



China Pakistan Economic Corridor Investment Opportunities in Pakistan

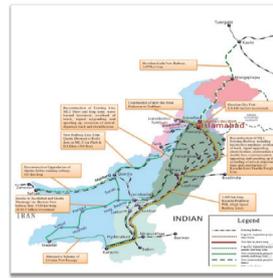




**INVESTMENT
OPPORTUNITIES
AND COMPARATIVE
ADVANTAGE IN
PRIORITY SECTORS**



Strategic Location & Global Connectivity



Pakistan provides access to trade routes to the Middle East, Africa and the rest of the World: 3 continents, 68 countries, 1/3 of the world's GDP and 62% of global population

Trade moving inland gets access to China, Central Asian States and beyond to Russia

Unique and strategic edge in facilitating trade with lower freight costs and lead times

| Origin Port | Destination Port | Road Travel Time (Kashgar to Gwadar) | Road Travel Time (Kashgar to Shanghai) | Sea Travel Time (Gwadar to Different Ports) | Sea Travel Time (Shanghai to Different Ports) | Total Time Traveled (Kashgar-Gwadar-Ports) | Total Time Traveled (Kashgar-Shanghai-Ports) | Difference |
|------------------------------|------------------|--------------------------------------|--|---|---|--|--|------------|
| Days unless stated otherwise | | A | B | C | D | E=A+C | F=B+D | E-F |
| Kashgar (China) | Port of Salalah | 4 (2800 kms) | 7 (5150 kms) | 3 (755 nm) | 22 (6027 nm) | 7 | 29 | 22 |
| | Jeddah | 4 (2800 kms) | 7 (5150 kms) | 8 (2127 nm) | 26 (7341 nm) | 12 | 33 | 21 |
| | Shuwaikh Port | 4 (2800 kms) | 7 (5150 kms) | 4 (942 nm) | 25 (7094 nm) | 8 | 32 | 24 |
| | Rotterdam | 4 (2800 kms) | 7 (5150 kms) | 24 (6785 nm) | 42 (11999 nm) | 28 | 49 | 21 |
| | Hamburg | 4 (2800 kms) | 7 (5150 kms) | 25 (7063 nm) | 43 (12277 nm) | 29 | 50 | 21 |
| | Le Havre | 4 (2800 kms) | 7 (5150 kms) | 23 (6530 nm) | 41 (11744 nm) | 27 | 48 | 21 |

Study of selected locations shows substantial benefit in transportation times via China-Pakistan Economic Corridor

Pakistan represents an ideal location for servicing international clients' orders quickly

Competitive Sea Freight Cost to Key Global Markets

| Sea Freight per 40 foot Container* | | | |
|------------------------------------|--------------|---------------|---------------|
| Amounts in Euros | EU Base Port | US East Coast | US West Coast |
| Pakistan | 4,000 | 6,700 | 6,900 |
| China | 15,000 | 12,500 | 8,800 |
| Pak-China Difference (x) | 3.75x | 1.86x | 1.28x |

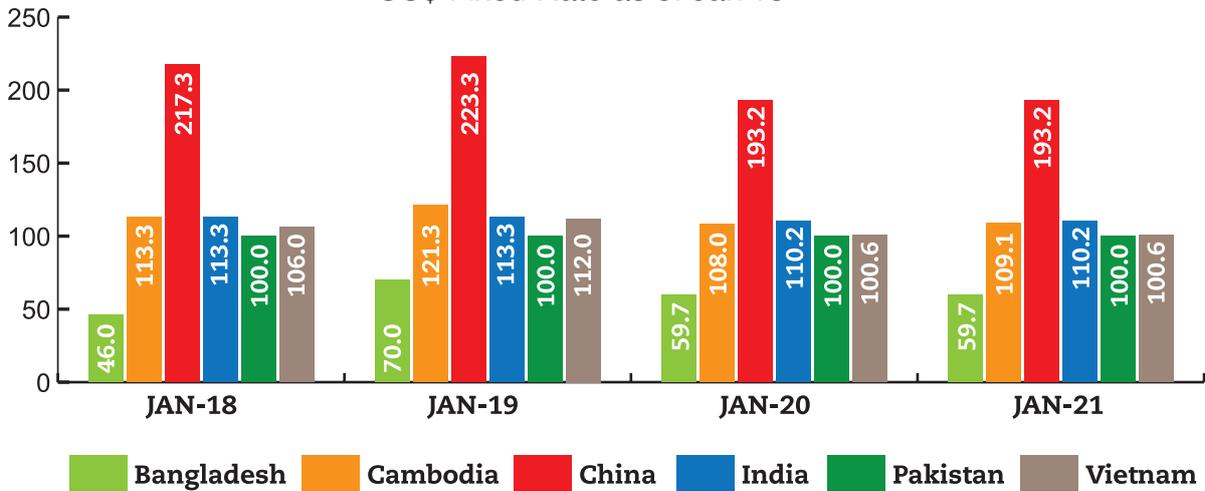
Sea freight charges can form 2-10% of unit cost depending on the product

Pakistan offers substantially better and lower sea freight rates to two of the largest import destinations

Cost savings on sea freight can materially reduce costs for transacting parties, make product pricing competitive

Competitive Regional Labor Costs

Minimum Wage Rate Index (Pakistan 100)
US\$ Fixed Rate as of Jan'15



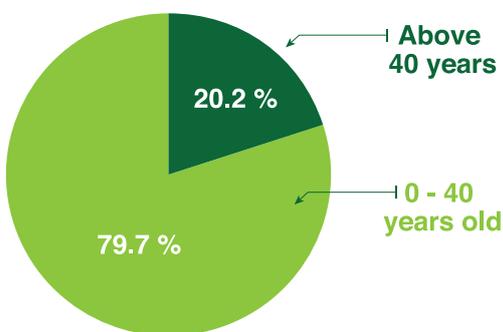
Historically Pakistan has offered cheaper labor vis-à-vis China

Chinese labor cost was 2.1x in 2018, and continues to be around twice as expensive as Pakistani experienced labour

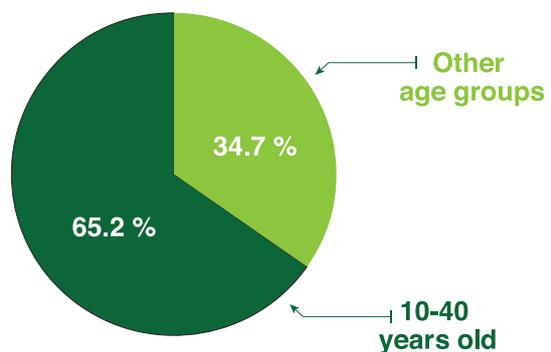
China-Pakistan Wage Rate differential would be more than twice at prevalent US\$ parity rates

Young Demographics, Growing Demand & Talent Pool

Population Distribution By Age



Distribution of Labor force



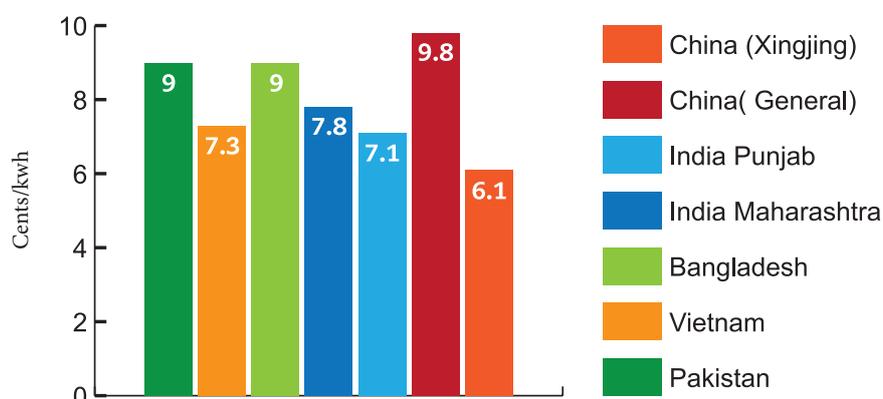
80% of Pakistan's population and 60% of the labor force is under the age of 40

A growing domestic economy and middle class with potentially higher needs and disposable incomes

Sufficient skilled labor with large talent pool for human resource

Regionally Comparable Energy Tariffs (RCET)

Electricity Tariff Regional Comparison



Competitive SEZs Incentives' Offering

| Country | Tax Incentives | Imported Equipment | Raw Material |
|----------------------------------|--|---|--|
| Pakistan | Exemption on all taxes on income for 10 years | Duty free import of all plant, machinery, equipment, spares and accessories required for manufacturing and provision of services | Customs and other duty exemptions available for export oriented units |
| India (Non-tariff area) | 100% exemption on export income for first 5 years, then 50% for 5 years and then 25% for 5 years | Duty free import/ domestic procurement of goods for development, operation, and maintenance of SEZ units | Supplies to SEZs zero rated under IGST Act, 2017 |
| Bangladesh (Non-tariff area) | Income Tax - 10 years (excl. edible oil, sugar, flour, cement, iron and iron related products) -100% for first 3 years, 10% cut each year. Dividend tax for 10 years Exemption of VAT on utilities | Duty free import of selected capital machinery | Duty free import of construction material (except for MS Rod/ Bar, Cement, Prefabricated Building, Iron/Steel Sheet) |
| China (Shenzhen SEZ) | 25% tax exemption for 10 years (overall). 7.5% tax relaxation for further two years 15% tax rate for corporate income | 100% exemption on import of production equipment | 100% exemption on import of, construction materials and production inputs for both Enterprises and Developers |
| Vietnam (Nghi Son Economic Zone) | Preferential tax rate of 10% for 15 years (overall). Tax holiday for 4 years and 50% reduction in tax payable for next 9 years | Exemption on import of goods to create fixed assets and import of special-use vehicles | 100% exemption for 5 years on import of raw materials, supplies, components and semi-finished products, not locally available. |
| Cambodia | May elect to receive a Profit Tax Exemption* or use Special Depreciation** | Duty Free Commodities*** depending on types of industries For Garment & Footwear Industry: 0% VAT on import of raw material for exports of produced items only | |

Special Economic Zones (SEZs) in Pakistan

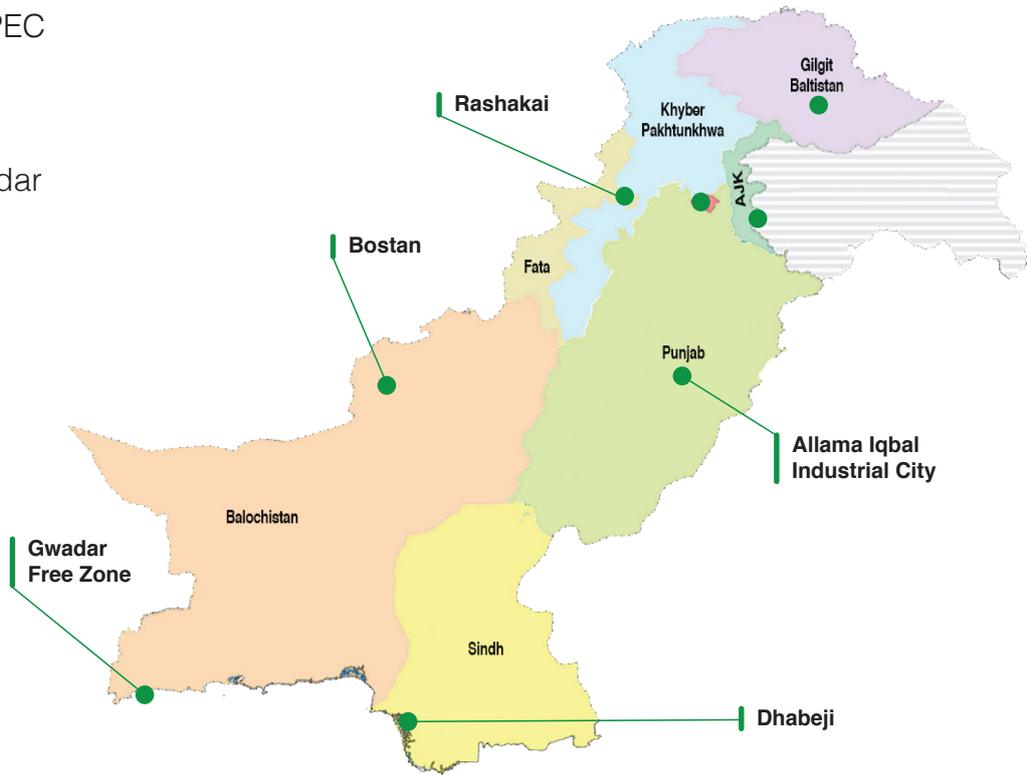
19 multi-industry SEZs are open for business, with respect to availability of infrastructure (Electricity, Gas, Water & Road accessibility etc.) for investors who wish to set up units in next two years.

