1

Source: World Bank Indicators

Fig 2: Inflation Rate of CAR Countries



- Due to currency deprecition across the region, the inflation is expected to rise on average by 1 percent and close in on 8% in 2015. The main reasons for the currency depreciation are declining exports, remittances and depreciation of Russian ruble.
- In the case of Kyrgyztan and Tajikistan, the main reasons for currency depreciation have been the protection of foreign exchage reserves and supporting the value of remittances.
- Because of the credit growth, inflation is expected to reach double digits in the Kyrgyztan and Tajikistan.
- In other Central Asian Republics, the inflation will remain in control as lower wages and oil prices will offset the higher imports and food prices.

4.5 Foreign Direct Investment (FDI):

- The Central Asian Republics differ considerably in their approach towards Foreign Direct Investment (FDI). The favorable policies, particularly in the extraction of natural resources have attracted significant FDI in the last few years, making Central Asia one of the top investment destinations in the world.
- In terms of the volume of FDI, Kazakhstan and Kyrgyzstan have dominated the other Central Asian Republics. The FDI of Kazakhstan was above US$ 9 Billion in 2013 while the FDI of Kyrgyzstan was around US$ 8 Billion in the same year (Table 3).

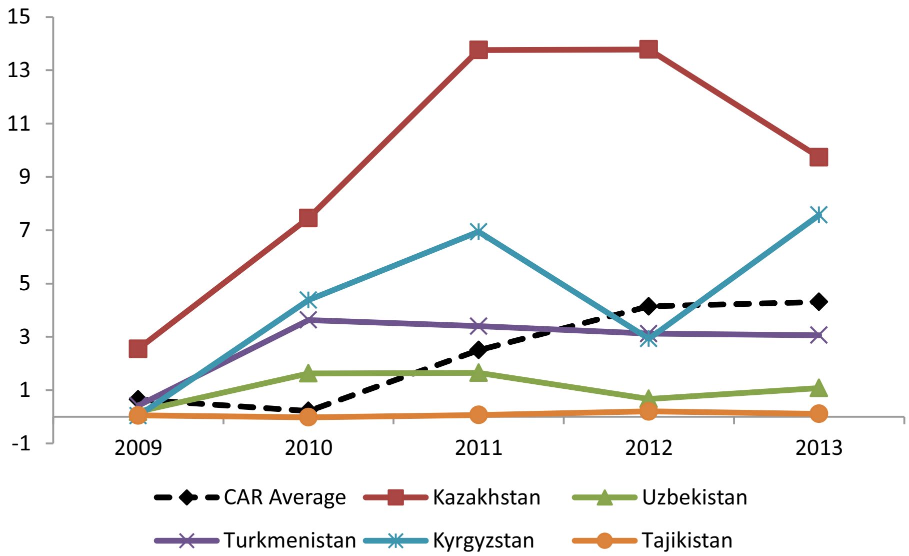
Table 3

For Direct Investment (Net Inflow) US$ Billions

Countries	2009	2010	2011	2012	2013
CAR Average	0.65	0.22	2.5	4.14	4.31
Kazakhstan	2.55	7.46	13.76	13.78	9.74
Uzbekistan	0.19	1.63	1.65	0.67	1.08
Turkmenistan	0.42	3.63	3.40	3.12	3.06
Kyrgyzstan	0.043	4.38	6.94	2.93	7.57
Tajikistan	0.054	-.02	0.07	0.2	0.11

Source: World Bank Indicators

Fig 3; For Direct Investment (Net Inflow) US$ Billions



- The Foreign Direct Investment also lacks diversification. Apart from natural resources, the only sectors that were able to attract FDI were the non-tradable sectors (e.g. retail and real estate). Agriculture was able to attract very little investment. Another downside is that despite significant investments in natural resources, the technology transfer has been very limited.

4.6 Current Account Balance:

- The Current Account Balance of the Central Asia Republics is shown ahead (Table 4 and Fig 4). It can be seen in figure 4 that on an average, the current account balance has worsened in recent years after attaining its peak in 2011.

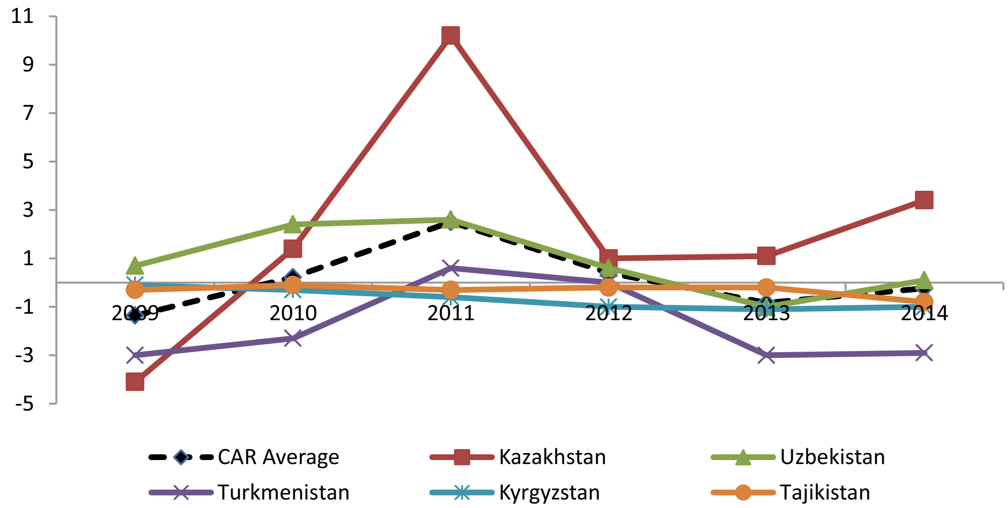
Table 4

Current Account Balance (US$ Billion)

Countries	2009	2010	2011	2012	2013	2014
CAR Average	-1.36	0.22	2.5	0.4	-0.84	-0.24
Kazakhstan	-4.1	1.4	10.2	1.0	1.1	3.4
Uzbekistan	0.7	2.4	2.6	0.6	-1.0	0.1
Turkmenistan	-3.0	-2.3	0.6	0.0	-3.0	-2.9
Kyrgyzstan	-0.1	-0.3	-0.6	-1.0	-1.1	-1.0
Tajikistan	-0.3	-0.1	-0.3	-0.2	-0.2	-0.8

Source: World Bank Indicators

Fig 4: Current Account Balance US$ Billion



- Kazakhstan and Uzbekistan are the only countries in Central Asia which showed positive current account balance in 2014 i.e. US$ 3.4 Billion and 0.1 Billion respectively. Turkmenistan showed the highest current account deficit of US$ 2.9 Billion.
- The current account balance is expected to deteriorate in 2015, mainly due to a fall in oil prices and remittances.
- The deterioration in the current account balance would be more pronounced in the oil exporting Central Asian Republics which would have to have to face oil revenue export losses and higher import bills.
- The current account deficit in the oil importing central Asian Republics is expected to deteriorate slightly in 2015. The gains from lower oil price and decreasing import growth would be offset by a large drop in remittances.

5. Current Overall Trade Scenario of Central Asia:

- Total trade of Central Asia with the world valued at US$ 172.32 Billion in 2014, showing a growth of just 2.27% since 2011. As compared to 2013, the overall trade with the world has shown a decrease of 5.25 % (Table 5 and Figure 5).

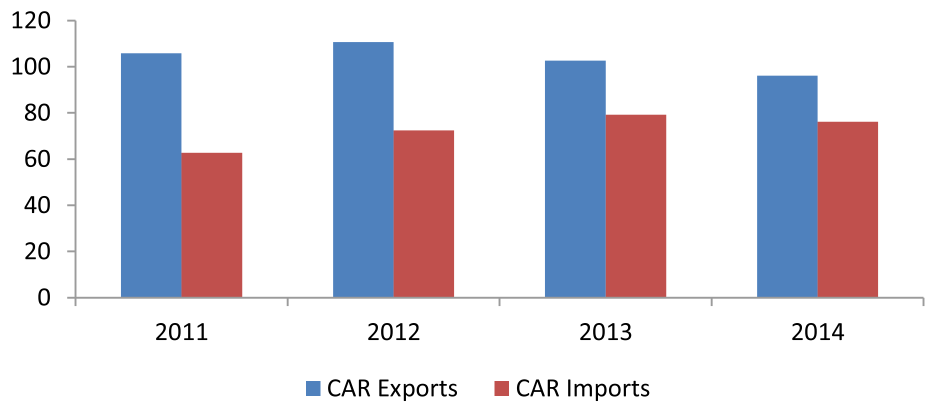
Table 5

Central Asian Republics Trade with the World (US$ Billion)

	2011	2012	2013	2014
CAR Exports	105.78	110.62	102.57	96.14
CAR Imports	62.7	72.38	79.25	76.18
Total Trade	168.48	183.0	181.82	172.33

ITC World Trade Map

Fig 5: CAR Exports and Imports (US$ Billion)



Source: ITC World Trade Map

- Central Asia's imports from the world increased from US$ 62.7 Billion in 2011 to US$ 79.25 Billion in 2013, before decreasing slightly to US$ 76.18 Billion in 2014. This recent decrease can be attributed to the decrease in import bill for the oil importing republics. Overall from 2011 to 2014, the imports of Central Asia have increased by 21.4% (Table 5).
- Exports of Central Asia have decreased in the last few years, mainly due to the decline in global oil price which has affected the export revenues of oil exporting republics. From US$ 105.78 Billion in 2011, the exports of Central Asia decreased to US$ 96.14 Billion in 2014, peaking along the way in 2012 at US$ 110.62 Billion.

Table 6

Country-Wise Exports of Central Asian Republics (US$ Billion)

Exporters	2010	2011	2012	2013	2014
World	15128.57	18194.04	18199.26	18609.81	18682.44
CAR Aggregation	69.36	105.78	110.62	102.57	96.14
Kazakhstan	57.24	88.11	92.28	82.51	78.24
Turkmenistan	2.67	7.45	10.65	11.42	11.68
Uzbekistan	6.72	7.03	4.97	6.06	4.94
Kyrgyzstan	1.49	1.98	1.68	1.77	0.70
Tajikistan	1.23	1.21	1.03	0.81	0.59

Source: ITC World Trade Map

5.1 Analysis of Country-wise Central Asia Imports:

- With the recent economic development in Central Asia, the demand of goods and services has increased. This is manifested well in the table ahead which shows the trend in imports of Central Asian Republics in the period 2011 to 2014. It can be seen that in 2014, the imports of Central Asian Republics stood at US$ 76.18 Billion, which was just 0.41% of the total imports of the world.
- The imports of Central Asian Republics increased by around 21% from 2011 to 2014 with Kyrgyzstan recording the biggest increase of 118% in percentage terms. During the same period, Kazakhstan recorded an increase of 8.4%, Uzbekistan 32.8%, Turkmenistan 19.9% and Tajikistan 15.9%.

