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Pays: Pakistan	Date de la dernière mise à jour: 08.10.2021

Economic Report Pakistan 2020 - 2021¹

1. International and regional economic agreements *(1 page max.)*

1.1. Country's policy and priorities

- During the FY 2020-21, Pakistan did not sign any trade agreement with any country, however, contacts at the Pakistani Board of Investment disclose that it is in the process of terminating/re-negotiating bilateral investment treaties with all countries including Switzerland in order to avoid international arbitration with foreign firms on commercial contracts. Presently, Pakistan is negotiating free/preferential trade agreements with Iran, Uzbekistan and Thailand. In the next 6 to 12 months, it is expected that Pakistan will start pursuing trade deals with Saudi Arabia, U.A.E. and Oman.
- Work on the **China Pakistan Economic Corridor (CPEC)** project, signed between Pakistan and China in 2015, is in progress, however, with a slow pace due to multiple terrorist incidents. CPEC is a cluster of under progress infrastructure and energy projects in Pakistan with the collaboration of China through mixed grants, long term government concessional loans, zero interest loans and simple partnership or free investment modes. While presenting the budget of the fiscal year 2022, the Finance Minister in his speech of 11 June 2021 shared with the Parliament that under the CPEC, 17 big projects worth USD 13 billion have been completed while 21 projects amounting to USD 21 billion are under completion. He further added that 26 projects of strategic nature valuing USD 26 billion are in the planning phase. So far CPEC is constituted of USD 26 billion as the Chinese Foreign Direct Investment (FDI) and USD 6 billion being the Chinese Government Concessional Loan (GCL). The CPEC is comprised of two phases where the first phase was on Government to Government (G2G) basis and is complete while the second phase is on Business to Business (B2B) basis. The first phase encompassed developing energy and road infrastructure and was implemented rapidly, however the second phase comprising industrialization is slow. The Eastern Route (roads network in the eastern part of Pakistan) being economically viable for China due to better hinterland was developed quickly by China under the first phase. 9 Special Economic Zones are being developed, however, at a very nascent stage, under the second phase. Under the umbrella of CPEC, a project of around USD 7 billion to expand and reconstruct the existing Karachi-Peshawar Railways Line known as Main Line 1 (ML1) of 1872 Kms is of vital importance, however, it is being speculated that both governments have not agreed so far on the loan interest rate.

1.2. Outlook for Switzerland (potential for discrimination)

The agreements with China and other countries do not pose any potential discrimination for the Swiss companies in Pakistan. They enjoy very good reputation in Pakistan due to their quality products and fair and transparent dealings. However, due to increasing influence of Chinese and Turkish companies in the public sector of Pakistan through their respective governments, Swiss companies have diverted their scope of business from the public to the private sector. Nevertheless, CPEC has brought opportunities for further investment and trade for Swiss companies in the fields of energy and construction, which have been undertaking projects under CPEC successfully.

¹ The Fiscal Year in Pakistan begins on the 1st of July and ends on the 30th of June.

2. Foreign Trade (1 – 2 pages max.)

2.1. Development and general outlook

3.1.1. Trade in goods

During the FY 2020-21, the overall trade deficit of Pakistan was recorded at 52.4%. During the period, the imports were recorded at USD 53.8 billion while the exports were at USD 25.6 billion.

For the same period of time, USA, UK, China, Germany and U.A.E were the **top five importers of the Pakistani products**. During this period, textiles, food items, mainly rice, chemicals and pharma, leather goods, and surgical instruments were the top five exports of Pakistan.

The top five countries Pakistan imported from were China, U.A.E., Singapore, USA, and Saudi Arabia while the top five products imported were petroleum products, chemicals, mainly plastics, machinery particularly telecom machinery, food items, mostly palm oil, and textiles .

Pakistan practices a complex system of import duties where goods are subject to different rates of customs tariffs. These rates can be ascertained through the following web link:

<http://www.fbr.gov.pk/TariffSearch.aspx?view=ExternalLink>

3.1.2. Trade in services

During the fiscal year 2020-21, the **trade deficit in services was recorded at 23.4%**. The export of services was recorded at USD 5.9 billion, while the imports were at USD 7.7 billion.

Transport, Travel, Telecommunication & IT, Government goods & services, and insurance & pension services were the top five services imported by Pakistan.

Telecommunication and IT, Government goods & services, Transport, Travel, and Construction were the top five exports of Pakistan.

