

5th Pakistan Japan Government-Business

Dialogue

New Frontier Action Plan to Enhance the Pakistan-Japan Economic Relationship

10th November, 2015, Islamabad, Pakistan

- 1 Mr. Tsuneo Kitamura, Parliamentary Vice-Minister of Economy, Trade and Industry, Mr. Teruo Asada, Chairman, Japan Pakistan Business Cooperation Committee and accompanying Japanese Business Delegation visited Islamabad, Pakistan on 10th November, 2015 and convened the 5th Pakistan-Japan Government Business Joint Dialogue with Mr. Mohammad Zubair, Minister of State for Privatisation / Chairman, Privatisation Commission, Mr. Sohail P. Ahmed, President, Pakistan Japan Business Forum and accompanying Pakistani Business Delegation. The Pakistani side and the Japanese side exchanged their views on a wide range of issues concerning economic relationship between the two countries including trade and investment issues.
- 2 Both sides acknowledged the potential to increase the volume of bilateral trade and investment exponentially in light of the traditionally friendly relations and the size of both economies. Both sides further concurred on the importance of strengthening and developing the economic relationship among public and private sectors. Both sides affirmed future cooperation in the following points.

Exploring a New Frontier of Pakistan-Japan Economic Relationship

- 3 Both sides shared their recognition that it is important to expand the interaction on trade and investment each other issues. Both sides reaffirmed that under the global economy, it is importance of developing free, open and fair systems for trade and investment on the basis of the rule of law in the global economy.
- 4 The Pakistani side elaborated that Japan is a promising market for their textile products. But Pakistan is facing a disadvantageous position because of differential market access, as compared to regional competitors like India, Bangladesh and ASEAN countries. They are enjoying duty free access to the Japanese market, either because of bilateral/regional trading arrangements or having a LDC status. Although Pakistan has GSP status and is getting on average 1.4% lesser duties than developed countries but yet the tariff imposed on Pakistan's exports is 5.36% (on average) more than

India/Bangladesh and ASEAN countries. Last year, Japan imported textile products amounting to US\$ 38 Billion whereas share of Pakistan was only US\$ 123 million less than 0.33%. The Pakistani side explained the contents of “Early Harvest Program” (EHP) to the Japanese side and expressed desire to discuss EHP covering initially specific tariff lines for Textiles. It was agreed that as a way forward, that the Ministry of Commerce of Pakistan would get feasibility study done. Its TOR would be decided by the two sides.

- 5 Both sides shared that for a long time the textile industry of the two countries contributed significantly to the good relationship between them. Pakistani raw cotton had supported the textile industry in Japan after World War II and contributed to the economic revival of Japan. Japanese in response exported a textile machine to Pakistan. JICA (Japan International Cooperation Agency) expressed its desire to start a technical cooperation project to support the Pakistani textile industry in 2016 in order to produce further high value added products and strengthen its international competitiveness. JICA introduced various support programs such as business matching event between Pakistani textile manufacturers and Japanese textile buyers which was held in 2015 in Pakistan by JICA Expert, and JICA Expert presented a website which provides business information related to export to Japan for Pakistani exporter. The Pakistani side expressed their gratitude for Japan’s support of textile sector in Pakistan.
- 6 The Pakistani side pointed out that Olympics 2020 is opening new doors for the temporary movement of natural persons. Pakistan with 180 million people, with a majority of English speaking young skilled manpower, expressed its willingness to cooperate with Japan for successful Olympics 2020. The Pakistani side requested to provide substantive opportunities to Pakistani manpower (skilled and unskilled) towards this end.
- 7 The Pakistani side requested for issuance of longer-term validity multiple entry visas to Pakistani businessmen.
- 8 Both sides concurred to cooperate for the trade expansion in other private sectors of both countries as well. In this regard, the Pakistani side stated that they will set up a “Consultation Service for Pakistani Companies” at the Embassy of Pakistan in Japan in order to facilitate the Pakistani companies for their business with Japanese companies.
- 9 Both sides discussed and agreed to form a Joint Trade Committee (JTC) which would meet periodically to discuss the matters related to trade. JTC would also finalize the modalities regarding EHP requested by the Pakistani side.

Expanding Investment in Pakistan

- 10 Both sides actively appreciated the economic reform efforts undertaken by the present

administration of the Government of Pakistan and the improvement of macroeconomic situation as a result of these reforms. The Pakistani side expressed its resolve to develop Pakistan's economy through further reforms. The Japanese side highly appreciated such efforts and expressed its commitment to provide the necessary support.