Table 7

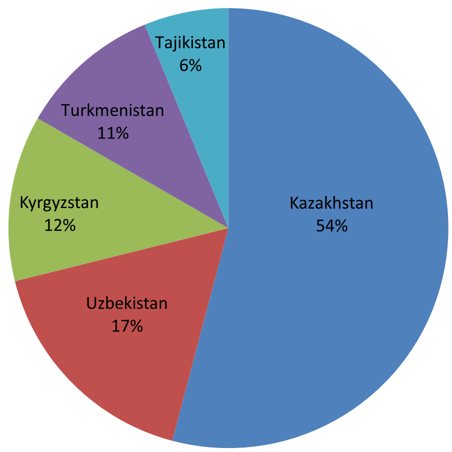
Country-Wise Imports of Central Asian Republics (US$ Billion)

Importers	2011	2012	2013	2014
World	18402.85	18396.44	18700.76	18790.83
CAR Aggregation	62.70	72.38	79.25	76.18
Kazakhstan	38.01	44.54	48.87	41.21
Uzbekistan	9.76	10.73	12.51	12.96
Kyrgyzstan	4.26	5.37	5.98	9.29
Turkmenistan	6.59	7.83	7.78	7.98
Tajikistan	4.08	3.91	4.11	4.73

Source: ITC World Trade Map

- Kazakhstan was the major contributor in the imports of Central Asia. The imports of Kazakhstan valued around US$ 41 Billion and accounted for 54% of the total imports of Central Asia in 2014. The contributions of the other countries in Central Asia's imports are i.e. Uzbekistan (17%), Kyrgyzstan (12%), Turkmenistan (11%) and Tajikistan (6%) (Figure 6).

Fig 6: Country-Wise % share in CAR Imports :2014



Source: ITC World Trade Map

5.2 Product-wise Central Asia's Imports from World

- It can be observed that Machinery items is the biggest product group in the Central Asian Imports and comprised around 15% of the total imports in 2014 (Table 8). Taps, cocks and valves were the predominant commodities in this group, comprising around 7% of the total imports of machinery items.
- Vehicle including cars, trucks, motor vehicle parts, tractors and motor cycles are the second biggest import group of the Central Asian market. This group comprised around 9.5% of the total imports of Central Asia in 2014.
- Electronics items are the third biggest import group of the Central Asian Market and comprised around 8.19% of the total imports in 2014. The main items imported in this group are the electronic appliances for telephone lines, insulated wire/cables and boards/ panels.
- Central Asia also has sizeable imports of Mineral Fuels. This product group comprised 6.2% of the total imports of Central Asia in 2014. The main product imported in this group is Petroleum Oils.

Table 8

Product-Wise Imports of Central Asian Republics (US$: Billion)

Code	Product label	2011	2012	2013	2014
TOTAL	All products	62.70	72.38	79.25	76.18
'84	Machinery, nuclear reactors, boilers, etc	9.06	10.94	11.38	11.38
'87	Vehicles other than railway, tramway	4.08	6.30	7.71	7.29
'85	Electrical, electronic equipment	5.50	5.62	6.12	6.24
'27	Mineral fuels, oils, distillation products, etc	6.91	7.28	8.08	4.72
'73	Articles of iron or steel	3.47	5.71	6.23	4.36
'72	Iron and steel	2.09	2.55	2.75	2.58
'61	Articles of apparel, accessories, knit or crochet	0.74	0.71	0.93	2.56
'39	Plastics and articles thereof	2.02	2.13	2.52	2.49
'30	Pharmaceutical products	1.68	2.13	2.53	2.43
'90	Optical, photo, technical, medical, etc apparatus	2.39	1.47	1.64	1.58
'44	Wood and articles of wood, wood charcoal	1.30	1.47	1.68	1.58
'64	Footwear, gaiters and the like, parts thereof	0.54	0.64	0.78	1.53
'62	Articles of apparel, accessories, not knit or crochet	0.44	0.65	0.74	1.32
'94	Furniture, lighting, signs, prefabricated buildings	1.18	1.17	1.25	1.29
'88	Aircraft, spacecraft, and parts thereof	1.15	0.86	1.25	1.25
'86	Railway, tramway locomotives, rolling stock, equipment	1.72	2.79	1.47	1.10
'40	Rubber and articles thereof	0.96	1.17	1.23	1.07
'48	Paper and paperboard, articles of pulp, paper and board	0.89	0.77	0.82	0.85
'38	Miscellaneous chemical products	0.66	0.78	0.82	0.80
'63	Other made textile articles, sets, worn clothing etc	0.27	0.32	0.33	0.74

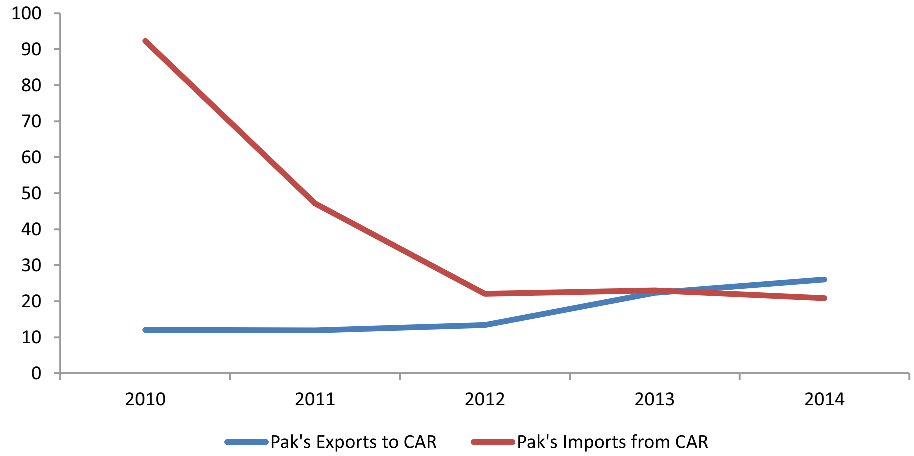
Source: ITC World Trade Map

5.3 Bilateral Trade between Pakistan and Central Asia:

- Pakistan's trade with Central Asia presents a gloomy picture. Total trade between Pakistan and Central Asia which was around US$ 104 million in 2010 has slumped down to around US$ 47 million in 2014 (Fig 7).
- The main reason for this trend is the overall decrease in imports of Pakistan from Central Asia i.e. from US$ 92 million in 2010 to US$ 20.8 million in 2014. The particular commodity that is responsible for this trend is cotton as its imports have nosedived from US$ 56 million in 2010 to US$ 13 million in 2014 (Fig 7).

- Pakistan's exports to Central Asia on the other hand have increased by more than 100 percent from around US$ 12 million in 2010 to US$ 26 million in 2014. The main products whose exports have increased are cereals, dairy and sugar products (Fig 7).

Fig 7: Pakistan's Trade with Central Asian Republics (US$ million)



Source: ITC World Trade Map

5.4 Central Asia's Imports from Pakistan: Detailed Product–wise Analysis:

- The table ahead presents a complete picture of Central Asia's imports from Pakistan. Central Asia's imports from Pakistan in 2014 stood at US$ 50.15 million, which was just 0.06% of the total imports of Central Asia (Table 9).
- Almost 25 percent of the Central Asia's imports from Pakistan are of citrus fruit.
- Around 20 percent of the Central Asia's imports from Pakistan are of pharmaceutical products. It is however worth mentioning that Central Asia's pharmaceutical imports from Pakistan are just 0.41% of its total pharmaceutical imports (Table 9).
- Around 10 percent of the Central Asia's imports from Pakistan are cereals, comprising almost completely of rice.
- Sugar products comprised around 9.5 percent of the total imports of Central Asia from Pakistan in 2014. Sugar imports were dominated by cane/beet sugar, chemically pure sucrose and sugar confectionary products (Table 9).
- Central Asia also imports edible vegetables from Pakistan, dominated mostly by

potatoes. The import of vegetables in 2014 was around 6.4 percent of the total imports of Central Asia from Pakistan (Table 9).

Table 9

Trade Between Central Asian Republics and Pakistan (US$ Million)

Code	Product label	CAR Imports from Pakistan			Pakistan's Exports to World			CAR Imports from World		
		2012	2013	2014	2012	2013	2014	2012	2013	2014
Total	All products	31.89	59.10	50.15	24613.70	25120.88	24722.00	72381.26	79248.75	76181.30
'08	Edible fruit, nuts, peel of citrus fruit, melons	9.42	16.97	12.53	347.80	434.23	424.83	524.18	642.42	663.02
'30	Pharmaceutical products	12.70	12.70	10.13	167.81	169.47	198.60	2130.11	2532.97	2426.07
'10	Cereals	0.16	0.23	5.31	2060.80	2181.05	2211.30	459.84	455.63	536.26
'17	Sugars and sugar confectionery	1.17	7.44	4.77	253.54	633.57	439.34	606.52	597.38	479.07
'07	Edible vegetables and certain roots and tubers	1.16	9.06	3.21	188.44	248.67	170.20	194.34	287.33	292.71
'62	Articles of apparel, accessories, not knit or crochet	1.57	1.86	2.81	1694.39	1854.93	1984.70	647.32	736.53	1322.86
'63	Other made textile articles, sets, worn clothing etc	0.34	1.21	1.68	3285.35	3685.49	3906.50	316.96	326.50	741.41
'04	Dairy products, eggs, honey, edible animal product nes	0.13	1.06	1.60	92.54	108.45	93.33	474.21	517.33	537.85
'61	Articles of apparel, accessories, knit or crochet	0.62	0.86	1.27	2006.29	2105.32	2402.60	707.61	934.50	2560.31
'36	Explosives, pyrotechnics, matches, pyrophorics, etc	1.19	1.83	1.24	27.14	25.47	18.50	81.15	97.52	80.19
'25	Salt, sulphur, earth, stone, plaster, lime and cement	0.00	0.81	0.96	714.07	722.82	694.24	350.23	395.12	305.45
'90	Optical, photo, technical, medical, etc apparatus	0.45	1.01	0.91	319.11	348.08	364.57	1470.35	1642.78	1584.30
'12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	0.03	0.02	0.70	79.85	115.39	115.29	119.63	120.26	123.01
'42	Articles of leather, animal gut, harness, travel goods	0.42	0.42	0.48	673.82	743.54	742.03	118.10	173.15	260.57
'95	Toys, games, sports requisites	0.28	0.40	0.44	218.95	221.10	264.17	201.68	195.01	236.77
'52	Cotton	0.18	0.30	0.26	5225.69	5333.78	4731.40	89.77	56.54	487.28
'39	Plastics and articles thereof	0.01	0.08	0.18	520.99	449.79	361.43	2127.99	2516.70	2489.57
'94	Furniture, lighting, signs, prefabricated buildings	0.05	0.09	0.17	93.49	101.57	97.32	1165.05	1248.36	1288.26
'53	Vegetable textile fibres nes, paper yarn, woven fabric	0.00	0.48	0.17	5.63	2.14	1.28	12.86	13.31	8.43
'64	Footwear, gaiters and the like, parts thereof	0.47	0.57	0.15	102.20	109.23	132.22	644.60	783.21	1526.81

Source: ITC World Trade Map

6. Potential Markets in Central Asia for Pakistani Exporters:

- It can be observed from the previous analysis that there is not much correlation between the Central Asia's imports from the world and the Central Asia's imports from Pakistan.
- The top Central Asia's imports from the world consist of high value added products like Machinery, Vehicles, Electronics, Minerals and Iron/Steel. Compared to that, the top Central Asia's imports from Pakistan consist of primary and low value-added items like citrus fruits, rice, potatoes and sugar products etc. To enhance Pakistan's export potential in the Central Asian markets, Pakistan will have to move towards the higher value added products.