5,300 acres of land is available in these SEZs. Additional 1000 acres of land is planned to be added:

- Bin Qasim Industrial Park (BQIP)
- Korangi Creek Industrial Park (KCIP)
- Hattar Special Economic Zone (HSEZ)
- M3 Industrial City (M3IC)
- Oil Village SEZ
- Rachna Industrial Park (RIP)
- Rahimyar Khan Industrial Estate (RIE)
- Rashakai Special Economic Zone (RSEZ)(CPEC)
- Vehari Industrial Estate (VIE)
- Bhalwal Industrial Estate (BIE)
- Bostan Special Economic Zone (BSEZ) (CPEC)
- Hub Special Economic Zone (HUBSEZ)
- Naushero Feroz Industrial Park (NFIP)
- Allama Iqbal Industrial City (AIIC) (CPEC)
- National Science and Technology Park (NSTP)
- JW-SEZ China-Pakistan SEZ
- Quaid-e-Azam Business Park (QABP)
- Dhabeji Special Economic Zone (CPEC)
- Gwadar Free Zone

CPEC Special Economic Zones under Current Focus

Out of total 9 CPEC SEZs, 4 are at advanced stage of Readiness in addition to Gwadar Free Zone



Facilitation for Chinese Investors

Investment Facilitation Center within CPEC Authority provides direct interface to Chinese companies

All issues related to Chinese enterprises get urgent attention of government departments and their issues are resolved expeditiously

Legal empowerment is being ensured for SEZs Management companies to provide maximum facilitation to investors within the SEZs in addition to providing “Plug & Play Environment”

Security Overview

Government of Pakistan is fully committed to providing a secure environment to Chinese investors

Ministry of Interior has established a Special Cell for foreigners’ security

All Civil and Military security agencies work closely to ensure maximum security for foreigners

CPEC projects are provided security by Pakistan Army and Navy



The
TEXTILE
SECTOR

China's 14th Five-year Plan 2021-25

14th five-year plan of the China National Textile and Apparel Council (CNTAC), provides the development objectives, growth strategies, and priority tasks for China's textile and apparel sector from 2021 to 2025.

Based on the plan, several trends are worth noting regarding the future of China's textile and apparel industry:

China intends to develop a more sophisticated and high-tech-driven textile and apparel industry and engage in more value-added functions

As the export market transforms, there will be greater reliance on the domestic market to support the textile and apparel industry's growth

China will continue its efforts in "going global," i.e., investing in textile and apparel factories overseas, mainly through the "Belt and Road Initiative."

China intends to develop a "greener" and more sustainable textile and apparel industry

Textile Industry & Export Market of Pakistan

Exports grew 32% in CY 2021

Value added textiles posted 36% growth in CY 2021, as a result of enhanced competitiveness

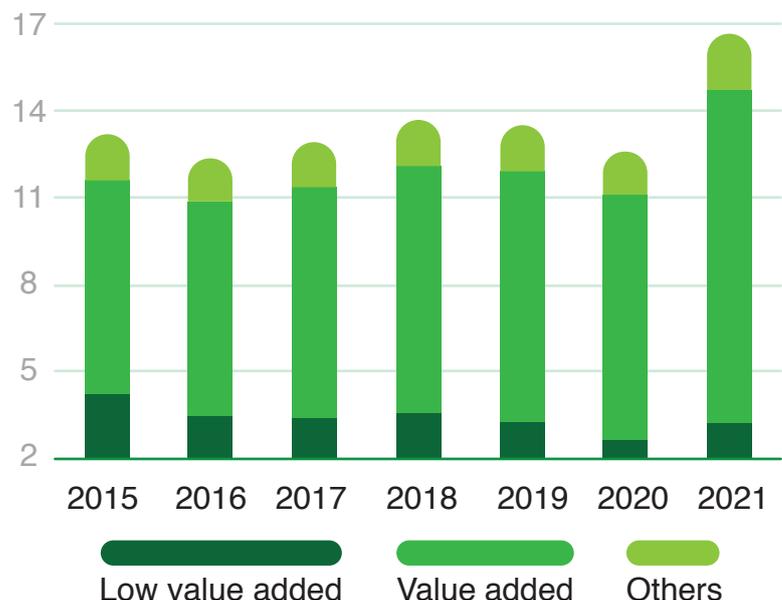
Exchange rate policy, coupled with competitive power & gas tariffs led to a turn around

EU GSP + status grants lower tariffs to exports from Pakistan

Upgradation of plants & machinery has significantly enhanced production capacity

Targeting \$ 20 bn exports in 2022

Textile Exports \$ bn



Textile Industry & Export Market of Pakistan

| Sub-Sector | # of Units | Production | Pakistan Export * US\$ (Million) | Global Exports* US\$ (Million) | Pakistan's Share % |
|-------------------|---|--------------------|-------------------------------------|-----------------------------------|-----------------------|
| Cotton (Ginned) | 1221 | 7.1 million bales | 58.4 | 14,685 | 0.40% |
| Cotton Yarn | 517 (40 composite, 477 stand-alone) | 3.5 million tons | 848.2 | 11,783 | 7.20% |
| MMF Products | 5 (Major) | 0.6 million tons | 343.5 | 69,920 | 0.49% |
| Cotton Fabric | 9,084 (Mill Looms) 403,500 (Non-Mill Looms) | 9.2 billion sq. mt | 1,752.6 | 20,490 | 8.55% |
| Apparel (Knitted) | 5,000 (Stitching) | - | 3,061.9 | 208,587 | 1.47% |
| Apparel (Woven) | | | 2,633.4 | 203,756 | 1.29% |
| Made-ups | | | 4,274.4 | 121,585 | 3.52% |
| Others | | | 160.4 | 122,533 | 0.13% |

* Export numbers for calendar year 2020

A complete value chain albeit fragmented

Export focus has been on yarn and fabric; offers substantial upside to capture export markets' share in value-added products

Relatively less vertically integrated units. Attractive investment opportunities for investment in integrated units

Competitive Unit Cost Pricing

| | Pakistan | China | India | Bangladesh | Cambodia* | Vietnam* |
|------------------------------------|----------|-------|-------|------------|-----------|----------|
| Yarn (US\$/LB) | 1.47 | 1.49 | 1.24 | 1.34 | N.A. | N.A |
| Woven Fabric of Cotton (US\$/m sq) | 0.62 | 1.43 | 0.62 | 0.70 | 1.56 | 1.75 |
| Male shirts (US\$/unit) | 3.89 | 5.79 | 4.80 | 6.12 | 3.90 | 6.39 |
| Female shirts (US\$/unit) | 3.95 | 5.75 | 3.93 | 5.93 | 3.50 | 6.20 |
| Bedlinen (US\$/unit) | 0.50 | 0.68 | 0.80 | 0.49 | 0.68 | 0.71 |

* With Circa 10% margin of error

Unit costs in Pakistan across the Textile Value Chain (TVC) vis-à-vis China are competitive

Unit costs are even more competitive in higher value added products, garments and bed-linen

Preferential Tariff Rates to Major Global Textile Import Markets

| | | Textiles (A) (Fibers, Yarns and Fabrics) | | | | Textiles (A) (Fibers, Yarns and Fabrics) | | | |
|------------------------|------------|---|-------|-------|-------|---|-------|--------|-------|
| | | EU-27 | USA | UK | China | EU-27 | USA | UK | China |
| Global Export Market % | | 19% | 5% | 1% | 9% | 36% | 19% | 6% | 2% |
| Simple Average MFN % | Pakistan | 0.00% | 6.66% | 0.00% | 2.22% | 0.00% | 8.33% | 0.00% | 2.70% |
| | China | 5.96% | 6.31% | 5.70% | | 10.14% | 8.29% | 10.10% | |
| | Vietnam* | 4.96% | 6.89% | 4.96% | 0.06% | 8.17% | 8.57% | 8.17% | 0.00% |
| | India | 6.01% | 6.72% | 5.87% | 5.06% | 10.12% | 8.33% | 10.14% | 4.23% |
| | Bangladesh | 0.00% | 4.29% | 0.00% | 0.00% | 0.00% | 8.26% | 0.00% | 0.00% |
| | Cambodia | 6.46% | 2.10% | 6.83% | 0.00% | 10.14% | 4.84% | 10.78% | 0.00% |

Source: World Bank (based on Tariff Year 2019) (Accessed dated 12-Aug-2021)
* Impact of Vietnam-UK FTA to be analyzed once data is released

Pakistan offers the most competitive regional access to EU27 and UK

EU27 and UK markets constitute around 42% of global export of value-added and 35% of total global textile exports

Opportunity for Chinese Investors in Textile Sector

- Pakistan is the 8th largest exporter of textile products in Asia.
- It is 4th largest producer and 3rd largest consumer of cotton.
- It comprises of 46% of the total manufacturing sector and provides employment to 40% of the total labor force.
- 5% of the total textile companies are listed on the stock exchange. There are 423 textile industries working in the country.
- The industry consists of 11.3 million spindles, 3 million rotors, 400,000 power looms, 18,000 knitting machines and processing capacity of 5.2 billion square meters.
- It has about 700,000 industrial and domestic stitching machines. There are 21 filament yarn units having capacity of 100,000 tons.
- A complete textile value chain exists in the country, unlike many other countries that possess only the primary base or the finished base.

Opportunity for Chinese Investors in Textile Sector

Pakistan has supply base for almost all man-made and natural yarns and fabrics, including cotton, rayon and others. This abundance of raw material is a big advantage for Pakistan due to its beneficial impact on cost and operational lead time.

Many international brands currently operate in Pakistan and work with the local textiles mills such as H&M, Levis, Target, Nike, Adidas, Puma etc.

