

'US companies open to exciting ideas'

By Afshan Subohi

▶ BUSINESS circles view Prime Minister Nawaz Sharif's recent visit to the US in a positive light but they do not expect any dramatic outcome for Pakistan's economy, which is struggling with shrinking exports and low foreign direct investment.

Despite positive observations by development partners and ratings agencies, Pakistan's exports fell by 6pc in the first quarter of this fiscal year over the same period last year, according to the Pakistan Bureau of Statistics.

However, after shrinking by as much as 58.2pc in the last fiscal year, foreign direct investment (FDI) jumped 47pc in the first quarter of this fiscal though the overall volume is not so promising..

"The investment-to-GDP ratio plummeted substantially during the last seven years, from 20pc in 2007-08 to 15pc in 2014-15," stated an official working paper circulated before the last budget.

The general impression about the prime minister's official visit is that corporate America is perhaps more aware of the current positive economic trends in Pakistan than the US political and bureaucratic hierarchy.

"The political posturing of the governments matter for businesses but if they become genuinely interested, they are influential enough to leave a mark on the contents of foreign policy in a free market economy," commented a business tycoon who did not wish to be identified. He cited the example of US policy towards China in this regard.

"The growing interest of American companies in Pakistan is based primarily on the experience and the growth trajectory of multinationals here. Everything, from the country's ratings on various indices to perceptions, matters but nothing convinces the private sector better than bottom-line growth," he added.

"At this point, I believe American companies may be open to exciting ideas if the risks are sufficiently mitigated, but it will be misleading to read too much into their participation at an exclusive event addressed by a prime minister and a finance minister," he concluded.

Sartaj Aziz, advisor to the prime minister on foreign affairs, who was part of the official delegation to the US, claimed that the visit was a success as he felt that the target of shifting the focus from 'security in isolation' was met.

"On the economy, we spoke about greater market access to a few dozen selected items. We also expressed our desire to participate in the public procurement process in the US. We are also pursuing access to certain WTO regimes to meet qualifying requirements in this regard," he said over telephone from Islamabad.

"The US leadership acknowledged the gains made on the economic front and pledged support in sectors of mutual interest, like clean energy projects etc".

American Business Council (ABC) President Nadeem Ilahi, who attended the luncheon meeting of the prime minister with US companies in Washington

D.C., said it was a well-attended event [200 firms were represented], for which many CEOs had flown from outside.

"I think the government team was well prepared and left a [positive] impression on the participants. From what I heard in the hall after the programme, businessmen were pleasantly surprised by the PM's articulation of the economic challenges and opportunities that Pakistan — as a resourceful expanding market — offers to global companies," he said.

"PM Sharif's treatment of the energy deficit issue and the ground covered under his leadership to improve the security situation must have given American businessmen some hope," said Nadeem, whose company, TRG, was a key sponsor of the event organised by the US-Pakistan Business Council in D.C.

He did not expect an immediate and dramatic shift in the behaviour of US firms, but their presence in the meeting indicated their interest in Pakistan. The narrative, based on the experience of US firms already in Pakistan, was important to attract new investors, he added.

"To supplement the drive to attract new investors, the government needs to address the concerns of those that are already here. There are issues related to the tax framework, drugs business, intellectual property rights etc that demand immediate government attention."

Citibank Pakistan — the only US bank in the country, which wrapped up its consumer financing operations and currently focuses on corporate and investment banking — was also among the sponsors of the event in Washington. A ceremony where K-Electric and the Overseas Private Investment Corporation inked a commitment letter for a \$250m 10-year financing project materialised following a direct Citibank loan of \$20.8m.

"The perception of Pakistan in the American business community has definitely improved over the past two years. The greater influence of the military establishment in Pakistan is treated as somewhat positive, as it is perceived to be a stabilising factor. Other institutions are too weak to sustain a dependable framework in the eyes of the US private sector," a senior Citi banker shared his opinion on the condition of anonymity.

Country Director for Centre for International Private Enterprise Pakistan Moin Fudda said the visit was fruitful.

"We tend to get both impatient and ambitious. People who expected wonders might be disappointed, but I believe that the US-Pakistan relationship is on the right trajectory if one compares to what it was in 2011," he commented.

"It would be lame to expect others to invest big time as long the Pakistani business community stays reluctant to commit its capital here," said a former ABC president.

"The government should have had more business events lined up in the US. It should also have visited the Silicon Valley," said Saad Ammanullah, a former executive of a major US firm. ■