6.1. Potential for Pharmaceutical Products:

- Pharmaceutical products of Pakistan have not been able to exploit the increasing demand in Central Asian markets. There is a considerable potential for Pakistan to enhance its exports of pharmaceutical products to Central Asia. In 2014, Central Asia's pharmaceutical imports from Pakistan stood at around US$ 10.3 million, mere 0.41% of its total pharmaceutical imports of US$ 2.4 Billion.
- The Central Asian Republics where there is considerable demand for pharmaceutical products are Kazakhstan and Uzbekistan. Kazakhstan accounts for more than 50 percent pharmaceutical imports of Central Asia.
- The following Pharmaceutical products (HS Code 30), have considerable demand in Central Asia :
  - Medicament mixtures (not 3002, 3005, 3006), put in dosage
  - Human & animal blood; antisera, vaccines, toxins, micro-organism cultu
  - Medicament mixtures (not 3002, 3005, 3006) not in dosage
  - Pharmaceutical goods, specified sterile products sutures, laminaria
  - Dressings packaged for medical use
  - Glands & extracts, secretions for organotherapeutic uses; heparin & it

6.2 Potential for Textile Products:

- Textile sector accounts for more than 50 percent of the exports of Pakistan (around US$ 13 billion) and yet the total textile exports of Pakistan to Central Asia are less than US$ 10 million.

- There is considerable potential for Pakistan to increase its textile exports to Central Asian Republics, particularly to Kyrgyzstan and Tajikistan where is high demand of textile products.
- The textile products which have considerable demand in Central Asian Republics are
  - Men's/Women's suits, jackets, dresses skirts etc & shorts
  - Men's/Women's overcoats, capes, wind jackets
  - Shawls, scarves, mufflers, mantillas
  - Jerseys, pullovers, cardigans, etc, knitted or crocheted
  - T-shirts, singlets and other vests, knitted or crocheted
  - Men's shirts, knitted or crocheted
  - Gloves, mittens and mitts, knitted or crocheted
  - Bed, table, toilet and kitchen linens
  - Blankets and travelling rugs
  - Sacks and bags of a kind used for the packing of goods

6.3 Potential for Leather Exports

- Pakistani Leather products are famous around the world for their superior quality. The national leather exports of Pakistan are hovering around US$ 1 Billion for many years.
- The leather exports of Pakistan to Central Asian Republics in 2014 were only US$ 0.48 million, 0.18% of the total Central Asia's leather imports of US$ 260 million.
- The import of Leather in Central Asia is dominated by Trunks, suit-cases, camera cases and handbags. There is hence a considerable potential for Pakistan to increase its leather exports to Central Asia in these areas.
- Kazakhstan and Kyrgyzstan are the main importers of leather products in Central Asia. These two countries account for more than 80% of the total leather imports

of Central Asia.

6.4. Potential for Machinery Exporters:

- Central Asian Republics have considerable imports of machinery items. Imports of Machinery Group in 2014 comprised around 15% of the total imports of Central Asia and was the largest import group.
- Major importers of Machinery in Central Asia are Kazakhstan, Uzbekistan and Turkmenistan.
- The machinery products which have significant demand in Central Asia are:
  - Tap, cock, valve for pipe, tank for the like, including pressure reducing valve
  - Machinery for sorting/screening/washing; agglomeratg /shaping mineral products
  - Self-propelled bulldozer, angledozer, grader, excavator, etc
  - Automatic data processing machines; optical reader, etc
  - Pumps for liquids; liquid elevators
  - Machinery, plant/lab, involving a change of temp ex heating ,cooking, etc
  - Air, vacuum pumps; hoods incorp a fan
  - Centrifuges, including centrifugal dryers; filtering/purifying machinery
  - Refrigerator, freezer, etc
  - Machines & mechanical appliances having individual functions

6.5 Potential for Electronics Equipment

- Electronics is one of the major imports of Central Asian Market. The imports of electronics in Central Asia in 2014 stood at US$ 6.24 Billion, 8.19% of the total imports of Central Asia. On the other hand, the imports of electronic equipment from Pakistan are almost negligible.
- The main importers of electronic equipment in Central Asia are Kazakhstan, Uzbekistan and Turkmenistan.
- The electronic products which have significant demand in Central Asia are
  - Electric app for line telephony, including current line system

- o Insulated wire/cable
- o Board & panels, equipped with two/more switches, fuses
- o Electric transformer, static converter (for example rectifiers)
- o Television receivers (including video monitors & video projectors)
- o Electric instantaneous water heater, space heating; hair dryer
- o Electric generating sets and rotary converters
- o Electric motors and generators (excluding generating sets)
- o Electrical app for switching (exfu se, switches,etc) not exceeding 1000 volt

6.6. Potential for Plastic Industry

- Plastic (HS Code 39) is one of the major imports of Central Asia. The total imports of plastic products were US$ 2.49 billion in 2014. The inability of Pakistani plastic products to tap this huge market can be judged from the fact that Central Asia's imports of plastic from Pakistan in 2014 were only US$ 18 million, mere 0.7% of the total imports of plastic by Central Asia.
- It is worth mentioning that Pakistan's total exports of plastic products in 2014 were US$ 361 million. Considering the plastic imports of Central Asia from the world, Pakistan can considerably increase its plastic exports to Central Asia.
- Kazakhstan is the major importer of plastic products in Central Asia and accounts for more than 50 percent of its plastic imports.
- The plastic products which have considerable demand in Central Asia are.
  - o Tubes, pipes & hoses & fittings therefor of plastics
  - o Polymers of ethylene, in primary forms
  - o Polyacetal,o polyether,epoxide resin, polycarbonate, etc, in primary form
  - o Plastic packing goods or closures stoppers, lids, caps, closures, plas
  - o Article of plastic nes.
  - o Other plates, sheets, film, foil, tape, strip of plastics etc.
  - o Polymers of vinyl chloride/other halogenated olefins, in primary forms
  - o Polymers of propylene or of other olefins, in primary forms

- o Builders' ware of plastics, nes

6.7. Potential for Auto Industry:

- There is a great scope for increasing the export of vehicles to Central Asia as they are the second biggest import product group of this region after machinery. The imports of vehicles contributed around 9.5% to the total imports of Central Asia in 2014.
- The commodities under Vehicle group which have potential for Pakistani exporters are:
  - o Cars (incl. station wagon)
  - o Parts & access of motor vehicles
  - o Trucks, motor vehicles for the transport of goods
  - o Tractors (other than tractors of heading no 87.09
  - o Special purpose motor vehicles (fire fight vehicle ,crane lorry)
  - o Bodies for motor vehicles
  - o Motorcycles, side-cars
  - o Public-transport type passenger motor vehicles
  - o Trailers & semi-trailers; other vehicles not mechanically propelled
  - o Parts and accessories of motorcycles & cycles
  - o Bicycles & other cycles, not motorized
  - o Chassi fitted with engine for motor vehicles
  - o Tanks and other armored fighting vehicles, motorised, and parts
  - o Work truck, self-propelled, for factorie/airport & parts
  - o Baby carriages and parts thereof
  - o Invalid carriages (wheelchairs), w/n motorised

6.8. Potential for Agriculture items:

- The Central Asia's imports of Agriculture products (HS Code 10) from Pakistan in 2014 were US$ 5.31 million, only 1% percent of Central Asia's total imports of cereals (US$ 536.26 million).

- Top importers of Agriculture products in Central Asia are Tajikistan, Uzbekistan and Kyrgyzstan.
- The following agriculture products have the potential to be exported to Central Asia:
  - Wheat and meslin
  - Rice
  - Barley
  - Maize(Corn)
  - Grain sorghum
  - Buckwheat, millet and canary seed
  - Oats
  - Rye

6.9. Potential for Iron & Steel

- Central Asia is importing two types of commodities under this head; Iron and Steel (HS Code: 72) and Articles of Iron and Steel (HS Code: 73). Imports of Iron and Steel stood at US$ 2.58 billion while the imports of Articles of Iron and Steel were valued at US$ 4.63 billion in 2014.
- Pakistan's exports of Iron and Steel to Central Asia are virtually non-existent.
- The Iron and Steel articles (HS Code 73) which have considerable demand in Central Asia are.
  - Structures (rods, angle, plates) of iron & steel nes
  - Articles of iron or steel nes
  - Tubes, pipes and hollow profiles of iron or steel, nes
  - Tubes, pipes and hollow profiles, seamless, or iron or steel
  - Tube or pipe fittings, of iron or steel
  - Iron & steel screws, bolts, nuts, coach-screws, etc

- Tubes & pipe nes, ext diam >406.4mm,of iron &steel
- Iron & steel tables & household articles
- Iron & steel stoves, ranges, barbecues & sim non-elec dom app
- Iron &steel tank, cask, drum can, boxes (cap<=300l)
- Rrail, crossing piece, iron/steel
- Iron & steel strandd wire, ropes ,cables, etc, not electrically insulated
- Iron & steel reservoirs, tanks, vats (cap >300l)
- Containers for compressed or liquefied gas, of iron or steel
- Cloth, grill, netting & fencing, of iron & steel wire

- Major importing countries of these products in Central Asia are Kazakhstan, Turkmenistan and Uzbekistan.
- Commodities under the import group Iron and Steel (HS Code 72) which have considerable demand in Central Asia are.

- Bars & rods of iron/non-al/s, nfw than forged, hr, hd,/hot-extruded
- Flat-rolled products of iron/non-al/s wdth>/=600mm,hr,not clad
- Flat-rolled prod of iron or non-al/s wd>/=600mm,clad, plated or coated
- Semi-finished products of iron or nonalloy steel
- Bars & rods, hr, in irreg wound coils, of iron or non-alloy steel
- Ferrous waste and scrap; remelting scrap ingots or iron or steel
- Angles, shapes and sections of iron or non-alloy steel
- Flat-rolled prod of iron/non-alloy steel wd>/=600mm,cr,not clad
- Bars & rods, other alloy steel; hollow drill bars, etc
- Flat-rolled products of other alloy steel, of a width of 600mm or more
- Wire of iron or non-alloy steel
- Ferro-alloys
- Flat-rolled products of stainless steel, of a width of 600mm or more

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Debt Crisis in Greece

Sidra Khan

Abstract: *TThis study discusses the recent Debt Crisis of Greece. It attempts to find out the reasons behind the Greek debt crisis. It also throws light on the new bailout plan offered by the donor agencies and the requirements that Greek government will need to fulfill to earn the complete assistance of the program.*

Greece: A country of rich history and dynamic culture:

Greece is a home to 11.3 million dynamic people. For tourists, it is a heaven of thousands of islands, mountains, forests and lakes that make up the mainland of the country. The Acropolis, the Parthenon, the Agora, the Epidaurus, the Sparta and the Temple of Poseidon are the few sites that provide a glimpse of ancient and vibrant Greek history. Approximately 16 million tourists (more than its population) visit Greece every year, making tourism a dominant sector that contributes about 16 percent to the GDP.