Textile sector of Pakistan presents the most attractive opportunities for Chinese investors in the value-added segment particularly 'Apparel and Made-ups' where there is considerable growth potential

The investors will be able to take advantage of the best possible fiscal incentives in the SEZs, skilled and inexpensive labor, easy availability of raw materials, competitive energy tariffs, low freight costs and preferential access to European markets



The **PHARMACEUTICAL** **INDUSTRY**

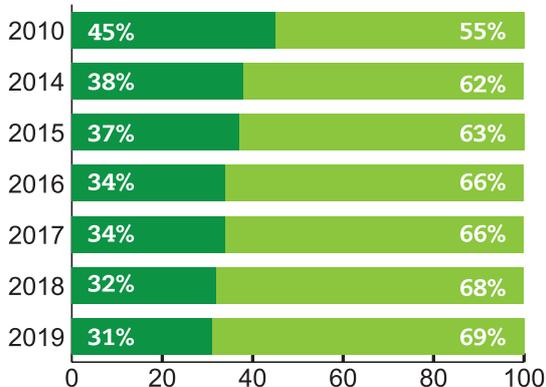
Pharmaceutical Sector in Pakistan

Pharmaceutical Sector valued around USD 3.2 billion in 2020, doubling from USD 1.64 billion in 2011

Pharmaceutical exports in 2019 stood at USD 218 million which is only 0.9 percent of the total exports

Due to recent expansion in public healthcare, the value of pharmaceuticals manufacturing in Pakistan could rise to USD 5 billion by 2024-25

Composition by Market Shares in Terms of Sales Value (per cent)

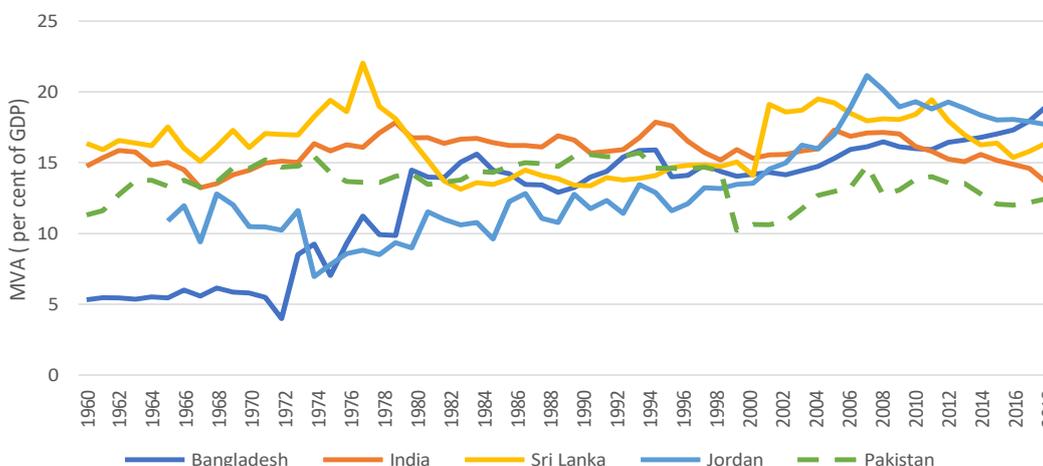


Share of local manufacturers has steadily grown from 55% in 2010 to 69% in 2019

Source: A Health Check for a Better Future: Unleashing the Potential of Pharmaceuticals in Pakistan by PBC and CDPR

MNC Local Firms

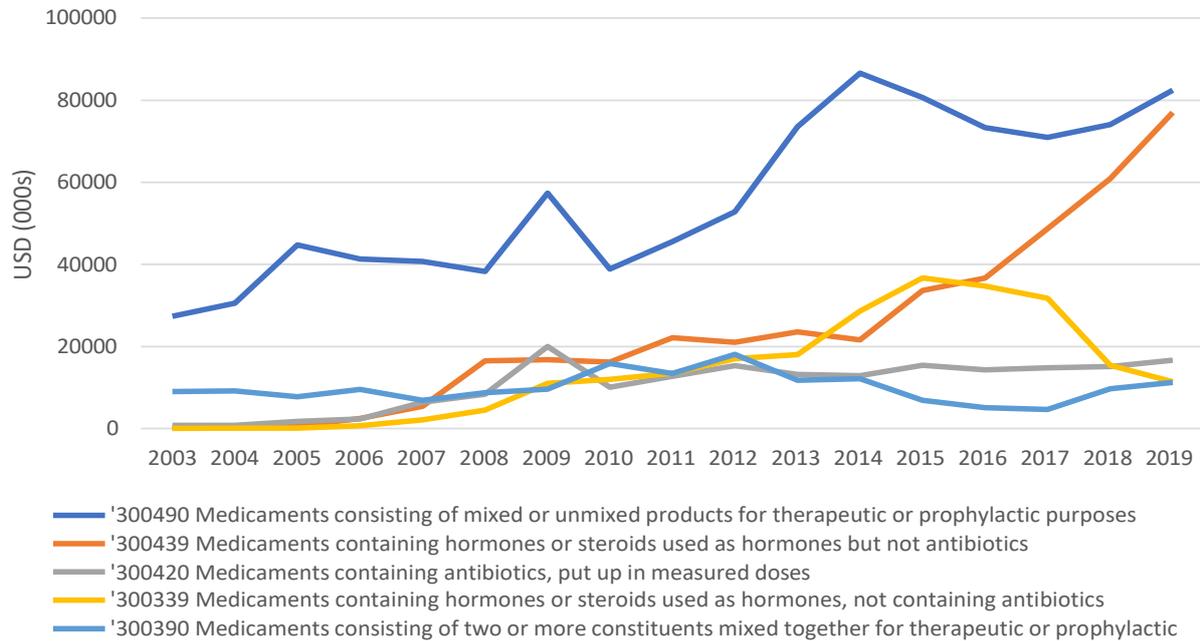
Manufacturing Value-Added (per cent of GDP), 1960-2019



Source: A Health Check for a Better Future: Unleashing the Potential of Pharmaceuticals in Pakistan by PBC and CDPR

There is considerable room for investment in value added pharmaceutical products

Top Five Export Products of Pakistan in Pharmaceutical



APIs & Pakistani Pharmaceutical Industry

More than 600 registered pharmaceutical units catering to 90% of local demand

Pharma industry dependent on imported APIs – approx. 3500 (95%) imported mainly from China & India

The sizeable API requirement presents opportunities for partnership and JVs between Pakistani and Chinese companies which can be beneficial for both

Chinese companies can substantially increase their outputs which have been marred by environmental issues & regulations compliance

Advantageous geographic location of Pakistan providing regional connectivity under CPEC can be effectively leveraged to export APIs to other countries

Potential market to develop new APIs with wide scope to establish Bio-Equivalence Labs and Contract Research Organizations (CROs)

Scope of API Manufacturing in Pakistan

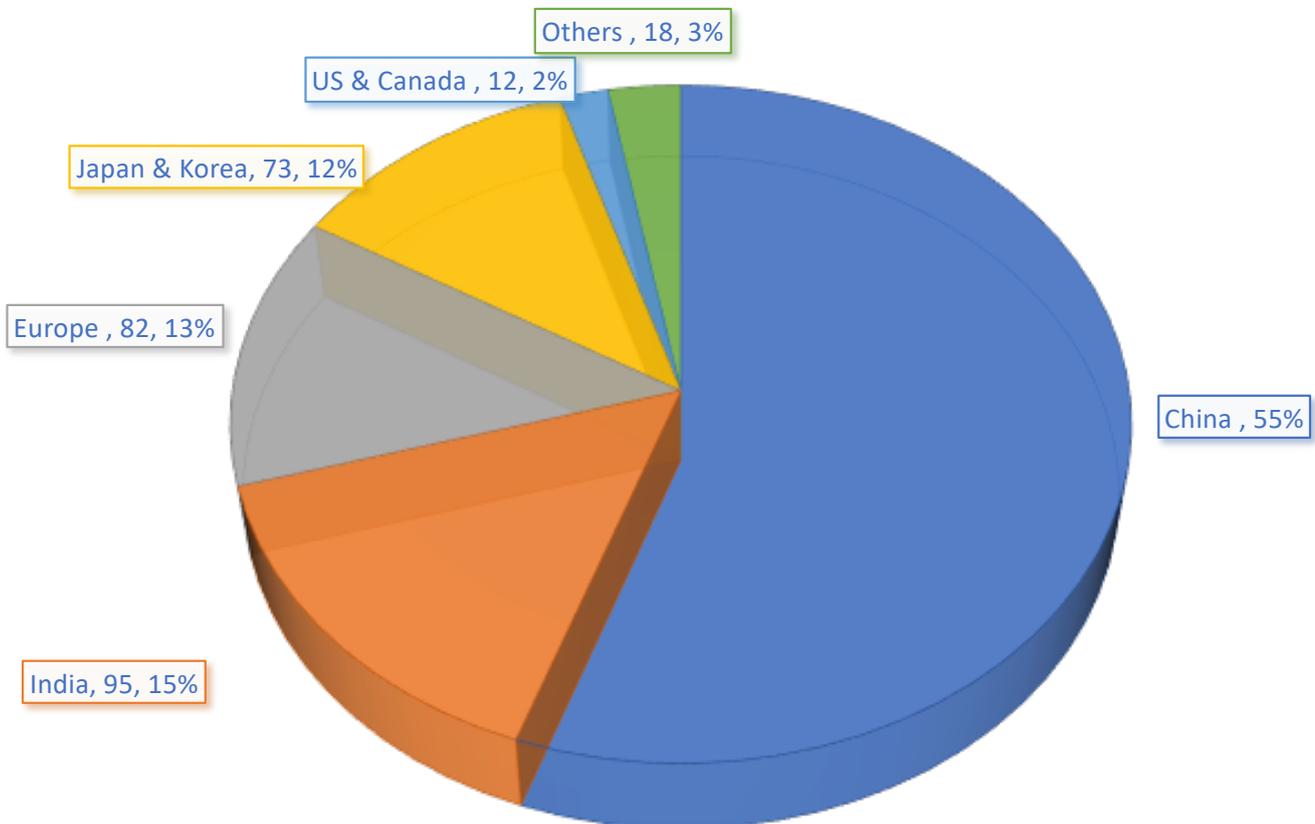
Formulation units (API Customers)

605

Products registrations/market authorization granted by

| | |
|---|---------|
| Drug Regulatory Authority of Pakistan (DRAP) | 110,000 |
| APIs imported in Pakistan | 3500 |
| APIs manufactured locally | 75 |
| APIs manufacturing licenses issued by DRAP | 24 |
| Semi basic APIs manufacturing licenses issued by DRAP | 19 |

Import of Pharmaceutical Raw Material in Pakistan



Total Imports 2021: USD 628 M

Advantages of Setting up API Manufacturing Sites in Pakistan

Opportunity to replace the imports from India, Korea, Japan, EU and even Chinese counterparts.

Fast Track Regulatory Registrations of APIs and no restriction as to pricing of APIs

New avenues for export of Plant, Machinery and Equipment to Pakistan as local industry will also step-in on backward integration

Transportation and logistics strategic advantage for exports to MENA, Central Asia, South Asia, EU and Africa.

Favorable import policy (Duty and tax holidays) in CPEC specialized Zones for APIs and Pharmaceuticals

Availability of economical and skilled labor

Great Potential for API exports and documentation ease due to availability of Fluent English Speaking and Qualified Human Resource.

With the latest imposition of Sales tax on the import of API in Pakistan, the demand from Pakistan for Bulk Import is likely to be replaced by the small volume frequent orders which will be easier to handle if the APIs are manufactured locally

Potential Opportunities in Pharmaceutical Sector

Pakistan has the requisite scale and growth to sustain a significant pharmaceutical sector

Direct Investment or JVs by Chinese Pharmaceutical companies with local manufacturers can enhance industrial competitiveness, consolidation, innovation, and exports

Data analysis and stakeholders' validation reveal that substantial export potential exists in a variety of product lines and several markets such as Africa, Russia, East and Central Asia

These factors along with the fiscal incentives in SEZs, availability of cheap & skilled labor and the transport/ logistic advantage present a very attractive proposition for the Chinese investors

The AUTOMOTIVE SECTOR



Automotive Industry in Pakistan

The automotive sector of Pakistan comprises assembly and manufacturing units for production of cars (three units), tractors (eight units), trucks/buses (ten units), Jeeps (two units), LCVs/pickups/vans (eight units) and two/three wheelers (one hundred thirteen units)

The downstream vending industry comprises around two thousand parts manufacturers, out of which about four hundred are in the organized sector

The local car market is dominated by Japanese brands like Toyota, Honda, and Suzuki while Korean and Chinese have also entered the market

China Can Capitalize on Pakistan's Middle-Class Market

Pakistan is home to the world's sixth largest population with a growing middle class - 17 million middle class households and 102 million middle class individuals as of 2018

Overall vehicle demand is reflective of a bulging middle-class population, with reasonable disposable income

There is greater demand for motorcycles and three-wheelers as well as cars priced under PKR 2 million (around USD 12,000). Motorcycles and three-wheelers accounted for 84% of vehicle sales from 2014–2018

Car penetration is still low at 13 vehicles per 1,000 persons, which offers a huge potential for growth to global carmakers

Low entry threshold along with fast growing auto sector and growing economy of Pakistan encourage new players

Low Motorization Levels



Automotive Sector

Pakistan offers huge opportunities for investment in automotive sector.