3.2. Bilateral trade

3.2.1. Trade in goods

The bilateral trade balance between Switzerland and Pakistan has traditionally been in the favour of Switzerland.

Switzerland's exports to Pakistan in calendar year (CY) 2020 have shown a nominal decrease of 1.9% from CHF 373.7 million in CY 2019 to CHF 366.6 million in CY 2020. Pharma products are the main Swiss exports to Pakistan followed by machines, chemicals, dyeing extracts & colours, and watches, which have a significant export share as well. It can be observed that the major increase in the exports has been in chemicals (86.9%).

According to the data available with the State Bank of Pakistan, Switzerland is the 12th largest exporter to Pakistan in the fiscal year 2020-21.

Switzerland's Exports to Pakistan

In Mio CHF

Description	2016	2017	2018	2019	2020	%
Pharmaceuticals	147.3	158.6	199.5	170.5	201.4	+18
Machines	82.1	85.9	63.5	78.8	49.1	-38
Chemicals	52.9	34.6	27.7	19.1	35.7	+87
Dyeing Extracts, & Colours	14.9	20.2	29.9	31.7	30	-5
Watches	21.5	23.1	22.9	21.2	19.3	-9
Others	39.5	50.7	55.1	52.6	31.1	-40
Total	358.3	373.3	398.4	373.7	366.6	-2

+/-% change from last year

Source: Swiss Customs Administration

Switzerland's imports from Pakistan in CY 2020 witnessed a significant increase of 19.2% from CHF 166.7 million in CY 2019 to CHF 201.4 million in CY 2020. Textiles are the largest item of Switzerland's import from Pakistan and accounts for CHF 151.5 million followed by agricultural products which make up CHF 19.2 million. Products like sports goods, surgical equipments and carpets also have a minor import share.

According to the data available with the State Bank of Pakistan, Switzerland is the 38th largest importer from Pakistan in the fiscal year 2020-21.

Switzerland's Imports from Pakistan

In Mio CHF

Description	2016	2017	2018	2019	2020	%
Textiles	84.5	109.8	122.3	125.7	151.5	+19
Agricultural products	13.4	8.2	13.8	9.3	19.2	+73
Others	25.2	27.3	29.1	31.7	30.7	-3
Total	123.1	145.3	166.0	166.7	201.4	+19

+/-% change from last year

Source: Swiss Customs Administration

3.2.2. Trade in services

According to the data available with the State Bank of Pakistan, during FY 2021, imports of services from Switzerland to Pakistan amounted to USD 286 million while the exports from Pakistan to Switzerland were recorded at USD 128 million.

3. Direct Investments (1 – 2 pages max.)

3.1. Development and general outlook*

Foreign direct investment in Pakistan witnessed a considerable decrease of 28% in the FY 2020-21 and was recorded at USD 1.8 billion as compared to USD 2.5 billion in the previous FY. The top five foreign direct investors were China (USD 757.9 million), Hong Kong (USD 157.2 million), USA (USD 155.5 million), UK (USD 143.5 million), and the Netherlands (USD 107.5 million). Switzerland secured the 7th position with investments of USD 73.5 million.

The investment policy of Pakistan during the last FY remained unchanged while power generation, oil & gas, and financial business were the **top most attractive sectors** in Pakistan for foreign investment.

*Source: Pakistan's Board of Investment

3.2. Bilateral investment

For many years, Switzerland has been one of the largest foreign direct investors in Pakistan. In FY 2013-14, Switzerland was the fourth largest investor in the country after China, Hong Kong, and USA. FY 2014-15 was the year of repatriation of profits by the Swiss investors. In fiscal years 2015-16 and 2016-17, Switzerland came in at number six and four with an annual investment of USD 58 and 101.8 million respectively. In FY 2018-19, Switzerland was the 10th largest investor in Pakistan with an investment of USD 21.2 million. In FY 2019-20, Switzerland attained the 6th position and invested another USD 61.8 million in the country. In FY 2020-21, Switzerland secured the 7th position by investing USD 73.5 million.

Source: Pakistan's Board of Investment

There are a certain number of **Swiss multinationals** successfully operating in Pakistan. Currently, 23 Swiss based multinational companies are operating in the country in the sectors of energy production, machinery for edible commodities, chemicals, pharmaceuticals, food and beverages, banking, hospitality, tobacco, food catering, freight forwarding, telecom, construction material, agriculture, specialized inks, and gums. 16 companies have their headquarters in Karachi while 6 companies are based in Lahore, and one company is headquartered in Islamabad. 11 companies also have their manufacturing facilities in Pakistan; the number of these manufacturing units currently stands at 18. These companies provide direct employment to about 15,000 persons and a multiple number of third party contract workers in Pakistan.