Greece is bestowed with numerous natural resources like lignite, petroleum, iron ore, bauxite, lead, zinc, nickel, magnesite, marble, salt and hydropower potential. Greece is known for its quality olive-oil productions after Spain and Italy. Major agriculture products of Greece include wheat, corn, barley, sugar beets, tomatoes, wine, tobacco, potatoes; beef and dairy products. Other dominant industries are food and tobacco processing, textiles, chemicals, metal products; mining and petroleum.

Despite all this potential and manpower capabilities, Greece is going through hard times. The long queues in fronts of Greek banks for just few euros are not less than a nightmare for Greeks. With the unemployment rate of about 25.6 percent in 2015, people have gone into further distress and anguish. The business activity has been at halt. What has happened and what is going to happen will be discussed in this study.

1: Background of the Greece Debt Crisis:

- The 20 year period from 1989-2009 is characterized by two major fiscal crises in

Ms. Faiza Gillani assisted in this article.

Greece; the Crisis of 1989-93 and the ongoing crisis from 2009. In both crises, the current account deficit exceeded more than 15 percent of Greece's GDP while inflation remained in two digits.

- Greece entered the Eurozone with structural weaknesses i.e., high debt-to-GDP ratio and absence of independent reporting of fiscal outcomes.
- The period from 2000-2004 was the period when Greece's economic performance was satisfactory in few macroeconomic indicators. During that time, GDP growth touched 4.5 percent, inflation remained under-control at 3.3 percent and higher consumption fuelled the investment growth to 6.9 percent.
- Seeing these positive signs, Greek government loosened its both fiscal and monetary policies during the period 1999 to 2006. Interest rates were decreased sharply. Credit restrictions were removed and reserve requirements were reduced from 12 percent to 2 percent.
- At fiscal front, many of the taxes were reduced or abolished. This turned the surplus of the government into deficit. One persistently rising factor was government's wage bill which increased greatly. Revenue remained falling and expenditures remained pilling up. The fiscal deterioration started showing up in 2003. Despite the gradually waning situation, the debt-to-GDP ratio was somehow stable. Modest GDP growth, low interest rates and revenue from privatization supplanted the GDP further.
- After the Elections of March 2004, the Economic and Financial Affairs Council (ECOFIN) of EU examined the statistics of macroeconomic indicators submitted by the Greek Government. The figures of current account deficit were revised from 2.95 percent of GDP to 3.2 percent of GDP. It was later declared that Greece was in excessive deficit as Greece's deficit was more than 3 percent, against the rules of Excessive Deficit Procedure (EDP) set by EU. Greece was asked to control the fiscal deficit by the end of 2005 and submit a package to reform the economy by November 5th.
- The current account deficit reached to a level of 6.8 percent during 2000-04 which increased to 11.9 percent during 2005-09 (See Table 1).

Table 1: Selected Macroeconomic Indicators

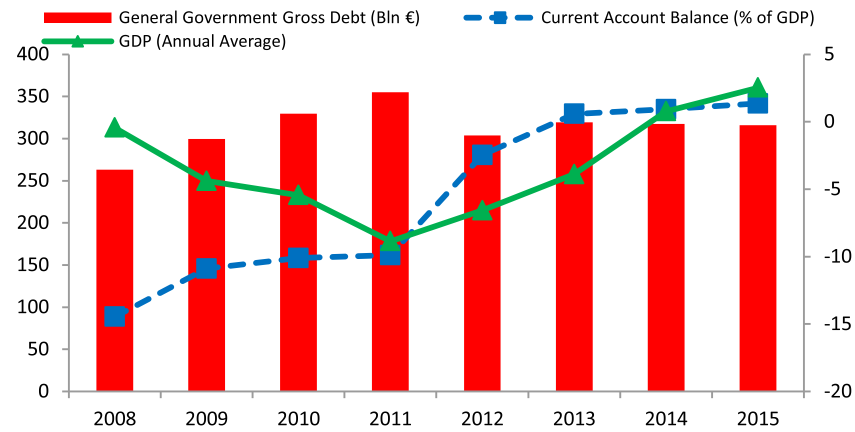
(Annual Average Rate)

	2000-04	2000-04 (Revised)	2005-09	2005-09 (Revised)
Real GDP growth	4.5	-	2.0	-
Fixed investment growth	6.9	-	-1.9	-
Inflation (CPI)	3.3	-	3.0	-
General Government deficit (% of GDP)	-5.2	-5.7	-8.3	-9.1
Primary Deficit (-) or Surplus (+) (% of GDP)	0.6	0.7	-2.9	-3.2
Total general government expenditure (% of GDP)	45.5	49.9	47.5	52.1
Total general government revenue (% of GDP)	40.3	44.2	39.1	42.7
General Government debt (% of GDP)	101.0	110.7	109.7	120.2
Current Account deficit (% of GDP)	-6.8	-	-11.9	-

Source: The Bank of Greece

- The year 2009 brought more difficulties for Greek economy as it was revealed that Greek government misreported the major macroeconomic statistics. This created chaos in the country and distrust among its lenders who were already suspicious about the ability of Greece in meeting its debt obligations.
- When risk involved in any investment increases, the investors demand significant compensation in form of higher return to avoid the chance of a decline in their principal investment. The shaking confidence of lenders increased the cost of risk insurance on credit in Greece which consequently widened the bond yield spreads.
- Greece has received two assistance programs so far; First Economic Adjustment Program for (May2010-Jun 2011) and Second Economic Adjustment Program (Jul 2011-Present). Greece was somehow successful in fulfilling the bailout conditions of First Program but the on-going second program has been a failure. As committed, Greece could not maintain its current account deficit at 3 percent of GDP and was unable to payback its loans on deadlines.
- Greece's general Government gross debt reached to an alarming level of €355.2 billion in 2011. GDP plunged to -8.9 percent while current account deficit rose to 9.9 percent of GDP in 2011 (See Fig 1).
- In 2012, Greece turned out to be the first developed country which had the largest sovereign debt default. Greece failed to make loan repayment of €1.6 billion of IMF on June 30, 2015.

Fig 1: Major Macroeconomic Indicators of Greece



Source: The World Bank

2: What factors have caused Greek Debt Crisis?

- **Misreporting of statistics by the Greek Government:** The dominating factor of Greek debt crisis of 2009 was the misreporting of Greek government. Each member of the EU has to submit a report of its macroeconomic indicators to the Economic and Financial Affairs Council (ECOFIN). The ECOFIN then examines these statistics. The Greek government misreported its statistics to the ECOFIN. When the council examined the statistics provided by the Greek government, almost all the major statistics were revised many times lower. The Greek Government lost its credibility and was unreliable in all of the policies, decisions, forecasts and promises it had been proposing.

- **Lack in Fiscal Consolidation:** There were massive imbalances peaking up in fiscal consolidation. Policy of fiscal consolidation normally focuses on reducing government deficits and debt accumulation. The Greek Government issued such policies which happened to reduce its budget surplus and made the Government unable to meet its expenses. The current account deficit reached to a historical level of 14.5 percent of GDP in 2008 (See Table 1 and Fig 1).

- **Expansion in Social benefit schemes:** Many social benefit schemes were introduced without keeping a check on tax revenues which were depleting gradually. Pensioner's Solidarity Allowance was one of those schemes which later proved to be a burden over Greece's accounts.

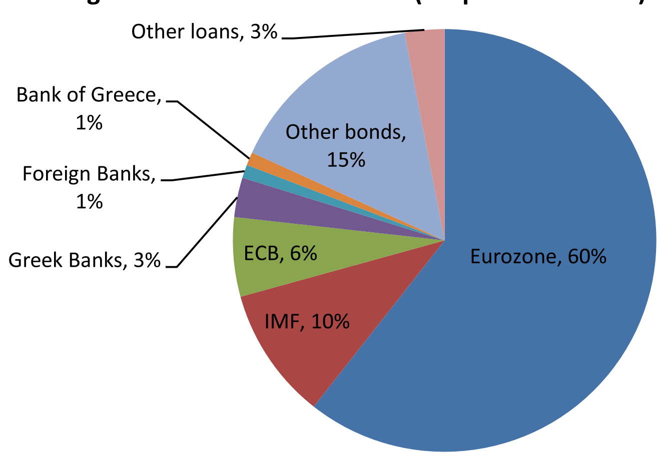
- **Greece's Accumulation of Debt:** To meet its expenses, Greece had been borrowing excessively. The government's gross external debt touched €355.2 billion in 2011, a highest level in the country's the history (See Fig 2). The Bank of Greece was out of money to pay back its loans. Due to mistrust created by the misreporting of Greek government, there was anxiety in the creditors of Greece who started demanding their money back.

Fig 2: Greece's Debt Accumulation (Bln €)

Source: The World Bank Statistics

Eurozone is the largest creditor of Greece with 60 percent share in total debt of Greece, in which Germany stood at top with around €56bn. Moreover, Greece owes around €42bn to France, €37bn to Italy, and €25bn to Spain. IMF and European Central Bank hold 10 and 6 percent of Greece's total debt respectively (See Fig 3).

Fig 3: Who does Greece owe? (Proportion of debt)



Source: European Central Bank

- **Rise in Government's wage bill:** The central Government's expenditures were rising enormously. The most significant expense was the government wage bill which increased by 87 percent in from 2009 to 2013 while country's output increased by just 40 percent (in nominal terms) and tax revenue by 31 percent in the same period. The tax collection system also proved ineffective as tax revenues could not be increased, rather high tax evasion was observed.
- **Plunging GDP growth rates:** Consequently, all the above mentioned factors pushed the gross domestic growth of Greece to its lowest level in history. In 2011, the GDP growth dropped down to -8.9 percent (See Fig 1).

4. Deadlock and Agreement between Greece and its creditors:

- The Greek government failed to meet deadlines of its repayment of loans. When it was disclosed later that Greece had been misreporting its statistics, all loans to rescue Greece's drowning economy were ceased suddenly. Greece's banks were left with insufficient money to entertain their customers. The chances were bright that Greece might have to issue its national currency to fund its banks if the creditors would not provide funds. Issuing national currency means leaving the Eurozone. Greece came at the verge of bankruptcy.
- More funds were badly needed to save Greece from bankruptcy and keep it into Eurozone. Greece therefore requested European Central Bank, Eurozone member countries and IMF for more funds. The donors refused to provide further money until and unless Greece implements fiscal consolidation in its true spirit.
- The deadlock emerged when the donors offered loans with the tight conditions and the Greece government remained refusing these conditions. A Referendum also took place on 5th July 2015 in this regard. The results showed that 61 percent of Greek population rejected bailout conditions offered by the donors.
- On July 13, 2015, Greece and its donors finally reached to an agreement. A third bailout program was approved to save Greece from bankruptcy. This final program came with some strict conditions. The government has already started taking approval from the Greek parliament to implement the conditions imposed through the third bailout program. These conditions include precisely:

  - o To cut government spending
  - o To increases taxes
  - o To control tax evasion rigorously
  - o To cut public pension
  - o To make Greece business friendly country
  - o To sell government-owned assets
  - o To privatize certain government organizations

- Greece will be provided €86 billion in next five years of its third bailout plan. The terms on its previous debt have also been softened which will accompany a short-term economic reform program.
- Greece is due to make payment of €3.2 billion on bonds to European Central Bank until 20th August 2015. Before that Greece needs to show its full commitment in implementing the economic reforms proposed by the creditors.
- In a nutshell, Greece is somehow out of chaos now. Except this payment on bonds, Greece does not need to payback anything until 2023. IMF would also likely to extend its grace period of loan repayment until mid-century. It's now the time that Greek government should focus on the competitiveness of its economy and direct its funds to re-generate economic activity.