- 11 Both sides shared their recognition that Pakistan is one of the most promising and important emerging markets as well as production bases with its population of 180 million and with its young and qualified labor force. The strategic location of Pakistan makes it an important country from the perspective of industrial supply chain and distribution networks. Pakistan has a potential to play a role as an economical cross-border network to connect with East Asia, Central Asia and the Middle East. Pakistan is also open to foreign investments as it has the lowest legal restrictions for foreign investment as compared to other countries in the region. Furthermore both sides affirmed that more investment from Japan and improvement in business environment in Pakistan are essential in order to these potential for realizing sustainable growth of the Pakistani economy. The both sides agreed that the development of Special Economic Zones is important for attracting investment. The Pakistani side shared with the Japanese side the view that investor friendly amendments in SEZ Act 2012 are in advance stage of approval and would be promulgated by January, 2016. The Rules & Regulations and Standard Operating Procedures are being prepared and will be finalized by March, 2016 in this regard. The provisions to establish ONE-STOP-SERVICE to existing and potential investors are underway. The Pakistani side requested Japanese assistance in establishment of SEZ Secretariat and provisions of hardware and related infrastructure
- 12 The Japanese side requested to provide rental office space in the Board of Investment (BOI) building in Karachi, which is the center of Pakistani economy, for the potential investors who would like to gather relevant information on market feasibility of their investment in Pakistan. Pakistani side agreed to consider the proposal made by Japanese side.
- 13 Both sides welcomed the Japanese business missions to Pakistan and investment seminars in Japan that were organized by JETRO (Japan External Trade Organization) and JICA in cooperation with the Embassy of Japan in Pakistan, the Consulate-General of Japan in Karachi and the Embassy of Pakistan in Japan. Both sides agreed to proceed with similar efforts in the future.
- 14 Both sides concurred to develop infrastructure in Pakistan such as energy, transport for further economic growth in Pakistan. Both sides stated that shortage of electricity in Pakistan is an issue being effectively handled by the current government, Japanese cutting-edge technologies such as highly efficient coal-fired power plants will contribute to the mutual benefits and prosperity of both countries.
- 15 Both sides appreciated the Government of Pakistan's efforts towards energy sector

reforms. In addition, both sides recognized that Japanese Official Development Assistance (ODA) loan for energy sector has been significantly useful for policy reforms. The Pakistani side expressed their gratitude and commitment for their continuous efforts in accelerating these reforms.

- 16 Both side shared their recognition that besides energy, developing infrastructure for the transport sector is of great significance for efficient distribution and logistics. JICA expressed its support for the improvement of distribution and logistics in Pakistan. JICA also renewed their request that the Pakistani side should take all the best measures for ensuring safety of Japanese workers that are related to the N70 project. In response, the Pakistani side approved the request.

Promoting Industrial Cooperation between Pakistan and Japan

- 17 Both sides reaffirmed to continue to follow up the “Proposals for promoting Future Investment submitted by the Japanese Chamber of Commerce and Industry in Islamabad, Lahore and Karachi. The Ministry of Commerce and the Embassy of Japan in Pakistan will play central role in the follow-up.

- 18 Both sides shared the view that the automotive industry with its wide range of related manufacturing industries such as raw material, electrical, electronic and fiber, has the greatest economic ripple effect on other related manufacturing industry, and that the automotive industry has been one of the core and leading industries in Pakistan. Both sides agreed that the automotive industry should be facilitated as a leading industry, a driving force of Pakistan’s economy over the next decades, as it creates jobs, explores new innovation and realizes social prosperity. Furthermore, both sides emphasized consistency, integrity and transparency in the Government’s policy for further industrial development. In this regard, the Pakistani side expressed to issue the new Automotive Development Plan (ADP) as soon as it is finalized, since it is a core policy for automotive industry. The Japanese side requested the Pakistani side, for no discrimination between the new investors and the existing manufacturers in giving incentives in the new ADP. In response, the Pakistani side noted the request. JICA expressed their intention to send an expert for sophistication and development of the automotive industry in Pakistan and to steadily implement the technical cooperation project to support the enhancement of productivity and quality. The Pakistani side welcomed the proposal of the Japanese side.

- 19 Both sides concurred that, regarding adjustment of industrial policy and regulations, the automobile industry and the Government of Pakistan should have frequent exchange of views for all stakeholders, in which they share information, in which they know the arguments of the industry side and adjust policy and regulations accordingly as and when required. In this regard, the Pakistani side announce the establishment of “the Meeting on the Growth Strategy of the Automotive Industry” led by the CEO of Engineering Development Board (EDB). The Japanese side expressed its intention to cooperate with EDB and actively participate in the Council.

20 The Japanese side shared that tax issues are one of the issues the Japanese companies confront when they start business in Pakistan as stated by JETRO in the meeting. In particular, the Japanese side requested the abolishment of “tax on undistributed reserves” and “turnover tax”.

Advancing Industrial Technology Cooperation between Japan and Pakistan to Ensure More Enhanced Safety and Security in Pakistan

21 The Japanese side highlighted that public safety and security in Pakistan is imperative in order to encourage stable economic activities by Japanese companies in Pakistan and to promote new trade and investment. The Japanese side commended efforts made by the Government of Pakistan in this respect. The Pakistani side expressed their appreciation for the improvement of airport and transport security supported by the Government of Japan. Both sides shared the views that Japanese highly advanced technologies on safety and security such as biometrics identification systems by using big data collection and analysis of finger prints and face recognition will contribute for the public safety and security in Pakistan. Both sides agreed on the bilateral cooperation to be promoted and strengthened for public safety and security in Pakistan with the participation of Japanese companies which have these technologies.

Establishing the Follow-up Mechanism of the New Frontier Action Plan

24 Both sides further reaffirmed to continue to make the best use of the Japan-Pakistan Government-Business Joint Dialogue in order to encourage the trade, investment and industrial cooperation among public and private sectors both countries.

25 Both sides concurred to follow up the implementation of the New Frontier Action Plan, and both sides agreed to set up a follow up mechanism co-chaired by the Secretary Commerce of Pakistan and the Ambassador of the Embassy of Japan in Pakistan, and to hold the next Dialogue at an appropriate time.