During the Embassy's interactions with Swiss companies over the year, the companies expressed in general their satisfaction about the overall business environment in the country and were optimistic about the outlook of business opportunities in the future. Almost all of the companies showed their concern about the volatility in the exchange rate of the country. A few companies shared concerns about

the delay in VAT refunds by the government. However, a meeting of Ambassador de Cerjat with the Pakistan's Minister of Commerce provided an impetus to the early resolution of this issue by the government. Swiss companies working in the energy sector complained about their registration with the regulatory authority as a foreign company instead of a local company resulting into losing a number of local business contracts in the public sector.

5. Trade, economic and tourism promotion “Country advertising” (1 – 2 pages max.)

5.1. Foreign economic promotion instruments

The commercial services of the Swiss Embassy in Islamabad and the « Swiss Business Council » (SBC) are the **main channels of business and economic promotion for Switzerland in Pakistan**. Questions and requests are handled directly by these institutions or forwarded to respective partners in Switzerland. The cooperation between the two entities with “Switzerland Global Enterprise” (S-GE) is good.

The SBC, founded in 2008, unites all Swiss companies with a subsidiary in the country or otherwise active in Pakistan. This representative of Swiss economic presence in the country is an important partner for the Embassy in organizing events to promote Switzerland as an economic partner as well as business-2-business trips to Pakistan and Switzerland. The Council since 2014 has a mandate from S-GE to provide market studies (and to organize trips) for its interested members.

SBC, over the period of more than one decade, has become a strategic and important partner for the Embassy allowing an important exchange of information with the management of the Swiss companies active in Pakistan. As many as 80 Pakistani companies are representing Swiss principals (textile machines, watches, food products...) in the local market. Some of the leading Swiss financial institutions also collaborate with their Pakistani partner institutions. Central Depository Company in Pakistan also works in close confines with Zürich-based International Securities Services Association.

In November 2018, a delegation led by Ambassador Erwin Bollinger of the State Secretariat for Economic Affairs (SECO) of the Swiss Federal Department of Economic Affairs visited Pakistan and had a fruitful exchange of information during its interactions with high-level government officials and members of the SBC. A fact finding mission from S-GE also visited Pakistan in December 2018.

5.2. The host country's interest in Switzerland

Tourism, education, other services:

Switzerland enjoys in general a very good reputation in Pakistan, mainly based on the usual « clichés » for which the country is known in the whole world.

Beside chocolate, cheese, landscape and banks, Switzerland is known for its political stability, its neutral stance in world politics and as host country of “*la Genève internationale*”.

Apart from a general interest to migrate to Europe (and therefore also Switzerland), visits to our country remain an exclusive privilege to the upper end of the economically privileged in Pakistan.

In 2020, due to the Covid pandemic and travel restrictions, the Embassy delivered only 453 visas against a total of 725 requests. A larger part of these visas were delivered for official visits (164) while 139 visas were issued for business purposes, 77 for family visits and 67 for tourism.

Investments:

As per the information available with the Embassy, there are no Pakistani companies active in Switzerland.

A small but growing “investment” in Switzerland comes from the small businesses of Pakistani living (3000 to 4000 Pakistanis are living in Switzerland) and working in our country, mainly in the hospitality (restaurants) business.

Switzerland as a financial center:

Also as financial center, **Switzerland enjoys in Pakistan within the business circles a positive image**. This image is somewhat marred with the general public by rumors in press and electronic media of large sums “stashed away” by the rich and powerful of Pakistan in Switzerland. These accusations lack up to now any concrete follow-up by the government and its institutions with the respective authorities in Switzerland.

The recent developments and changes of practices in the Swiss banking sector including the modifications of the legal framework have remained, certainly with the general public, almost unnoticed in Pakistan. Mainly the private investors take interest in Swiss financial institutes, as they wish to be their

clients due to Switzerland's stable political and economic environment. Automatic exchange of information on tax matters between Switzerland and Pakistan has become effective since January 2020 whereby both countries will be sharing data from October 2021.