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A Snapshot of Cosmetics Industry in Pakistan

Kamran Saeed

1. Introduction:

- The Cosmetics Industry in Pakistan has grown considerably in the last few years.
- In the recent times, the renowned international brands like Body Shop, LOreal Paris, Neutrogena and Maybelline have become common household names in the major urban centres of the country.
- Since the domestic markets are now flooded with cosmetic products of several international companies, the variety for the consumers has increased and so has the competition.
- The local players in the cosmetics industry are not lagging behind much. They are not only increasing their product portfolios but are also driving up their revenues with marketing and distribution efforts. Due to nominal pricing, the local brands are more popular in smaller towns and the rural areas.
- Samsol, one of the leading cosmetics companies of Pakistan commenced its operations at a very small scale with a hair oil business in 1962. Over time, the Samsol's product range has expanded considerably and includes hair colors, shampoos, shaving creams and talcum powders.
- The market in Pakistan is also receptive to the new genres of cosmetic products. A local brand by the name of Luscious Cosmetics launched its range of organic and animal free make-up products in 2008. This product line was an instant hit among the consumers.
- Another trend that has been seen in the domestic markets is the launching of cosmetics brands by renowned showbiz personalities.

2. Growth in Imports:

- The growth in cosmetics industry can be judged from the fact that Imports of cosmetic products (Essential oils, perfumes, cosmetics, toiletries) increased from

US$ 110 million in 2011 to US$ 152 million in 2014, showing an increase of 38% percent in four years. As compared to 2013, the imports in 2014 grew by around 36% (Table 1).

- In percentage terms, a significant increase in 2014 was recorded in the imports of beauty/make-up products. As compared to 2013, the imports of beauty/makeup products increased by 67% to US$ 20.45 million.
- A large increase in 2014 was also observed in the imports of hair products, which increased by 63% to US$ 39.58 million. The imports of hair products are dominated by shampoos.
- The imports of deodorants and shaving products also increased considerably in 2014, reaching US$ 9.67 million after an increase of around 72% as compared to 2013.
- There was minimal growth in the imports of perfumes in 2014 and remained more or less identical to 2013.

Table 1

Details of Cosmetics Products (Essential oils, perfumes, cosmetics, toiletries) Imported by Pakistan (US$ Million)

Code	Product label	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014
'3302	Odoriferous mixtures as raw materials for industry	51.17	51.84	54.94	65.90
'3305	Hair preparations	27.20	26.12	24.27	39.58
'3304	Beauty, make-up & skin-care preparations; sunscreens, manicure or pedi	11.74	10.38	12.21	20.45
'3307	Personal toilet preparations shaving preparations, deodorants etc.	6.26	4.82	5.60	9.67
'3301	Essential oils; resinoids; terpenic by-products etc	4.67	6.55	6.56	7.84
'3303	Perfumes and toilet waters	7.00	5.46	6.72	6.28
'3306	Oral & dental hygiene preparations	2.60	1.72	1.93	2.90

Source: ITC World Trade Map

3. Major Supplying Markets for Pakistani Imports:

- It can be seen ahead in the table that the major supplying markets for imports of Pakistani cosmetic products are China, India and United Kingdom. There are also sizeable imports of cosmetics from Singapore, UAE and USA.

Table 2

Major Supplying Markets for Pakistan Cosmetic Imports (US$ Million)

Exporters	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014
World	110.64	106.88	112.23	152.62
China	21.50	17.93	14.19	25.54
India	2.95	5.84	12.06	18.33
United Kingdom	9.82	11.23	14.17	15.05
Singapore	18.54	16.59	12.34	13.37
UAE	3.95	4.35	4.95	10.48
USA	6.13	6.86	6.97	10.01
Ireland	4.99	6.29	6.13	7.16
Saudi Arabia	3.15	3.87	3.92	6.96
Netherlands	7.17	5.34	6.25	6.48
France	3.48	4.61	4.39	5.42

Source: ITC World Trade Map

4. Product (HS-Code) Wise Details of Cosmetic Imports:

Table 3

Imports of Cosmetics Products under the HS Code 3301(US$ Million)

Code	Product label	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014
'330119	Essential oils of citrus fruits, nes	2.25	2.99	3.37	3.16
'330190	Conc&aqueous distls of essentl oils;terpenic by-prods of essentl oils	0.38	0.53	0.98	1.96
'330112	Essential oils of orange	0.57	0.94	0.55	1.07
'330129	Essential oils, nes	0.47	1.34	1.03	0.79
'330113	Essential oils of lemon	0.56	0.42	0.39	0.47
'330124	Essential oils of peppermint	0.25	0.27	0.17	0.24
'330125	Essential oils of other mints	0.19	0.05	0.07	0.13
'330130	Resinoids	0.01	0.01	0.01	0.02

Table 4

Imports of Cosmetic Products under the HS Code 3302(US$ Million)

Code	Product label	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014
'330290	Mixtures of odoriferous subst f use as raw materials in industry,nes	31.06	30.46	31.25	38.25
'330210	Mixtures of odoriferous substances for the food or drink industries	20.11	21.37	23.69	27.66

Table 5

Imports of Cosmetic Products under the HS Code 3304(US$ Million)

Code	Product label	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014
'330499	Beauty or make-up preparations nes; sunscreen or sun tan preparations	7.46	6.79	8.05	12.64
'330491	Powders, skin care, whether or not compressed	1.50	1.72	2.08	3.49
'330420	Eye make-up preparations	1.54	1.00	1.06	1.82
'330410	Lip make-up preparations	0.86	0.58	0.64	1.67
'330430	Manicure or pedicure preparations	0.37	0.29	0.38	0.84

Table 6

Imports of Cosmetic Products under the HS Code 3305(US$ Million)

Code	Product label	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014
'330510	Hair shampoos	22.00	21.08	18.06	31.37
'330590	Hair preparations, nes	4.92	4.66	5.77	7.49
'330520	Hair waving or straightening preparations	0.24	0.32	0.36	0.70
'330530	Hair lacquers	0.05	0.06	0.08	0.03

Table 7

Imports of Cosmetic Products under the HS Code 3306(US$ Million)

Code	Product label	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014
'330610	Dentifrices	1.93	1.53	1.84	2.77
'330690	Oral or dental hygiene preparations, nes	0.67	0.19	0.09	0.13
'330620	Dental floss, yarn used to clean between teeth	0.00	0.01	0.01	0.01

Table 8

Imports of Cosmetic Products under the HS Code 3307(US$ Million)

Code	Product label	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014
'330720	Personal deodorants & antiperspirants	2.93	2.18	2.71	4.75
'330749	Room perfuming or deodorizing preparations, nes	1.60	1.52	1.46	2.41
'330710	Pre-shave, shaving or after shaving prep	0.85	0.79	1.03	1.95
'330790	Perfumery, cosmetic or toilet preparations, nes	0.30	0.22	0.33	0.47
'330730	Perfumed bath salts and other bath preparations	0.54	0.09	0.07	0.07
'330741	Agarbatti & other odoriferous preparations which operate by burning	0.03	0.01	0.00	0.03

Source (Tables 3 to 8): ITC World Trade Map

5. Growth in Fairness Creams and its Impact on Health:

- A tremendous growth has been observed in the market for fairness creams, both in the major and the smaller cities. The main reason for this growth is the increased consumption by women who want to look more beautiful at the weddings and other functions.
- Unilever Pakistan's Fair & Lovely has shown double digit turnover growth over a period of last six to seven years. Similarly Ponds, an anti-ageing cream has also experienced exuberant growth in the recent times.
- According to the dermatologists, the fairness creams don't have any magical ability to modify the natural color of the skin. These fairness creams have bleaching ingredients e.g. mercury whose excessive consumption often causes acne and other skin diseases.
- The danger is more prevalent in the unbranded cream varieties that are sold at the local karyana stores or on the roadside in the smaller towns. The unbranded creams come in glass jars/ tubes of varying sizes and are hugely popular due to their nominal pricing. There is no proper description of ingredients and many contain dangerous chemicals that can be harmful to the skin.

6. Growth in Men Cosmetics:

- A changing trend in the cosmetics industry in the recent times is the growth in men cosmetics. Few years backs, the men cosmetics had a thin presence in the market. Due to various factors including rising incomes and influence of Media, men cosmetics have seen an unprecedented growth in the recent years.
- The unconventional men products like deodorant sprays and sticks, shower gels, and fairness creams are now easily available at the domestic stores.
- The imports of men cosmetics have also increased considerably. The imports of deodorants and shaving products reached US$ 9.67 million in 2014, after an increase of around 72% as compared to 2013.
- This reflects a change in preferences of the consumers of cosmetic products in the country.

7. New types in Cosmetic Products:

- The new conceived genres of make-up lines such as the vegetable, mineral, halal and fruit based make-up are steadily increasing in popularity among consumers. However, these are viewed by the experts as marketing tools to capture consumer demand.
- Saeed Ghani, a chain of personal care herbal products, has gained immense popularity due to their halal oil-based perfumes.
- The presence of globalized media has played an imperative role in increasing the acceptance of the use of cosmetics by both men and women. This has resulted in an escalation in consumer demand, making the market quite lucrative for both the international and local players.
- According to experts, the new product lines require more indigenization according to the preferences of local consumer base for capturing the market with full force.