Capacity to manufacture by 2026:

650,000 Cars/ LCVs/ SUVs,

100,000 Tractors,

20,000 HCVs,

7 million 2-3 wheelers

Brief Facts About Automotive Parts Industry

| | |
|----------------------|--------------|
| Total Vendors | =3000 |
| Tier | =350 |
| Tier2 | =1,000 |
| Tier3 | =1,650 |
| Direct Employment | =500,000 |
| Indirect Employment | =2,400,000 |

Indirect Associated Industries = Measuring Instruments, Moulds, Dies & Tools, Machines, Steel, Rubber, Other Metal Alloy, Glass working, EDM, Machining, Molding, Textile, Plastics, Glass etc

| SECTOR | LOCALIZATION LEVELS | TOP 10 LOCALIZED HI-TECH AUTO PARTS |
|---------------|---------------------|---|
| Tractors | 92% | Transmission, Crankshaft, Piston, Connecting rod, Engine Valves, Engine Block, Starter Motor etc. |
| Motorcycles | 95% | Crank Case, Crank Shaft, Piston & Ring, Magneto, Suspension, Transmission, Engine Head, Engine Block, Wiring Harness etc. |
| Cars | 55% | Suspension, Steering Knuckle, Brakes, Light Springs Leaf, Radiator, Steering mechanism etc. |
| Truck & Buses | 15% | Exhaust/Inlet Manifold, Front Cabin, Wiring Sets, Radiator, Heavy Spring Leaf, Silencer, Cross Members, Floor Assembly etc. |

Expanding Automotive Sector

Pakistan's automobile industry is fastest growing in Asia owing to the growing domestic demand.

The production and sales have both grown by 171% and 172.5% respectively between 2014 and 2018

When compared to 2014, as of April 2018 there has been a 499% increase in sales of Jeeps (4x4), 262% in trucks, 193% in motorcycles, 104% in pickups, 89% in passenger cars and 87% in tractors.

According to Pakistan Automotive Manufacturers Association (PAMA), the total car sales swelled by 71.2 per cent to 114,765 units in 1st half of FY22 from 67,026 units in 1HFY21. December sales rose to 24,462 units from 15,351 units in November 2021.

Salient Incentives of National Electric Vehicle Policy

1% GST for EVs compared to 17% for regular vehicles.

Duty-free import of plant and machinery for manufacturing EVs

Reduction in sales tax on locally manufactured cars from 17 percent to 12.5 percent

One fast DC charging station per 3km by 3km area in all major cities

Why Invest in Automotive Sector of Pakistan

Pakistan's automobile industry is the fastest growing in Asia owing to increasing domestic demand.

The production and sales have grown by 171% and 172.5% respectively between 2014 and 2018

Entrance of Uber and Careem into the local market has spurred vehicle purchases, particularly for the 1000cc (and lower capacity) passenger cars.

Long-term tax concessions for Chinese companies operating at the Gwadar port

Pakistan can import automotive parts and Completely Knocked Down (CKD) kits from China at a cheaper cost, reducing the cost of production and increasing competitiveness

Incentives for Investment in Automotive Industry

Duty-free import of plant and machinery for setting up the assembly and/or manufacturing facility on a one-time basis

Import of 100 vehicles of the same variant in Completely Built Units form at 50 percent of the prevailing duty for test marketing after ground-breaking of the project

Concessional rate of custom duty @ 10 percent on non- localised parts and @ 25 percent on localised parts for a period of five years for the manufacturing of Cars and LCVs

Import of all parts (both localised and non-localised) at prevailing customs duty applicable to non-localised parts for manufacturing of trucks, buses and prime movers for a period of three years

The above auto-specific incentives, availability of inexpensive skilled labor, a large vendor base, convenient regional location as well as the growing domestic automotive market provide exceptional opportunities for Chinese investors to invest in Pakistan and manufacture for both domestic and export markets

The INFORMATION TECHNOLOGY SECTOR



Why Invest in IT Sector of Pakistan?



Startups Investment is reached to \$330 million in 2020-21



Pakistan's IT exports have increased 100% over the last 3 years (2018-21) and are predicted to reach \$3.5 billion in 2022



More than 2000 IT companies & call centres



20,000 IT graduates entering domestic market annually



4th among IT freelancer market globally

Pakistan Competitive Advantage for IT Services



Large Pool

- ~200 Universities with IT programs
- ~60% Population comprises youth aged between 15 and 29

Skilled Professionals

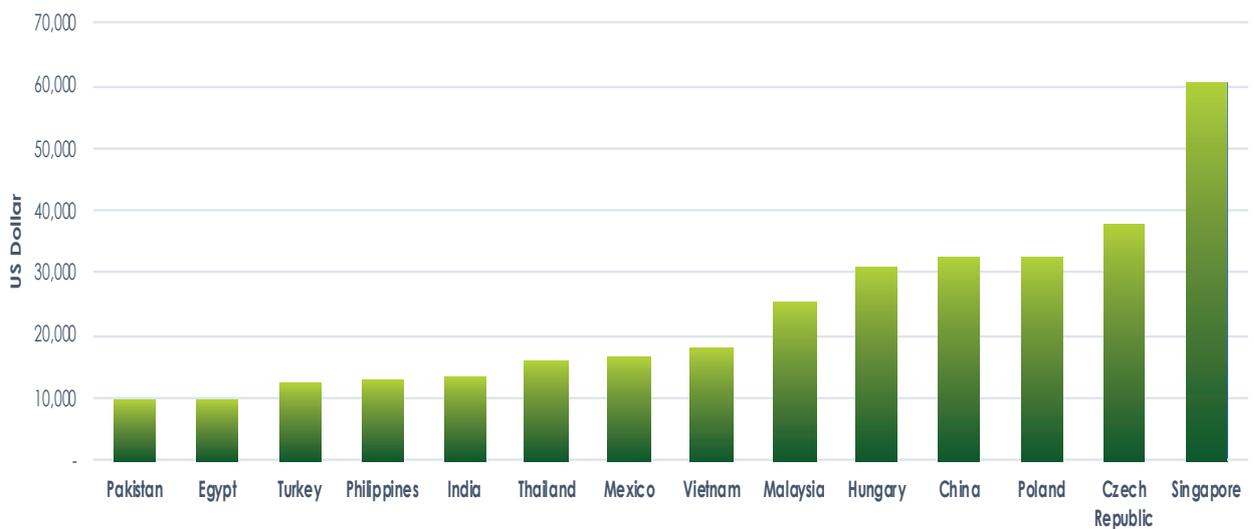
- ~350,000 English Speaking IT Professionals
- >25,000 IT graduates per year
- 250,000 Active Freelancers

Expertise

- Software Development
- Support Services
- Call Center and BPO services
- Infra, InfoSec, Data, AI, Digital, Cloud Services

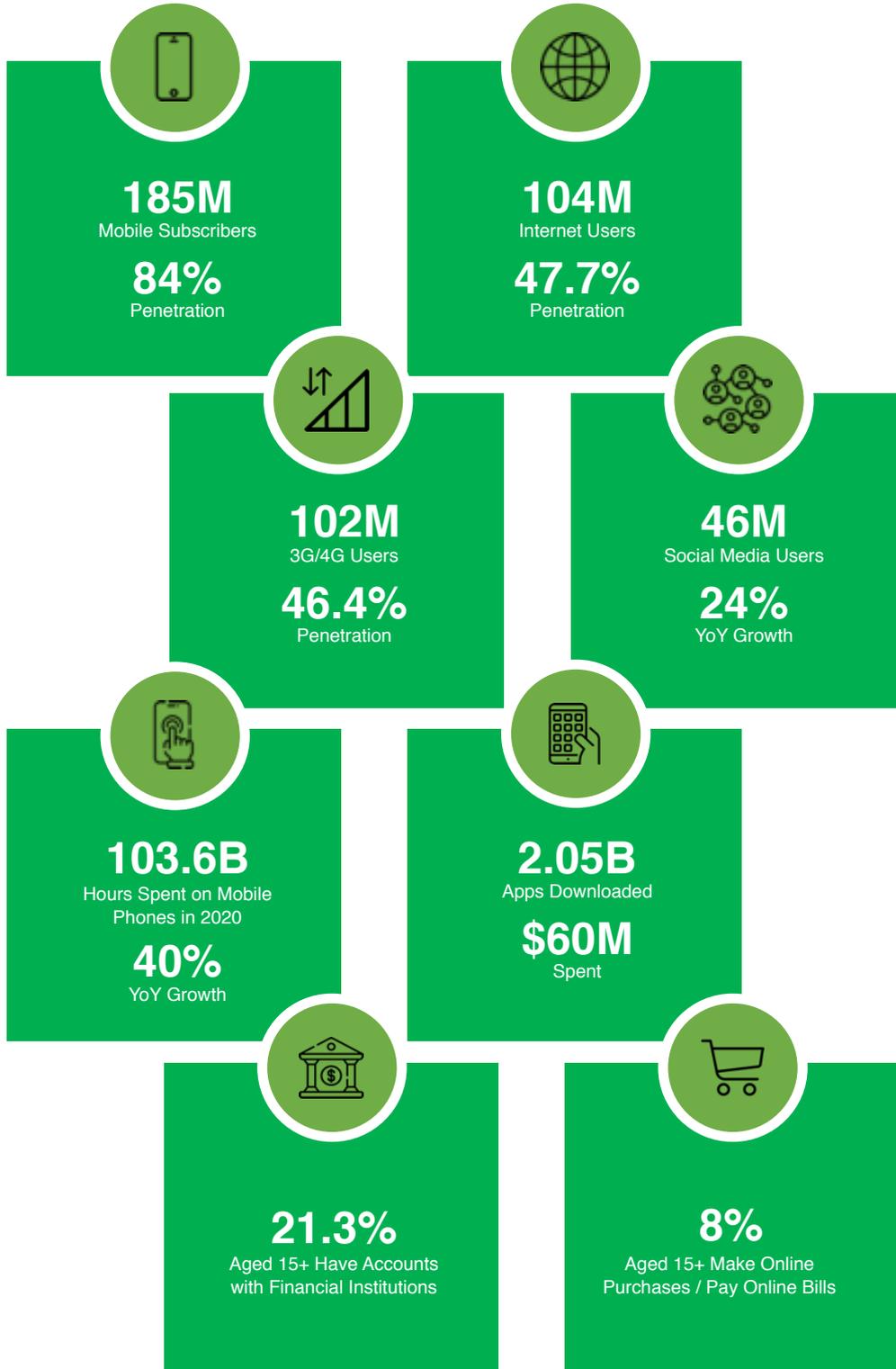
Inexpensive

- Lowest average IT resource Salaries in the region
- 5th Most Financially Attractive Country for outsourcing services