ANNEX 1

Pakistan: Structure of the Economy

Sectoral Share in Gross Domestic Product			
	2018-19	2019-20	2020-21 (P)
Share of GDP (%)			
Commodity Producing Sector	38.5	38.6	38.3
- Agriculture	18.7	19.4	19.2
- Manufacturing	13.1	12.2	12.8
Services	61.4	61.4	61.7

P = Provisional

Source: Pakistan Economic Survey 2020-21, www.finance.gov.pk

Employment Shares by Sectors (%)		
Major Sectors	2014-15	2017-18
Agriculture	42.3	38.5
Manufacturing	15.3	16.0
Construction	7.3	7.6
Trade	14.6	14.9
Transport	5.4	5.6
Community	13.2	14.7
Others	1.9	2.6

Source: Pakistan Bureau of Statistics (Labour Force Survey 2017-18) as quoted in Pakistan Economic Survey 2020-21, www.finance.gov.pk

ANNEX 2

Pakistan: Wichtigste Wirtschaftsdaten

	2016	2017	2018	2019	2020	2021
GDP (USD billion)¹	269.6	277.5	304.3	284.8	247.1	303.3
GDP/capita (USD units)¹	1,392	1,406	1,514	1,391	1,186	1,431
Inflation, average consumer prices (percent change)²	2.8	4.1	3.9	6.7	10.7	8.7
Current account balance (percentage of GDP)²	-1.8	-4	-6.1	-4.9	-1.1	-1.5
Total Debt & Liabilities (percentage of GDP)¹	77.6	78.6	86.3	105.6	107.3	100.3
Current Account Balance (USD billion)¹	-4.9	-12.2	-19.2	-13.4	-2.9	-2.5

¹Estimates of the State Bank of Pakistan

²Estimates of the IMF

Annex 3

Trade Partners

Host country view

Cumulative Export of Goods to Major Countries

Sr. No.	COUNTRY	2020-21 (P) (USD Million)
1	EU	6,604
2	USA	5,029
3	UK	2,047
4	China	2,043
5	Germany	1,511
6	UAE	1,487
7	Netherlands	1,118
8	Afghanistan	983
9	Spain	801
10	Italy	773
11	Bangladesh	616
12	Belgium	583
13	Saudi Arabia	465
14	France	435
15	Canada	311
16	Sri Lanka	270
17	Australia	269
18	Turkey	268
19	Denmark	241
20	Malaysia	236
21	Hong Kong	224
38	Switzerland	108
	I. Export Receipts through Banks	25'016'250
	II. Freight on Export	211'930
	III. Export Receipts Banks (fob) (I-II)	24'804'320
	IV. Other Exports	827'672
	Total Export as per BOP (III+IV)	25'631'992

Note: P = Provisional

Source(s): State Bank of Pakistan www.sbp.org.pk

Cumulative Import of Goods from Major Countries

Sr. No.	COUNTRY	2020-21 (P) (USD Million)
1	China	13,306
2	UAE	6,961
3	EU	4,120
4	Singapore	3,115
5	USA	2,445
6	Saudi Arabia	2,389
7	Japan	1,497
8	Kuwait	1,354
9	South Korea	1,315
10	Malaysia	1,312
11	Germany	1,148
12	Switzerland	1,103
13	Thailand	1,067
14	South Africa	888
15	Turkey	866
16	Brazil	795
17	UK	780
18	Hong Kong	688
19	Russia	593
20	Italy	568
21	Netherlands	465
	I. Import Payments Through Banks	52'148'141
	II. Freight & Insurance	1'408'000
	III. Import Payments Banks (fob) (I-II)	50'740'141
	IV. Other Imports	3'054'825
	Total Imports as per BOP (III+IV)	53'794'966

Note: P = Provisional

Source(s): State Bank of Pakistan www.sbp.org.pk

Annex 4

Bilateral Trade between Switzerland and Pakistan

Der Aussenhandel zwischen den beiden Ländern zeigt ein ausgesprochen komplementäres Bild: Die Schweiz exportiert namentlich hochwertige Chemie-, Pharma- und Maschinenprodukte, während Pakistan eine starke Konzentrierung auf Textilprodukte verschiedenen Verarbeitungsgrads sowie Landwirtschaftsprodukte ausweist. Traditionell hat die Schweiz mit Pakistan einen Handelsüberschuss.