8. Exports:

Table 9

Details of Cosmetics Products Exported by Pakistan(US$ Million)

Code	Product label	Exported value in 2011	Exported value in 2012	Exported value in 2013	Exported value in 2014
'3304	Beauty, make-up & skin-care preparations; sunscreens, manicure or pedi	6.13	5.02	7.22	7.90
'3305	Hair preparations	1.63	2.35	3.41	3.91
'3307	Personal toilet preparations shaving preparations, deodorants etc.	0.49	1.10	2.51	2.55
'3303	Perfumes and toilet waters	0.81	2.59	5.61	2.47
'3306	Oral & dental hygiene preparations	0.43	0.68	0.55	0.54
'3302	Odoriferous mixtures as raw materials for industry	0.54	0.71	0.62	0.41
'3301	Essential oils; resinoids; terpenic by-products etc	0.35	0.32	0.37	0.38

Source: ITC World Trade Map

Table 10

Major Export Destinations for Pakistani Cosmetics Products (US$ Million)

Importers	Exported value in 2011	Exported value in 2012	Exported value in 2013	Exported value in 2014
World	10.37	12.77	20.28	18.16
United Arab Emirates	3.55	5.26	10.24	7.25
Saudi Arabia	1.96	1.96	1.62	2.66
Malaysia	0.10	0.20	2.67	2.26
Afghanistan	0.57	0.76	0.97	1.69
United States of America	0.19	0.19	0.24	0.55
Thailand	0.45	0.37	0.31	0.44
United Kingdom	0.29	0.53	0.43	0.38
Morocco	0.42	0.41	0.24	0.29
Libya	0.07	0.27	0.15	0.28
Canada	0.32	0.47	0.58	0.25

Source: ITC World Trade Map

10. Custom Tariff on Major Cosmetic Products:

HS Code	Product	Custom Tariff (%)
3303.0010	- - - Eau-de-cologne	20
3303.0020	- - - Perfumes	20
3303.0090	- - - Other	20
3304.1000	- Lip make- up preparations	20
3304.2000	- Eye make- up preparations	20
3304.3010	- - - Nail polish	20
3304.3090	- - - Other	20
3304.9110	- - - Face powder	20
3304.9120	- - - Talcum powder	20
3304.9190	- - - Other	20
3304.9910	- - - Face and skin creams and lotions	20
3304.9920	- - - Tonics and skin food	20
3304.9990	- - - Other	20
3305.1000	- Shampoos	20
3305.2000	- Preparations for permanent waving or straightening	20
3305.3000	- Hair lacquers	20
3305.9010	- - - Cream for hair	20
3305.9020	- - - Dyes for hair	20
3305.9090	- - - Other	20
3306.1010	- - - Tooth paste	20
3306.1090	- - - Other	20
3306.2000	- Yarn used to clean between the teeth (dental	20
3306.9000	- Other	20
3307.1000	- Pre- shave, shaving or after- shave	20
3307.2000	- Personal deodorants and antiperspirants	20
3307.3000	- Perfumed bath salts and other bath	20
3307.4100	- - "Agarbatti" and other odoriferous perparations	20
3307.4900	- - Other	20
3307.9010	- - - Contact lens solution	20
3307.9090	- - - Other	20

Source: Federal Board of Revenue (FBR)

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Informal Economy of Pakistan

Sidra Khan

Abstract: *The informal economy can be regarded as a silent killer to formal economy. The informal economy exists in almost all the countries of the world but the developing countries fall mostly a prey to it. The presence of informal economy makes the facts, figures and the forecasts of the formal economy ambiguous and suspicious. Pakistan's informal sector is said to have grown parallel to the formal sector. This article talks about the reasons, causes and consequences of informal economy of Pakistan. It also pinpoints the benefits of transferring informal economy to the formal economy.*

1. Introduction:

- The informal economy which is also known by the names of grey, undocumented, shadow, unregistered and underground economy exists in every economy of the world with varying proportions in size. The informal economies constitute major proportion of formal economies in developing countries while opposite is observed in developed countries. The informal economy of UK comprises approximately 10 percent of its GDP while the shadow economy in Nordic countries and Southern European countries constitute around 14 and 20-30 percent respectively. In some developing countries, it ranges between 25-40 percent of their national incomes. It is interesting to note that undocumented economies in few under-developed countries are larger than their documented economies.
- The size of global grey economy was estimated at $9 trillion in 1998, an amount almost equivalent to the GDP of USA(Haider 2012). The informal economy of USA is believed to be over $1 trillion which is being fueled by its growing breaches of minimum wage laws and the population of illegal immigrants. This population is ranging between 8.5 million to 20 million.
- The Indian informal market is said to be $500 billion and is booming frantically. It is instigating inflation. Legal businesses and the Government are the major stakeholders of informal economy. The real estate business is the hub of informal economic activities because of high corruption.

Ms. Faiza Gillani assisted in this article.

- Italy and Greece are also having large informal sectors constituting around 27-30 percent of their GDP. The informal sector of Austria and Switzerland stood at 10 and 9 percent of GDP respectively.

2. Defining the Informal Economy:

The informal economy has been defined in many ways by various experts. The Table 1 can give a snapshot of taxonomy of shadow economy:

Table 1 Taxonomy of types of Informal Economic Activities

Type of activity	*Monetary transactions*		*Non -monetary transactions*	
Illegal Activities	Trade in stolen goods; drug dealing and manufacturing; prostitution; gambling; smuggling; fraud; human trafficking, drug trafficking and weapon trafficking.		Barter of drugs, stolen goods, smuggling, etc.; producing or growing drugs for own use; theft.	
	Tax evasion	*Tax avoidance*	*Tax evasion*	*Tax avoidance*
Legal Activities	Unreported income from self-employment; wages, salaries and assets from unreported work related to legal services and goods	Employee discounts; Fringe benefit	Barter of legal services and goods	All do-it-yourself work and neighbor help

Source: Schneider & Williams (2013)

The definition of informal economy could be illustrated in a nutshell as all types of economic activities involved in the sale and purchase of goods and services which are not declared for tax.

3. Drivers of Informal Economy:

Why does informal economy exist? What are the reasons behind the informal economy. The following drivers of shadow economy deal with these questions:

3.1. Higher Tax and Social Security Structure:

- The first and dominant driver of informal economy is the tax and social security structure of the country. To avoid social security contributions and meeting the certain legal labor market laws (e.g. minimum wages, maximum working hours, safety standards, etc.) and certain administrative obligations, businessmen are tempted to keep many of their matters in shadow. They do not declare exact number of their employees just to save their social security spendings. It is a commonplace that workers are given lesser wages than the minimum wages set by the government.
- There is a positive relationship between the size of tax burden and the size of the informal economy. Larger the tax burden, bigger will be the size of the informal economy (Schneider & Williams 2013). If the taxes are higher in the formal economy, tax evasion will be higher in the case of developing countries which will consequently supplement the informal economy. The informal economy is relatively higher in labor market as compared to other markets.

3.2. The Quality of Tax Collecting Government Institutions:

The government institutions play a pivotal role in nurturing as well as curbing the undocumented economy. The costs and benefits of paying taxes are indeed the incentives for tax compliance. If tax collecting institutions are working fairly in the country and quality public goods financed by the taxes are easily available to general public, tax morale would be strong and people would be willing to pay taxes. On the other hand, bad governance and corruption in bureaucracy encourage tax evasion. In the countries where institutions are efficient and powerful in collecting taxes and using tax revenues justly with the resilient legal system which is strong and swift enough to punish the tax defaulters, businesses would not go undeclared.

3.3. Lower per capita income and higher inflation:

The question is why people even accept to work in shadow economy. Higher unemployment, lower per capita income and higher inflation are the major reasons which force laborers to work even in the shadow economy. Because wages are not according to the ever increasing prices of basic necessities, laborers have to work part time in unregistered business entities. Secondly, those workers who cannot work in the official market are ready to work for unofficial market such as illegal immigrants.

4. Pakistan's Informal Economy:

- The rolling blackouts since 2000s could have shut down the country by now but the business activity is still going on with some hiccups. Though the electricity breakdowns have affected all the businesses at large, even then, the economy has been managing to survive. How? The answer is the existence of the informal economy.
- The informal economy started emerging in Pakistan during 1960's when tax rates were quite high. During that time, corporate tax rate and super tax rate were 30 percent each. Additionally, the income tax was 75 percent in those days. These high taxes were the major reasons for the increase in informal market which was said to be 30 percent of GDP at that time.
- These taxes dropped down gradually. The corporate and super taxes decreased to 40 percent in 1980s and income tax rate declined to 28 percent till 1993.
- In the early 1990s, the informal economy shrank from 30 to 26 percent of GDP. The reason behind this fall was the persistently decreasing rate of return on deposits and a stagnant 13 percent tax-to-GDP ratio.
- From 2000 onwards, a consistent surge in the growth of informal economy was observed.
- The informal economy is difficult to measure. Although several attempts have been made but the research on driving a methodology to measure the informal economy is still going on. Some experts have suggested using direct procedures at a micro level using survey methods touching each transaction of the economy which is not possible especially in under-developed countries. Some use macroeconomic indicators as proxy of the development in the informal economy while others use statistical tools to estimate the size of the underground economy as an 'unobservable variable.
- Yasmin and Rauf (2004) in their study used demand for currency as an indicator

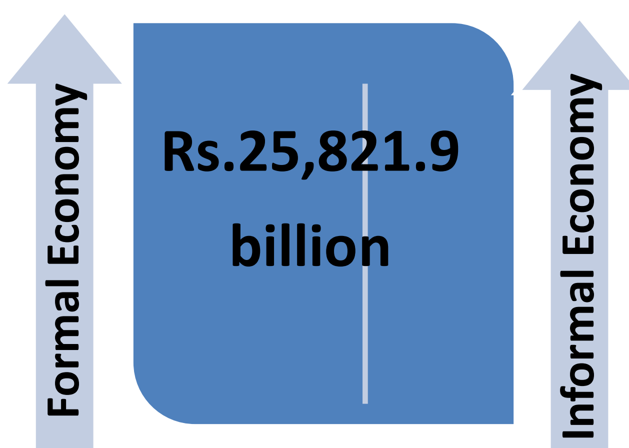
to measure the informal sector of Pakistan. They are of the view that all transactions in informal sector take place in cash; hence more the amount of currency in demand, larger will be the size of the informal sector.

- According to a study conducted by Pakistan Institute Development Economics (PIDE), the informal sector of Pakistan estimated at 91.4 percent of Gross Domestic Product (GDP) in 2007-08. This estimation is based on the gap between (the quantum of) private consumption indicated in the household survey for the total population and the formal GDP.
- The study of PIDE further explained that the economy generated Rs.19,608 billion in 2007-08. Out of this Rs.10, 242 billion (52%) has been contributed by formal economy while the informal economy contributed Rs.9,365 billion.

4.1. The Size of Pakistan's Informal Economy:

- Pakistan's economy has been characterized by the perpetually increasing informal economy. The Finance Minister of Pakistan stated in his Budget Speech 2015-16 that the informal economy is growing parallel to formal economy.