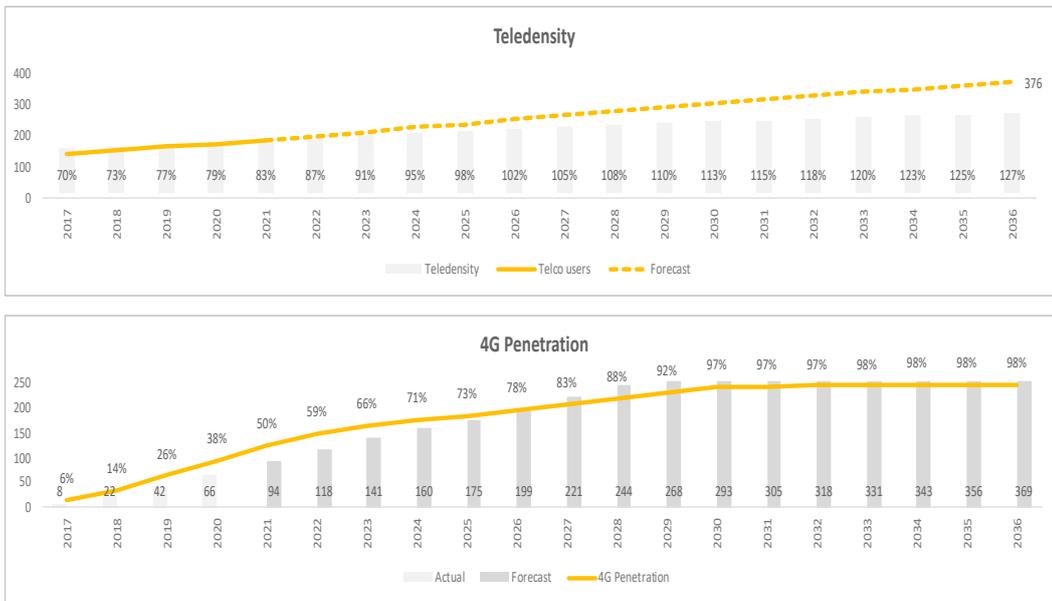


Data Sources: Salary expert, A.T. Kearney's Global Services Location Index

Pakistan - One of the Biggest Digital Opportunities in the World



4G Growth to Continue Significantly in Coming Years



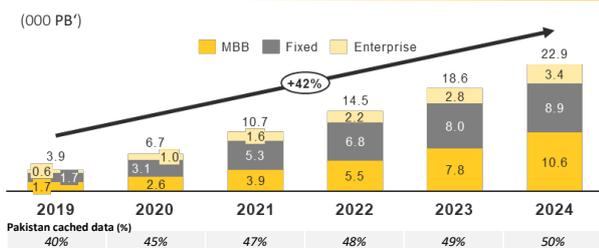
78.3%* of total web traffic in Pakistan is through mobile phones

Source: *Statcounter (Jan 2021). Figure represents device's share of web pages served to web browsers only

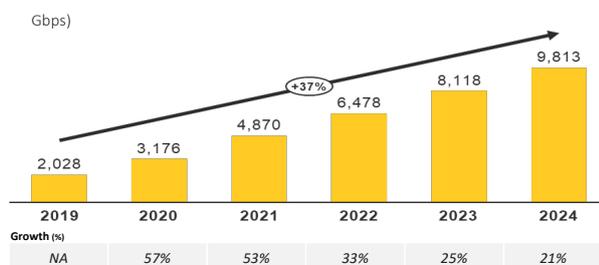
Pakistan's demand for IP transit is increasing rapidly

New submarine cables will help meet the growing demand

Pakistan Total Data Consumed



Pakistan Total Transit IP Demand



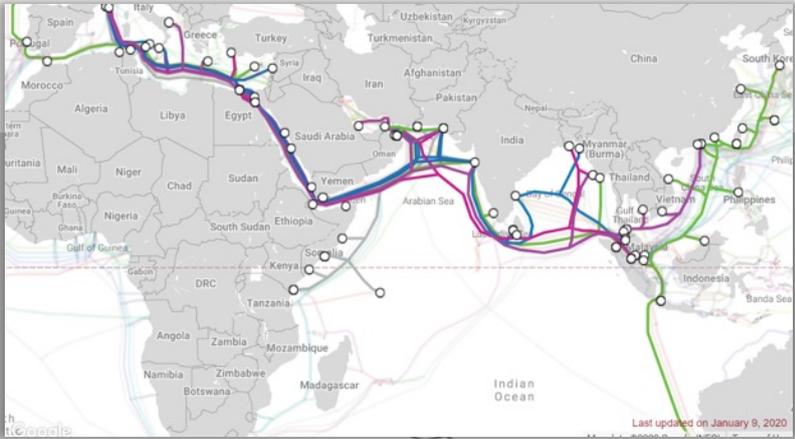
Notes: 1 MBB subs reaching 101m and usage 9 GB/month; FBB subs reaching 2.9m and usage 255 GB/month;
Source: Ovum; Telegeography

Submarine Cables in Pakistan

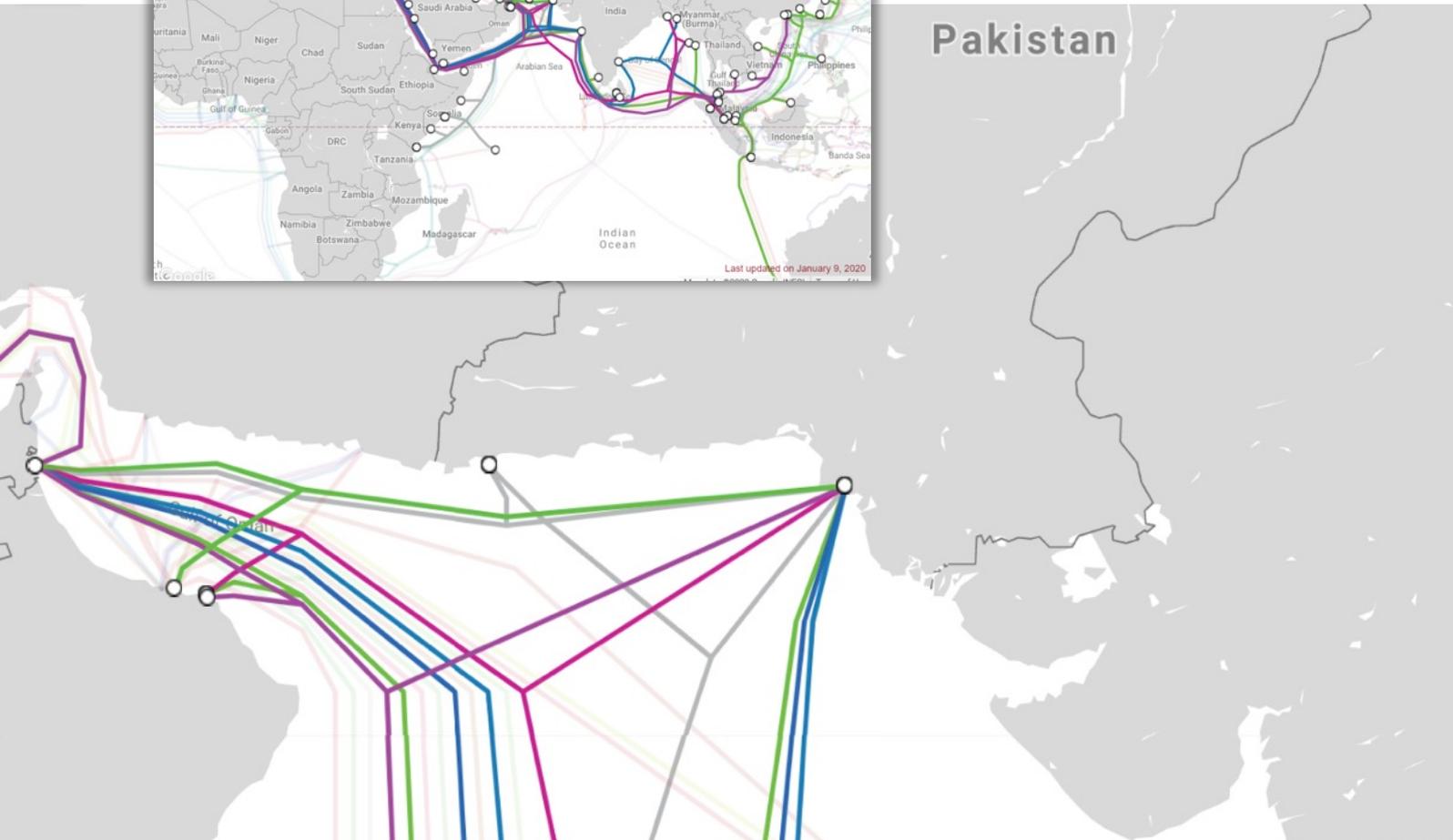
| Operator in Pakistan | Cable | Terminating Point | Length KM | RFS | Ownership/ Consortium |
|--------------------------|----------------|---------------------------|-----------|---------|-----------------------|
| Transworld | TW-1 | UAE, Oman | 1,300 | 2006 | Privately Owned |
| Transworld | SeaMeWe-5 | Singapore France | 20,000 | 2016 | Consortium |
| PTCL | SeaMeWe-3 | Australia, Korea, Germany | 39,000 | 1999 | Consortium |
| PTCL | SeaMeWe-4 | Singapore France | 20,000 | 2005 | Consortium |
| PTCL | AAE-1 | China, France | 25,000 | 2017 | Consortium |
| PTCL | IMEWE | India, France | 12,091 | 2010 | Consortium |
| HB/Wi-tribe (upcoming) | Orient Express | UAE | 1,300 | Q1-2021 | Privately Owned |
| Hengtong/PCCW (upcoming) | PEACE Cable | Africa, France | 12,000 | Q2-2021 | Privately Owned |

Submarine Cable Network Map of Pakistan

| Operator in Pakistan | Cable | Terminating Point | Length KM | RFS | Ownership/ Consortium |
|---------------------------------|----------------|---------------------------------|-----------|---------|-----------------------|
| Transworld | TW-1 | UAE, Oman | 1,300 | 2006 | Privately Owned |
| Transworld | SeaMeWe-5 | Singapore France | 20,000 | 2016 | Consortium |
| PTCL | SeaMeWe-3 | Australia, Korea, Germany | 39,000 | 1999 | Consortium |
| PTCL | SeaMeWe-4 | Singapore France | 20,000 | 2005 | Consortium |
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| HB/Wi-tribe (upcoming) | Orient Express | UAE | 1,300 | Q2-2022 | Privately Owned |
| Hengtong/ PCCW (upcoming) | PEACE Cable | Africa, France | 12,000 | Q2-2022 | Privately Owned |

