

Issues and Requests Relating to Foreign Trade and Investment - Pakistan

Category	No	Issue	Issue Details	Requests	References
12 Exchange Controls	(1)	<u>Radical Fluctuation of Foreign Exchange</u>	- <u>Member Firm's Subsidiary (MFS) benefits from exchange gain on a direct export transaction in yen. Nevertheless, negotiation for raise in price is difficult. In a transaction between related parties, the prevailing Yen depreciation enables MFS to offer special prices to its customers. However, MFS runs on a thin margin, so that if the exchange rate swings toward appreciation of Yen, it will instantly show operational loss: such is the severity of the fluctuation band.</u>	- <u>It is requested that GOP uses its best efforts for stable foreign exchange to hold down the swing of fluctuation within a few percents in 6-months.</u>	
14 Taxation Systems	(1)	<u>Unjustified Levy of Additional Tax by including Royalty in the CKD prices</u>	- <u>Customs authority, after recalculating the knockdown price by addition of royalty that MFS had paid to its headquarters in Japan, ordered MFS to pay additional duty calculated on the total of the CKD price and royalty. MFS has paid royalty to its parent in Japan in consideration for the cost of R&amp;D, design and expenses plus intellectual property rights used by MFS in Pakistan, unrelated to CKD. It customary takes 7-years in average for dispute settlements, burdening heavily upon the clerical workload.</u>	- <u>It is requested that GOP:</u> -- <u>reviews if the logic of adding royalty to CKD price is justified, and</u> -- <u>reduces the amount of additional tax to secure stability in the tax burden.</u>	
23 Inefficient Administrative Procedures, Regimes and Practices	(1)	<u>Irrational Retroactive Application of Prior Notification Requirement on Corporate Mergers</u>	- <u>A member firm received Notification from Competition Commission of Pakistan (CCP), ordering the member firm to file "Pre-merger notification" on mergers and acquisition case consummated several years ago, pursuant to Competition Act, 2010 (CA '10), while the governing act requiring "Pre-merger notification" was promulgated after the consummation of the case in concern. In addition, payment of fees under the Competition Act is necessary to file "Pre-merger notification".</u>	- <u>It is requested that CCP:</u> -- <u>repeals retroactive application of the laws promulgated after completion of the performance under contract, as such retroactive application is improper, and</u> -- <u>obviates the need for pre-merger notification, as requiring the same examination procedures as the previous filing of pre-merger notification on the issue already completed is not only difficult but also meaningless.</u>	
26 Others	(1)	<u>Public Security</u>	- <u>A member firm having technical tie-up with a Pakistani enterprise (PE) finds it very difficult to provide its technical assistance to PE by despatch of its technical staff to Pakistan, due to the aggravated public order in Pakistan.</u>	- <u>It is requested that GOP restores the public order.</u>	

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			<p><b>(Actions)</b></p> <ul style="list-style-type: none"> <li>- The confrontation between government forces and armed terrorists continued into 2006 in the Federally Administered Tribal Areas on the border between Balochistan and Afghanistan. There was no progress made toward improvement over the Kashmir disputes between India and Pakistan.</li> <li>- Taliban has animated its activity, which has spread widely after the "Red Mosque" barricaded confrontation.</li> <li>- In October 2007, President Musharraf was re-elected by Electoral College, a court proceeding was initiated on unconstitutional issue concerning Musharraf's getting himself re-elected as the President by the outgoing National Assembly even while holding the office of the Chief of the Army Staff (COAS).</li> <li>- On 3rd November 2007, President Musharraf issued declaration of a state of emergency for the entire Pakistan.</li> <li>- On 27 December 2007, Benazir Bhutto, Chairman of Pakistan Peoples Party (PPP), was assassinated.</li> <li>- New Administration has reinforced the military tactic against Tehrik-i-Taliban Pakistan, etc. since summer 2008. In retaliation, there have been increasing numbers of terrorist attacks in various districts including urban areas. In August 2008, there was a suicide attack at a largest class hotel in Islamabad.</li> <li>- In November 2008, IMF agreed to grant 23-months standby credit facility totaling USD7.6 billion to GOP and in August 2009, IMF decided grant of additional standby credit facility in the amount of USD3.2 billion to GOP.</li> <li>- After resignation of President Musharraf, in September 2008, Asif Ali Zardari, Chairman of PPP has assumed President's office.</li> <li>- In March 2009, the issue concerning reinstatement of discharged judges was concluded by reinstatement of Chief Justice and all discharged judges through the Long March by Chief Justice and PML-N (Pakistan Muslim League (Nawaz)).</li> <li>- On 17 April 2009, Pakistan Support Meeting for public safety and economic stability was convened in Tokyo, where IMF and 31 countries participated, producing Support Communique in excess of 5 billion US dollars over two-years.</li> <li>- In April 2009, after the breakup of the cease-fire agreement between NWFP (North-West Frontier Province) and Taliban, retaliatory acts of terrorism have arisen against the National Army's military strategy.</li> <li>- On 2 May 2011, Osama bin Laden, al-Qaeda leader, was assassinated by the U.S. Force Strategy within the Pakistani territory.</li> <li>- After the murder of Osama bin Laden, there have been outbursts of terrorist attacks in revenge, or its aftermath terrorist attacks occurred at various places inside Pakistan. Tehrik-i-Taliban Pakistan (the TTP) has issued claim of responsibility: "Our targets are all NATO Member States diplomats and our attacks will continue against them. Pakistan is our first target, the U.S. the second." ("Notification of Japanese Embassy in Pakistan" of 2nd May, 2012).</li> <li>- Ministry of Foreign Affairs (MOFA) of Japan web site on "Safety in Overseas" of 2nd December 2012, alerts visitors to Pakistan and Japanese staying in Pakistan to pay every precaution possible to avoid getting involved in terrorist attacks, due to the multiple terrorist attacks still smouldering in various areas, although the situation has calmed down in some areas.</li> <li>- As of May 2016, at MOFA "overseas safety HP" has continued showing "Level 4: Evacuation Recommendation" on the state border with <u>Afghanistan, all Federally Administered Tribal Areas (FATA), tribal abutting areas, Khyber Pakhtunkhwa State within Pakistan (former "KP State"), The Line of Control (LoC) with India and all their neighboring areas.</u></li> </ul>		

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		(2)	<u>Unstable Energy Supply and High Priced Power Rates</u>	<u>- Absolute shortage prevails in Power and Gas Supply, due to their unstable supply.</u>	<p><u>- It is requested that GOP takes step to:</u></p> <ul style="list-style-type: none"> <li><u>-- construct new power plant.</u></li> <li><u>-- identifies its policy on activating alternative energy (solar cell, bio, etc.)</u></li> <li><u>-- clearly shows governmental policy such as active use of alternative energy (solar cells, bio, etc.)</u></li> <li><u>-- updates the electricity tariff by tightened collection from non-payers.</u></li> </ul>	