Fig 1: Size of Pakistan's Informal Economy in 2014-15



Source: Derived according to the Speech of Finance Minister, 2015-16

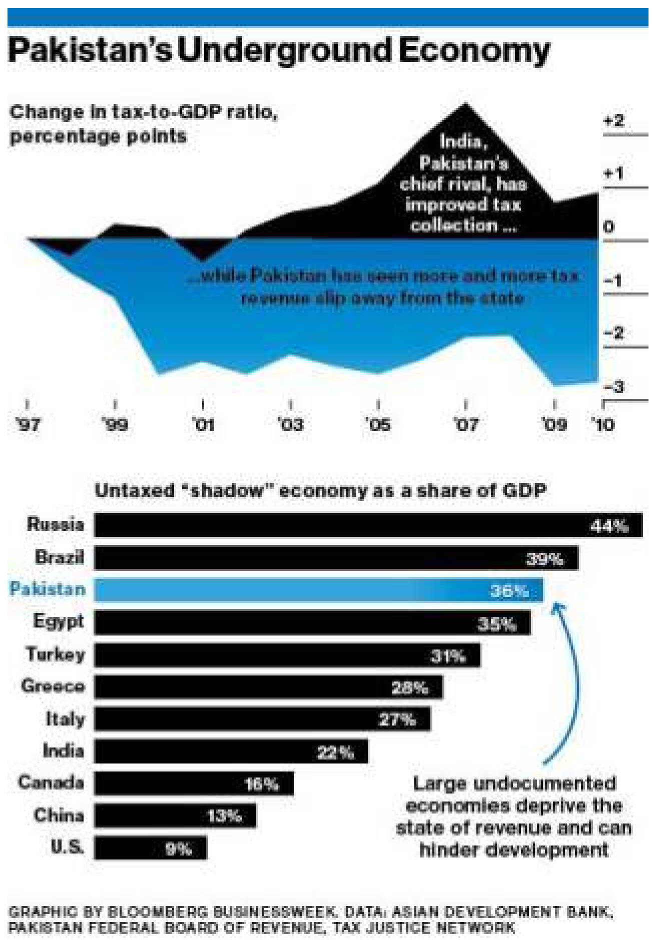
5. Detail of the Factors responsible for the Informal Economy in Pakistan:

Following factors are responsible for the existence of informal economy in Pakistan:

5.1. Tax Evasion:

- Many taxes have been brought down to promote business environment and investment in Pakistan but these are still high as compared to other developing countries of the world. Corporate tax on companies is 32 percent and on banks is 35 percent. These taxes are deemed very high for the new as well as old businesses.

Fig 2



- It is not only the high taxes that matter, the performance of tax collecting institutions also plays a vital role in the regard. The Federal Bureau of Revenue (FBR) is the institution responsible for collecting taxes in Pakistan. The FBR is unable to broaden its tax net and collect taxes from all the segments of the economy. The institutions is marred by persistent high corruption.
- Thirdly, FBR has a porous system to penalize those who evade taxes. People are tempted to evade taxes when they see that the penalty for not giving taxes is very insignificant.
- In Pakistan, the tax laws are very ambiguous and procedures of filing taxes are complex and cumbersome. The country where literacy rate is low, people do not put much effort to understand the procedure and file the tax returns. On the other hand, hiring tax consultant is also expensive which small businesses cannot afford. Hence, most of the small businesses do not file their tax returns.
- Many economic activities go undocumented, hence untaxed. This is why the figures of national accounting system remains misleading.

5.2. Higher Unemployment and Non-availability of Job Opportunities:

- Another reason for persistent increase in the informal sector is the high unemployment rate in the country. The unemployment rate in Pakistan has been ranging between 5 to 6 percent from last 10 years which is quite high. Our education system is producing non-technical graduates in large number which do not fit in the industry or other technical fields.
- Moreover, the formal sector is inflexible in terms of qualification and experience while the informal sector easily accommodates the workforce at its own terms. It is observed that sometimes highly qualified people are employed for the jobs of lesser cadre in the informal sector because the formal sector refuses them for one reason or the other. As the informal sector works unreported, it successfully escapes the regulations related to minimum wage, working conditions and on-work health insurance.
- As most of the industries are following capital intensive techniques of production, unemployment is on a surge. Consequently, qualified people are forced to accept low-waged jobs and work in unfavorable circumstances.

- It is a common practice in Pakistan that employers hide the accurate number of their employees and save their social security spending. There is no culture of on-work insurance. In case of accidents on work, employees do not get compensated for treatment, resulting in unemployment due to injury.

5.3. Lack of Trust in Government Institutions:

- Pakistan's tax revenue contributed 10.2 percent of GDP as measured in 2013-14 and 7.5 percent in 2014-15 (Jul-Mar).
- One motive that keeps taxpayers pay their taxes is when they receive the adequate public services in return of their taxes. In Pakistan, the basic public facilities regarding health, education and housing are not adequate for the ever increasing population of 180 million.
- Salaried class people are the ones paying taxes regularly but are discouraged by the non-availability of public goods and services. The services provided are of cheap or very low quality. Though Government raises the slogan of free education and health facilities but the Government hospitals and schools lack doctors and teachers. The taxpayers get more discouraged when they see rich people evading taxes and still getting preferential treatment.

5.4. Exploitation of female workforce in the Informal Economy:

- Female population constitutes 49.29 percent of total population of Pakistan. Out of this, only 10.92 percent females are estimated to be Civilian Female Labor Force. Out of this, only 9.97 percent of females are actually employed.
- The unregistered female workers are huge in numbers especially in rural areas where females work side by side with their farmer husbands but do not get paid at all.

6. Policy Implications regarding Informal Economy:

- Government formulates policies according to the available facts and figures which are based only on those economic activities that are reported. The unregistered and unreported activities of informal economy are not recorded in government's statistics. Therefore, the statistics of government, especially in developing countries, are quite misleading which do not depict the real picture of the whole economic condition.

- The countries where the informal sectors prevail largely do not have accurate statistics about the GDP, employment, tax revenue and other economic indicators. Policies and programs formulated on the basis of unreliable facts and figures cannot serve the real purpose and achieve the targeted goals.
- The business transactions in informal activities are made through cash. When the size of the informal economy expands, it increases the demand for more currency. More injection of currency in the economy leads to inflation.
- The informal economy comes into existence mainly to evade taxes. The larger size of shadow economy depicts that people are able to evade large amount of taxes which shows the failure on account of government and its porous tax collecting system. When less tax is collected in the economy, lesser amount would be available to the government to provide public goods and services.
- When government fails to generate revenue through taxes, it has to go for borrowings to meet the financial requirement. Borrowing could be of two types; domestic borrowing through deficit financing (printing currency) and external borrowing. In both cases, the Government gets trapped into the vicious cycle of debt.

7. Benefits in Formalizing the Informal Sector:

- The informal sector is characterized by the low rate of industrialization and productivity. The operations of informal sector entities run at a small scale. By formalizing the informal economy, business scale can be enhanced and benefits from the returns to scale can be achieved.
- The informal businesses face problems in finding the competent and skilled work force for developing and expanding their businesses further as qualified workers prefer to work in the formal sector.
- In the formal economy, businesses are regulated through rules and regulations set by the Government. There is a legal framework laid down in the formal economy to address the fraudulent cases. Conversely, the informal economy comes into existence to avoid the rules and regulations of formal economy. Therefore, there is no mechanism in the informal economy to deal with fraudulent activities. The

businessmen working in the informal sector cannot report government authorities for any contact breach or any other fraudulent activities.

- Because informal economy is an escape from writ of the state, the government has no control over its activities. It is the formal sector that monitors the economic activities of the country. The social security benefits can only be claimed in the formal sector.
- The incentives and special business promotion schemes that government offers can only be availed by the formal sector.
- The Government often offers tax holidays for the different businesses which only formal sector can enjoy.
- Banks and other financing companies give loans to only those businesses which are registered and formalized according to the rules and regulations of the Government.

8. How to curb the Informal Economy?

- Reforms and restructuring of government institutions which are dealing with the collection of taxes should be done on immediate basis.
- The Government should make the tax procedures simple and easy for the common people to understand. There should be a One Window Facility for tax returns so that the tax payers do not have any excuse for non-submission of returns. Workshops and seminars on how to file tax returns should be arranged on regular basis.
- To broaden the tax net, government should follow the stick and carrot approach. Special schemes and incentives should be given to attract the potential taxpayers into the tax system while heavy fines and penalties should be imposed on the non-filers.
- The Government should properly market its schemes of subsidies, incentives and rebates. The Government should keep the initial income tax lower for the new corporatized firms.
- As the unemployment and minimum job opportunities are triggers to informal economy, the Government should focus on those projects which can generate massive employment opportunities.

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Japan – Pakistan Trade Relations: Historical Perspective and the Way Forward

Michelle Tanwir

1. Brief History

Since the birth of Pakistan in 1947, Pakistan and Japan have enjoyed cordial and warm relations. Both countries have shared common interests through trade and commerce for more than five decades. While they have had common interests, they have also faced common hardships; their struggle for a stronger economy. After World War II, Japan's economy was shattered with heavy physical damages caused by the destruction of war. Pakistan, on the other hand had just attained independence and was suffering due to its poor economy; lacking in a solid base for its industrial and agricultural sector. A lot of work had to be done, Japan however had an added advantage compared to Pakistan, as it had already seen signs of modern growth to appear before the 1890s and had achieved 99% literacy by 1920[1]. Further it had focused its attention to increasing the efficacy of its man-power by encouraging small industries to convert their military manpower to trained industrial labor force, and scrapped its military fund to 1% and cultivated its industrial sector[2]. However, Pakistan did not have the same economic policies as Japan, it did not make the enhancement of its human resource as a major priority in its development plans, which in turn restricted growth and resulted in mass illiteracy and unemployment. Therefore, even today our industrial base is weak and major burden is put on our agriculture sector[3]. We, as a nation still need to take our flight.

While Pakistan might not have seen the growth and advancement Japan might have worked for and witnessed, these two countries however, have been great trading companions since the beginning of Pakistan. The official establishment of diplomatic relations began in 1952, after Pakistan had backed Japan with its Peace conference in San Franciso. Shortly after, Pakistan being one of the few countries

[1]M.Aslam Chaudhary and Kioyshi ABE, PAKISTAN, JAPAN AND ASEAN TRADE RELATIONS AND ECONOMIC DEVELOPMENT (A Comparative Analysis), Pakistan Economic and Social Review Volume XXXVIII, No.2 (winter 2000)
[2]Masahiro Takada, Japan's Economic Miracle: Underlying Factors and Strategies for the Growth, IR 163 Professor Wylie March 23, 1999
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opened its commercial office in Japan and soon after opened its embassy in Tokyo. The signs of trading were seen as early as the 1918's when the first Japanese trading company was inaugurated in Karachi, following a Japanese Bank opening its doors in early 1925[4]. Furthermore, Japan increased its investment and aid to Pakistan in the 80s; Japan made a significant investment to replace the heavy auto imports in Pakistan and instead started to produce the same in Pakistan. Japan contributed to production by setting up its Suzuki plant and starting engaging in producing motorcycles in Pakistan. Today Suzuki has substantial market share in the country.