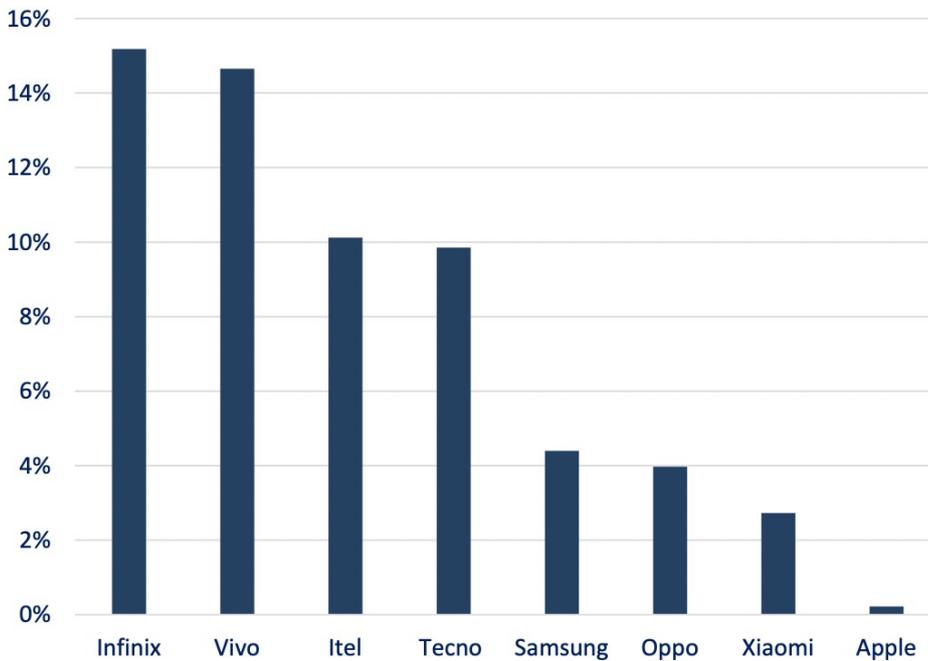


Pakistan



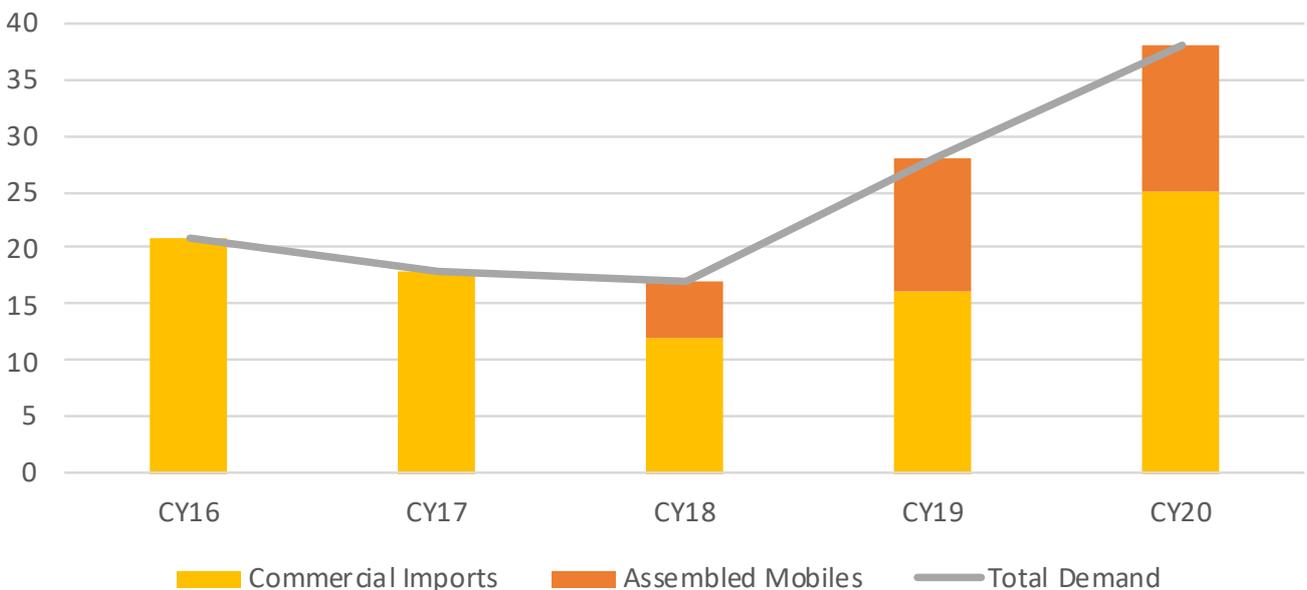
Local Handset Manufacturing has Increased Smartphone Demand in Pakistan

Market Share (in terms of units sold) July'20 – June'21



Out of these brands Infinix, Vivo, ITEL, Oppo and Tecno have initiated their mobile assembling units in Pakistan. Samsung has also invested in local mobile assembling plants. Hence, fostering the local mobile phone industry.

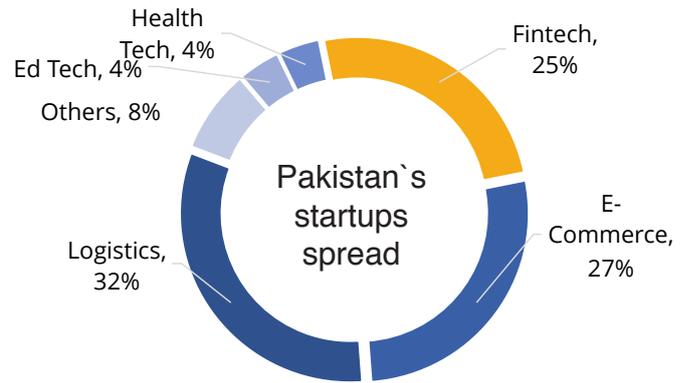
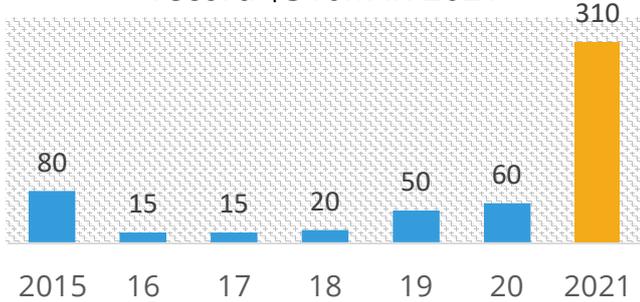
Mobile Phones | Total Demand (units in millions)



The local demand has historically been met through commercial mobile imports, with only a few local assemblers. But the trend is changing since the past 3 years, during which local assembling has paced up in the market.

Pakistan's Start-up Landscape – Raised \$310M

Pakistani startups raise record \$310M in 2021



Source: Crunchbase, Invest2Invoate

17 Deals

\$173M – Raised in Q3 21



3X of total \$65M across 48 Deals in 2020

2X the total raised in the last 5 years

| MOST PROMINENT DEALS | | E-COMMERCE |
|----------------------|-------|------------|
| Airlift | \$85M | Series B |
| Bazaar | \$30M | Series A |

| MOST PROMINENT DEALS | | FINTECH |
|----------------------|-------|---------|
| QisstPay | \$15M | Seed |
| TAG | \$12M | Seed |
| Oraan | \$3M | Seed |

Incentives for Investors in IT Sector of Pakistan



Zero Income Tax – On IT exports till June 2025



Equity – 100% equity allowed for foreign investors



Repatriation – 100% repatriation of dividend allowed to foreign IT investors



Three-year tax holiday for IT startups with no minimum tax and withholding tax.

Why Invest in IT Sector of Pakistan

Pakistan's IT Industry growth has been augmented by the fact that costs remain low for the IT industry due to low labor cost. The average annual cost of a software engineer in Pakistan is one fifth of the cost in USA and Europe

Pakistan is ranked 5th most financially attractive location in the world for offshore services, according to A.T. Kearney's Global Services Location Index 2019

The steady growth in the number of freelancers in Pakistan has been identified with the highest in web programming and development.

Pakistani companies are providing state of the art IT products and services around the globe and count world's largest entities among their regular customers

Chinese companies with their considerable expertise in Information Technology can make use of the fiscal incentives as well as skilled IT workforce and an overall favorable environment for IT companies in Pakistan to expand their market outreach





The
FOOTWEAR
INDUSTRY

Footwear Industry of Pakistan

Pakistan is the 7th largest producer of footwear, manufacturing more than 2.0 percent of all footwear produced worldwide. It is also the 7th largest consumer of footwear, accounting for 2.2 percent of global consumption.

Footwear is mainly unorganized sector, where craft manufacturers/cobblers represent the majority of footwear manufacturers. Only 20 percent is organized which includes capital intensive factories or mechanized manufacturing units.

Low FDI in the leather and footwear sector has led to limited access to new markets and inputs that could help facilitate product diversification and vertical integration of footwear units in the organized sector

Pakistan exported footwear worth \$135.3 million in 2019, which is only 0.58 Percent of Pakistan's total exports

Pakistan exports footwear to 60 different countries including around 70 percent to Europe

Pakistan's footwear exports mainly comprise of leather footwear which represents 84.2 percent of footwear exports

Footwear made of rubber and plastic was the second largest export category, with exports of \$15.4 million in 2019

According to the Export Potential Indicator (EPI), the market with the highest potential for Pakistan's footwear exports is the US, with the capacity to absorb additional exports of \$34.6 million, followed closely by China, UK and Belgium

Top 10 Export Destinations of Pakistan Footwear

| Importers | Exported value in 2019 USD | CAGR (2010-19) | CAGR (2015-19) | Change over last year | Share in Pakistan's exports of footwear (2019) | Untapped export potential USD |
|--------------------------|----------------------------|----------------|----------------|-----------------------|--|-------------------------------|
| Germany | 33,656,000 | 8.59% | 20.38% | 5.10% | 24.87% | 1,300,000 |
| Italy | 20,681,000 | 6.28% | 14.70% | 13.39% | 15.28% | 613,000 |
| United States of America | 12,622,000 | 40.28% | 114.16% | 80.19% | 9.33% | 34,600,000 |
| Saudi Arabia | 12,094,000 | 4.99% | 11.57% | 59.28% | 8.94% | 673,600 |
| United Kingdom | 9,459,000 | 4.29% | 9.92% | 6.40% | 6.99% | 11,300,000 |
| Netherlands | 9,380,000 | 19.67% | 49.80% | 25.12% | 6.93% | 3,700,000 |
| Spain | 5,005,000 | 2.85% | 6.52% | -6.54% | 3.70% | 1,400,000 |
| France | 4,676,000 | -6.76% | -14.57% | 1.19% | 3.46% | 3,800,000 |
| Belgium | 3,328,000 | 6.06% | 14.15% | 12.43% | 2.46% | 1,070,000 |
| Yemen | 3,068,000 | 24.37% | 63.34% | 134.38% | 2.27% | 608,800 |
| World Total | 135,313,000 | 4.29% | 9.92% | 15.43% | 100% | |

Top 10 Footwear Consumers (Quantity) 2019

| Rank | Country | Pairs (millions) | World Share |
|------|-----------|------------------|-------------|
| 1 | China | 4,143 | 18.70% |
| 2 | India | 2,560 | 11.60% |
| 3 | USA | 2,406 | 10.90% |
| 4 | Indonesia | 971 | 4.40% |
| 5 | Brazil | 821 | 3.70% |
| 6 | Japan | 722 | 3.30% |
| 7 | Pakistan | 477 | 2.20% |
| 8 | Germany | 443 | 2.00% |
| 9 | France | 384 | 1.70% |
| 10 | UK | 378 | 1.70% |

Potential of Footwear Industry in Pakistan

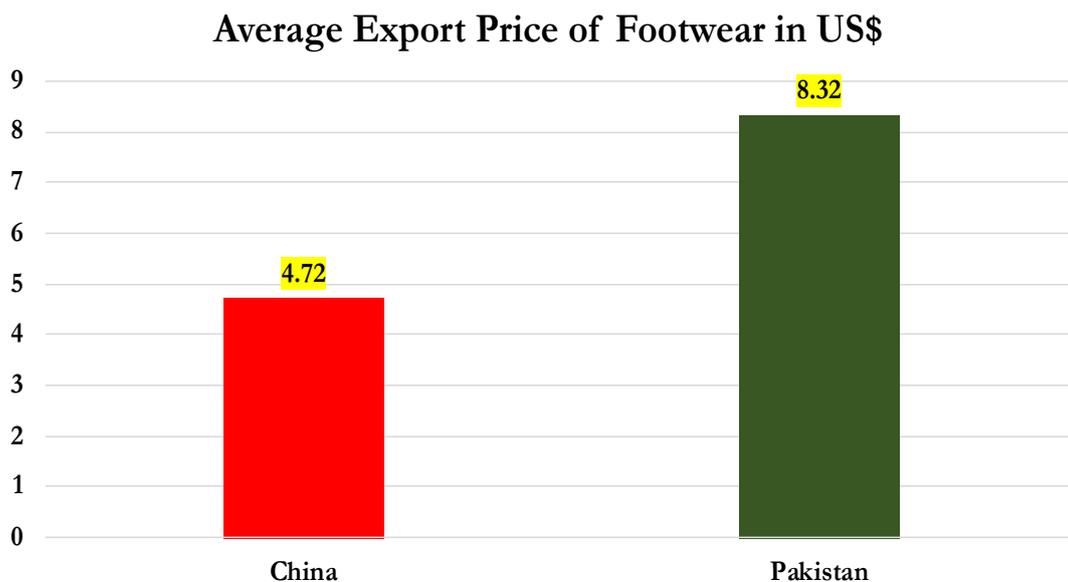
Pakistan's footwear exports have grown 3.7 percent annually since 2015, marginally higher than the world average of 3.5 percent. However, this growth is well short of the growth rates of its regional competitors such as Cambodia (18.7 percent), Bangladesh (14.0 percent) and Vietnam (11.6 percent)