Entwicklung des Handels¹

Jahr	Exporte (CHF Mio.)	Veränderung zum Vorjahr	Importe (CHF Mio.)	Veränderung zum Vorjahr	Handelsbilanz
1990	292.4	14.1%	56.8	14.5%	235.6
1995	237.8	16.1%	40.5	-19.6%	197.3
2000	222.5	36.2%	47.3	4.0%	175.2
2001	238.4	7.1%	38.2	-19.2%	200.2
2002	203.1	-14.8%	40.2	5.2%	162.9
2003	245.5	20.9%	36.7	-8.9%	208.9
2004	340.2	38.5%	42.2	15.3%	297.9
2005	359.0	5.2%	46.0	8.8%	313.0
2006	327.5	-8.8%	65.9	43.2%	261.6
2007	330.1	0.8%	71.8	9.0%	258.3
2008	405.1	22.7%	70.1	-2.4%	335
2009	320.3	-21%	63.1	-10%	257.2
2010	295.0	-7.8%	62.7	-0.6%	232.3
2011	279.6	-5.3%	72.5	15.3%	207.1
2012 ²	261.2	-6.6%	107.7	48.1%	153.5
2013	277.8	+6.4%	97.4	-9.5%	180.3
2014 (prov.) (ohne Gold)	273.7	-1.5%	107.8	10.5%	165.9
2014 ^{**3} (prov.) (neu : mit Gold)	273.8	-1.4%	97.6	-9.4%	176.2
2015	311.3	+13.7%	105.4	-2.2%	205.9
2016	358.3	+15.1%	123.1	+16.8%	235.2
2017	373.3	+4.1%	145.4	+18.1%	227.9
2018	398.4	+6.7%	166.0	+14.2%	232.4
2019	373.7	-6.2%	166.7	+0.4%	206.6
2020	366.6	-1.9%	201.4	+19.2	165.2

¹ Quelle: Eidg. Zollverwaltung

² Dès 2012, modification de la méthode de calcul des importations (passage du pays de production au pays d'origine) www.ezv.admin.ch/themen/00504 (mars 2012), ce qui rendra difficile la comparaison avec les années précédentes.

³ ** **Handelszahlen ink. Gold, Silber und Münzen:** Ab dem 01.01.2014 wird der Aussenhandel mit Gold, Silber und Münzen nach Ländern ausgeschlüsselt und als Bestandteil der Schweizer Aussenhandelsstatistik (Gesamttotal) in der Online Datenbank [Swiss-Impex](#) integriert. Infolgedessen sind Vergleiche zwischen 2014 und den vorhergehenden Jahren nicht mehr möglich.

Wichtigste Produkte

Switzerland's Exports to Pakistan

In Mio CHF

Description	2016	2017	2018	2019	2020	%
Pharmaceuticals	147.3	158.6	199.5	170.5	201.4	+18
Machines	82.1	85.9	63.5	78.8	49.1	-38
Chemicals	52.9	34.6	27.7	19.1	35.7	+87
Dyeing Extracts, & Colours	14.9	20.2	29.9	31.7	30	-5
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Description	2016	2017	2018	2019	2020	%
Textiles	84.5	109.8	122.3	125.7	151.5	+19
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Total	123.1	145.3	166.0	166.7	201.4	+19

+/-% change from last year

Source: Swiss Customs Administration

Exportrisikogarantie (ERG)

Risikokategorie: 6⁴

Garantien für langfristige Kredite sind nicht offen. +/-% change from last year

Annex 5

Main investing countries

Net Foreign Direct Investment in Pakistan** (Million USD)

Country	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 (P)
China	340.8	1,048.3	763.2	1,311.9	130.8	844.1	757.9
Hong Kong	136.2	187	123	183.6	171	190.7	157.2
USA	223.9	15.7	45.7	161.7	88.1	97.2	155.5
UK	169.6	151.7	215.4	304.6	185	117.3	143.5
Netherlands	-34.5	29.9	457.6	100.3	69	133.2	107.1
U.A.E.	235.3	114.6	120.1	-4.4	103.7	-44.2	102.1
Switzerland	-6.5	59.5	101.7	78.5	21.2	61.8	73.5
Italy	115.4	105.4	61.5	56.6	51.9	56.4	36.1
Turkey	43.4	16.9	135.6	29.8	73.8	24.9	13.8
Austria	24.8	42.7	21.7	27.4	7.6	3.8	0.8
Japan	71.1	35.4	57.7	59.8	117.3	52.4	-11.4
Others	-285.7	585.8	303.4	470.5	343	1,023.6	468.5
Total	1,033.8	2,392.9	2,406.6	2,780.3	1,362.4	2,561.2	1,847.4

Note: Pakistan's Fiscal Year runs from July 1 until June 30.

Source: Board of Investment www.invest.gov.pk

****P=Provisional**