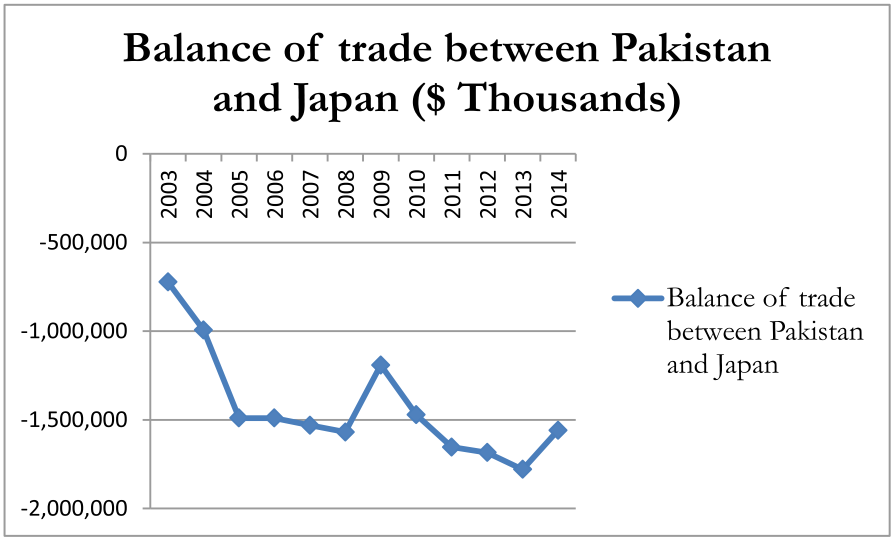
Pakistan signed a treaty with Japan in 1960, covering social, cultural, commercial and technical cooperation. This treaty helped both the countries to open doors for investment and trade. During the early days of Pak-japan foreign trade relations, Pakistan exported raw cotton to japan and japan further processed the cotton into yarn and cloth and then exported back to Pakistan. Pak-japan trade is mostly based on two principles; 1) trading is done on the basis of competitive costs and 2) Pakistan gets the goods cheaper than other countries due to being in the same geographical region and due to low transport costs[5]. These relations have helped to have an access of goods which these countries did not process themselves. Japan being an industrialized country, is deficient in natural resources and raw materials and relies heavily on its value added exports to pay for these imports. On the other hand, Pakistan stands in the category of 3rd world/developing country deficient in technology and endowed with natural resources of fertile agricultural land and raw materials. Therefore, continuous trade relations are beneficial and recommended for both the countries.

2. Pak-Japan Trade since the 1990's

From Pakistan's perspective, Japan has been one of its important trading partner, during the period 1990-1991 to 1993-1994, Japans percentage share in exports was ranked on average second or third place after US and Germany[6]. Overall, Pakistan has had a continuous trade deficit with Japan which has been shown below in table and graph form.

[4] Recorder Report, Pakistan- Japan Business Forum: Economic Relations between Pakistan and Japan, 30/11/2014
[5] M.Aslam Chaudhary and Kioyshi ABE, PAKISTAN, JAPAN AND ASEAN TRADE RELATIONS AND ECONOMIC DEVELOPMET (A Comparative Analysis), Pakistan Economic and Social Review Volume XXXVIII, No.2 (widnter 2000)
[6] Dr. Talat Afza, Pakistan-Japan Trade, Current Scenario and Future Prospects, Industry & Economy, www.pakistaneconomist.com

Figure 1



Source: ITC World Trade Map

Pakistani exports to Japan had an increasing trend up to the year 1995-1996 but started to decline due to multiple factors; Recession in Pakistan (1997), Japans protective policies to protect its manufacturers from competition in their domestic markets and to strengthen their capacity to sell internationally. These restrictions, while liberated overtime in many sectors, still remained high in the agriculture sector, which negatively affected the market opportunities for Pakistan, as it is basically an agricultural country with high potential to export such products.

Trade had also declined due to the antidumping duties imposed by the Japanese government on textile imports from Pakistan in 1995 and partially because of the increasing trade between Japan and the Association of South East Asian Nations (ASEAN)

3. Pak-Japan Trade Today

Today, Japan no longer is one of the major trading partners of Pakistan; mostly because it has been replaced by China. However, after observing decline in trade in the 90s, trade has again begun to grow over the years again, but at a gradual pace, with a steep decline witnessed during recession from 2008-2009. The highest level of exports to Japan in the last thirteen years has recently been observed in the year 2013, with exports amounting to 475 Million US dollars. Today Japans major exports to Pakistan are:

- Machinery and transport equipment including vehicles, car parts, and steel and rubber products as well as hi-tech items.
- While Japans major imports from Pakistan are textiles, textile articles, yarn, chemical products, leather and metal.

A detailed summary of trade between Japan and Pakistan can be observed below.

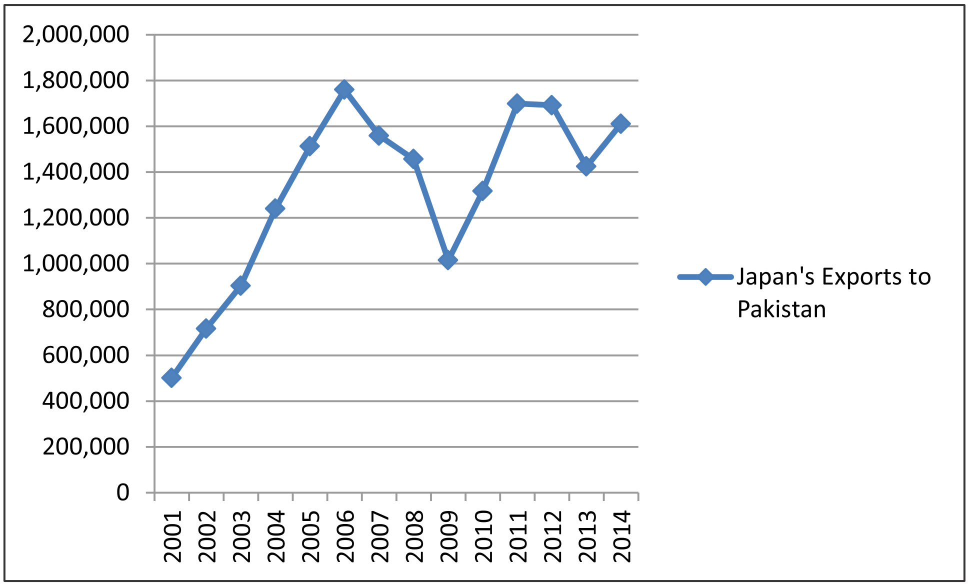
Japan and Pakistan's trade summary 2001-2014[7]:

Year	Japan Imports from Pakistan *($)Thousands*	Japan Exports to Pakistan *($)Thousands*	Balance of Trade *($)Thousands*
2001	220,931	501,225	-280,294
2002	151,681	716,510	-564,829
2003	134,729	903,239	-722,792
2004	170,530	1,239,284	-994,363
2005	142,180	1,512,145	-1,489,415
2006	208,705	1759,476	-1,489,415
2007	246,588	1559,186	-1,530,568
2008	436,677	1456,281	-1,568,633
2009	236,203	1,014819	-1,191,121
2010	353,054	1316,930	-1,471,329
2011	459,179	1698,634	-1,653,867
2012	427,146	1691271	-1,684,092
2013	475,284	1423,767	-1,778,875
2014	329,809	1610,320	-1,559,053

[7] These figures have been taken directly from the trade map site, to visit please go on www.trademap.org

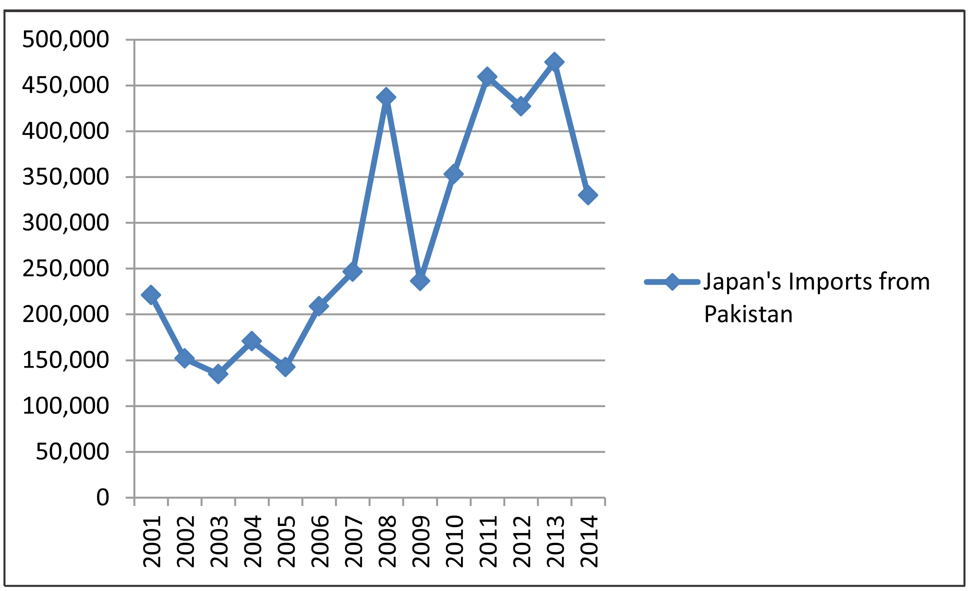
Japan's Exports to Pakistan from 2001 to 2014($ Thousands):

Figure 2:



Japan's Imports from Pakistan from 2001 to 2014 ($ Thousands):

Figure 3:



4. Recommendations for the Revival of Economic Trade

While Japan has been replaced by China as one of Pakistan's top trading partner, the government of Pakistan still wishes to further bolster its economic relations with Japan. It cannot be negated that Japan is a significant industrial economy in North East Asia and possesses advancement in its industrial sector compared to its neighbors. Therefore it is imperative that Pakistan should enhance cooperation with Japan in industrial development for achieving better results for its own advantage.

In an effort to boost such ties, the Pakistani government allowed to set up a Special Economic Zone and Textile City in Karachi in 2013. This was initiated by the Sind government through the Sind Board of Investment and a Memorandum of Understanding was signed with Japan[8]. This agreement can be very effective in enhancing trade between the two countries. It is recommended that Pakistan should adopt some of Japans trading polices so it can further grow and uplift its SMEs sector as this sector is highly neglected and needs focused attention if our industrial sector is to prosper.

Further, it is recommended that Japan and Pakistan sign the Preferential Trade Agreement (PTA) and the Free Trade Agreement (FTA) to further boost their bilateral trade, in the absence of such trade agreements it is unlikely that bilateral trade will increase substantially any time soon and the lack of such an agreement puts Pakistan's textiles exports at a disadvantage. Pak-Japan Trade hovers at US $2 Billion annually, while India is trading worth US $18 Billion annually with Japan, which is a steep difference.

While Japan has invested in Pakistan since early on, most of these investments have been made to finance the trade deficit and have been made in agriculture, autos and irrigation projects. These investments have not consisted of projects in infrastructure. Such projects can boost their economic relations. Japan has even shown interest in the Karachi Circular Railway and underground metro projects in Lahore and Karachi. The project of the KCR has already been missed once due to mismanagement and corruption, it should not be missed again due to the same reasons. Such a project while boosting economic ties will also help in greatly cuttings costs and preserving energy which is used from the daily consumption of oil, gas and diesel used in motor vehicles. Karachi and other major cities are in great need for modern public transit and Japan has a well-connected, highly efficient mass transport system and we need to learn from such well-crafted systems.

[8] PPI News Agency, Japan Special Economic Zone will be a landmark achievement - See more at: http://ppinewsagency.com/104460/japan-special-economic-zone-will-be-a-landmark-achievement-2/#sthash.bewm5AKY.dpuf

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