Pakistan is a beneficiary of the European Union's (EU) GSP+ program which allows Pakistan to export footwear articles duty-free to the EU

EU imports around 35% of the World imports

| Exporter | EU Tariff Rate |
|----------|----------------|
| Pakistan | 0% |
| India | 6.70% |
| Vietnam | 6.70% |
| China | 10.70% |

Why Invest in Footwear Sector of Pakistan



Although China has dominating share in global footwear exports, its share is driven by a low average export price i.e. \$4.72. Whereas Pakistan has comparatively higher average export price of \$8.32

Potential of Footwear Industry in Pakistan

All these factors point to substantial export-oriented investment opportunities in the footwear manufacturing sector of Pakistan

Chinese investors are invited to make use of this substantial investment opportunity by taking advantage of the fiscal incentives in SEZs, availability of inexpensive & skilled labor, easy availability of raw materials, transport/ logistic advantage and preferential access to the European market in addition to the sizeable domestic consumption in Pakistan.





The
FURNITURE
INDUSTRY

Furniture Market

2020 - \$545.78 BN

2021-27 - 5.4%

2027 - \$785 BN

NA market value (2020):

\$75 BN



APAC market value (2020):

>\$270 BN

CAGR (2021-27)

5.5%

Wood Material
segment

Market Value (2020)

\$42 BN

Kitchen cabinet
segment

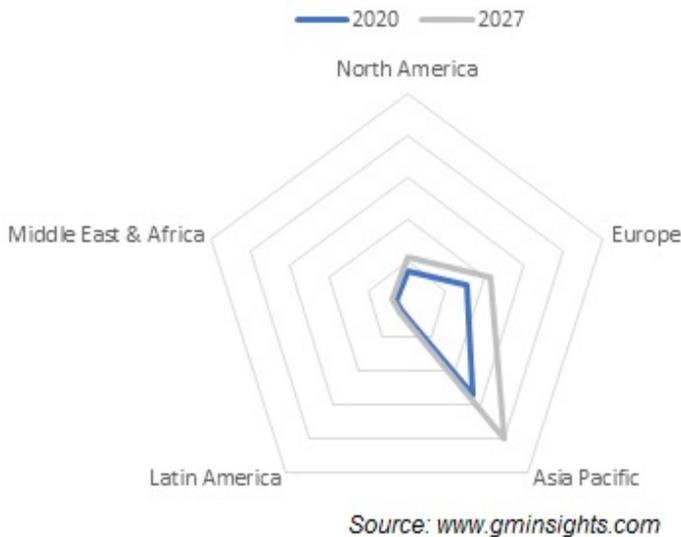
Business & office segment
market share (2027)

40%

Furniture Market size exceeded USD 545.78 billion in 2020 and is estimated to exhibit 5.4% CAGR from 2021 to 2027. The industry is forecast to cross 62,496.5 Kilo Tons volume by 2027, growing at around 4.8% growth rate

Asia Pacific to lead the Furniture market driven by rising construction industry

Furniture Market, By Region, 2020 & 2027 (USD Billion)



Asia Pacific furniture market size generated over USD 270 billion in 2020 impelled by the expansion of the hospitality and real estate sectors coupled with increasing disposable incomes, specifically in urban areas.

However, the abundance of low cost & skilled workforce enables Asian countries to retail their products in the international market at very competitive prices.

Population growth, environmental impacts, and urbanization have surged the need for smart & sustainable infrastructure solutions. Growing building & construction spending due to the rising per-capita disposable income along with enhanced infrastructure in APAC will augment the product demand.

Furniture Industry in Pakistan

Pakistan's furniture industry is largely unstructured and consists of many small and medium sized players (SMEs and Cottage Industry)

The industry largely caters to the local market with only a small proportion of export sales, which stood at USD 3.53mln in 2020

Total size of the industry is estimated at USD 3bln

The organized segment of the industry consists mostly of players targeting high-end customers. They have strong brand identities and operate with large retail outlet chains

Prominent players include Interwood Mobel, Habitt Furniture, National Furniture & ChenOne

The local demand for furniture is met through local supply as well as some imports

Imports stood at USD 129mln in FY19 - mainly from China, Germany, Italy, Thailand and Korea

While some of the larger players use imported wood of various types for manufacturing of furniture, the overall market uses local wood. The most common type is Sheesham (Rosewood)

The industry is largely labor intensive with only a few large players shifting towards automation. This is because of high capex required for automation, large variety and diversity in designs, and reliance on traditional method of making customized hand carved furniture

Pakistani furniture is not only made of wood but also plastic, metal, glass, leather and rubber to cater to multifarious segments of the market

The average Pakistani consumer age is 22 years old. These new consumers entering the workforce have embraced online stores in Pakistan.

Local demand is expected to rise considerably due to Govt's policies in the construction sector as well as health sector where new hospitals are expected to come up

The low-cost labour with high carving skills combined with traditional and distinct designs for the regional Islamic markets and unique furniture styles i.e. Antique, Mughal, Modern and Oriental make this industry attractive for investment

Pakistan has 3 main clusters for manufacturing furniture. By relocating Chinese furniture industry in Pakistan and combining it with the specialties of following clusters can be leveraged for value added exports to Middle East and European markets :

(a) Chiniot Cluster:

This cluster can produce master crafted furniture mainly carving. Carved furniture for bedroom, dining room, living room, as well as children and kitchen can be manufactured here.

(b) Gujrat Cluster:

This cluster is famous for its solid wood furniture

(c) Sargodha Cluster:

This cluster is famous because of its Lacquer Artwork "Sillawali"

| Export Destinations | FY18 | | FY19 | | FY20 | |
|---------------------|------------|------|------------|------|------------|------|
| | Amount USD | % | Amount USD | % | Amount USD | % |
| USA | 1,030 | 27% | 1,284 | 35% | 1,384 | 39% |
| Qatar | 26 | 1% | 35 | 1% | 419 | 12% |
| UAE | 300 | 8% | 326 | 19% | 346 | 10% |
| UK | 468 | 12% | 502 | 14% | 345 | 10% |
| Canada | 332 | 9% | 198 | 5% | 124 | 4% |
| Other | 1,706 | 44% | 1,369 | 37% | 906 | 26% |
| Total | 3,862 | 100% | 3,714 | 100% | 3,524 | 100% |

Export growth of Furniture has been stagnant for the last 5 years

Pakistan's Potential International Market for Furniture

Apart from the Asia Pacific, the following markets provide potential opportunities for Pakistan furniture exports:

Middle East – furniture imports in 2019

KSA \$1.38 B

UAE \$938 M

Oman \$230M

Europe - furniture Imports
2019: US\$ 40.2B

Germany – \$7.17B

France – \$5.67B

United Kingdom – \$4.96B

Opportunities in Furniture Industry in Pakistan

Chinese investors can take advantage of the fiscal incentives in SEZs, availability of inexpensive & skilled labor, easy availability of raw materials and transport/ logistic advantage in Pakistan to manufacture furniture products for domestic consumption as well as for exports.

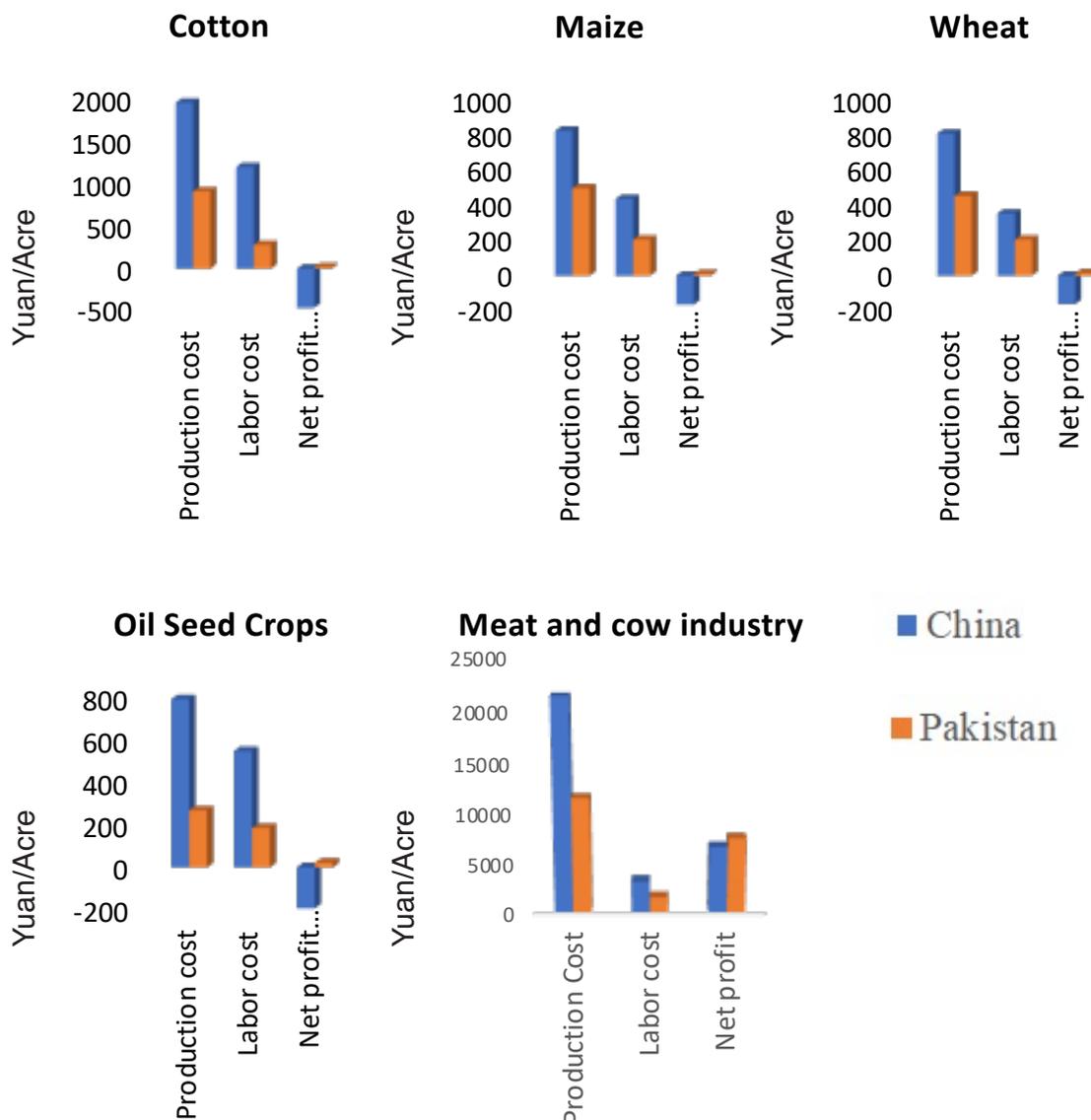
The AGRICULTURE Sector



Comparison of production cost and cost-profit ratio of five major crops

Agriculture is a labor and land-intensive industry

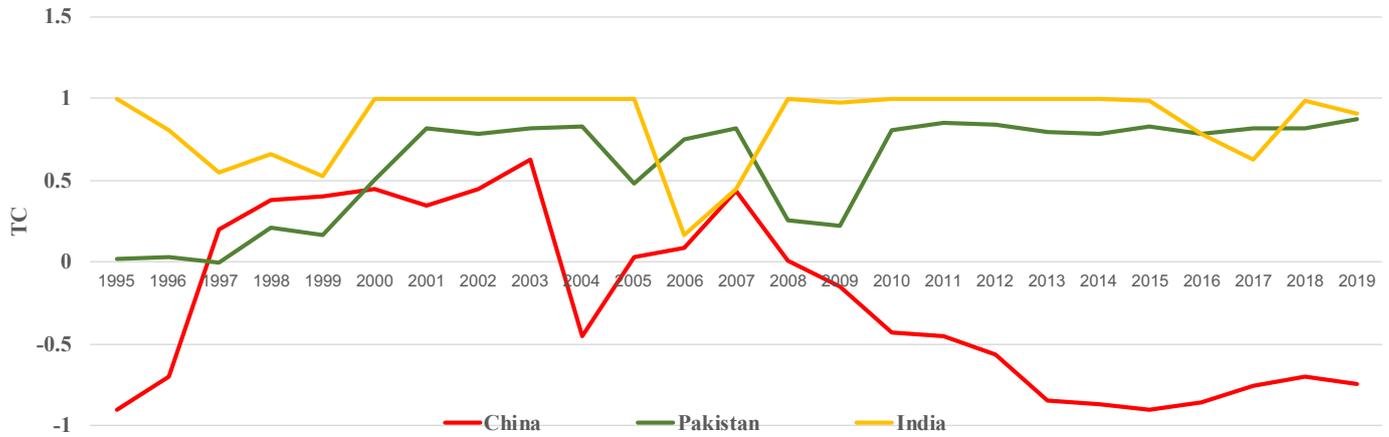
Production Cost in China is two times as much as in Pakistan



Source: China Agricultural Sector Development Report 2020
Crop Reporting Service Pakistan 2020

The Trade Competitiveness (TC) of exported grain

Trade Competitiveness index

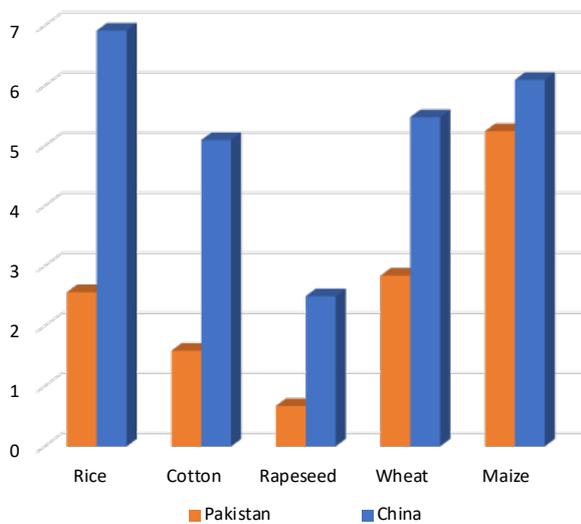


Source: China Agricultural Sector Development Report 2020 and Organisation for Economic Co-operation and Development

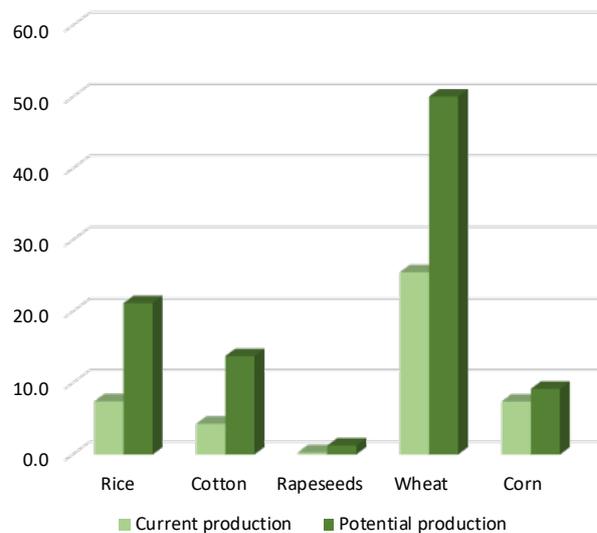
China's exported grain has shifted from competitive advantages to disadvantage and net export to net import, and the relative scale of net import projected to rise

Why Pakistan seeks agricultural cooperation with China

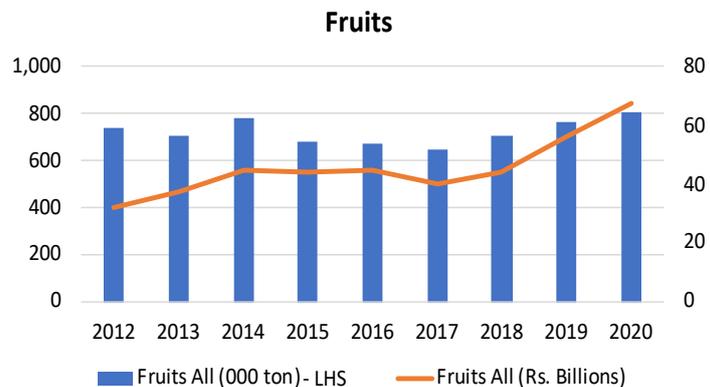
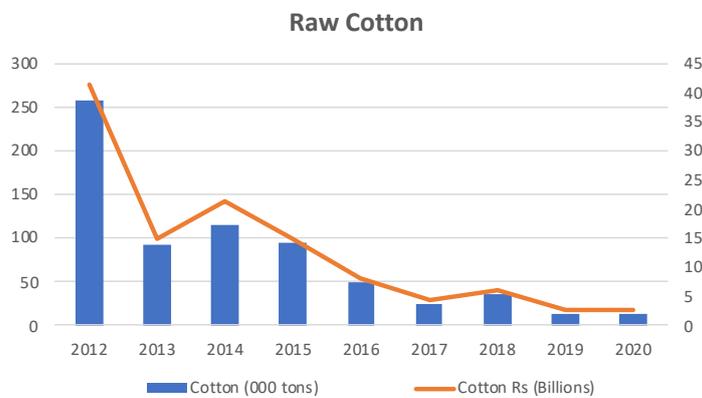
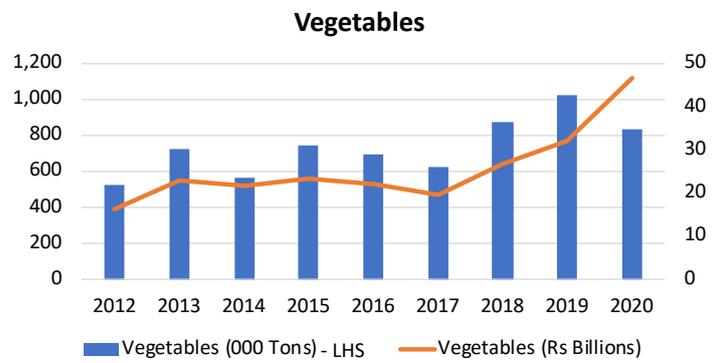
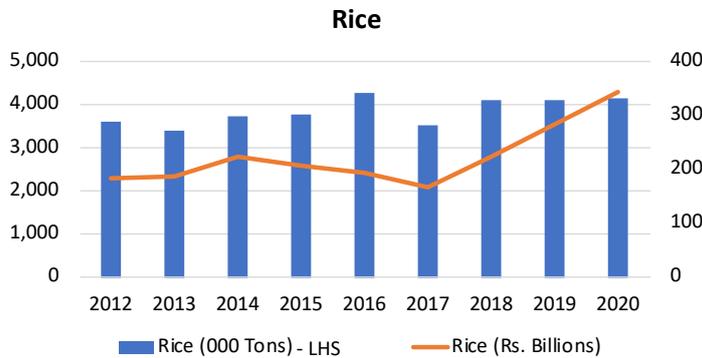
Pakistan's low crop Yield, Tons/ Hectare



Pakistan's yield Potential (Million Ton per/annum)

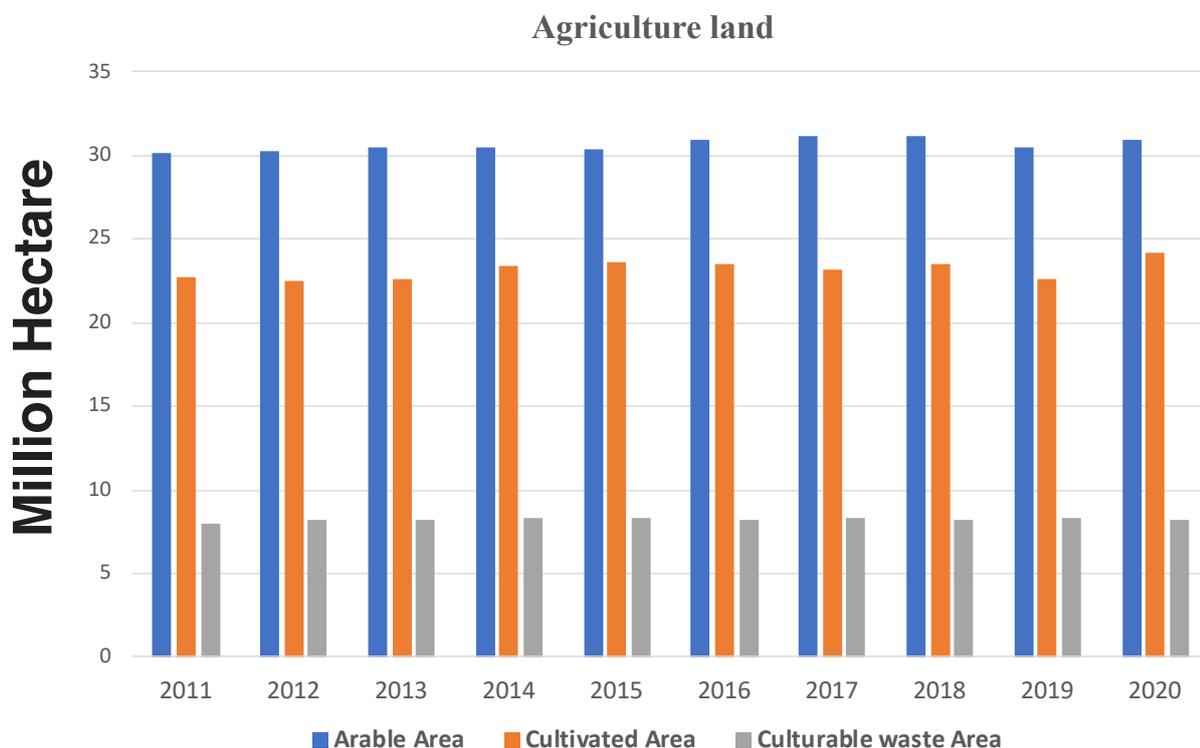


Exports of High-Quality Agri. Commodities which can be Value Added



Source: Agriculture Marketing Service, Govt of Punjab

Agribusiness Fiscal Incentives and Land Opportunities



Source :- Provincial Agriculture Departments

In Pakistan, corporate agriculture has been granted industrial status and State Bank of Pakistan has set the agriculture credit target of Rs1.7 trillion for the year 2022-23

Pakistan's corporate agriculture policy offers many attractive incentives for foreign investors (land lease, credit and income tax policy)

Agricultural Business Opportunities

Farm input manufacturing:

The Pakistan has large market for Agriculture seeds, Fertilizers and Pesticides to cultivate 31 Million Hectares

Farm machinery mechanical devices:

Pakistan provides subsidies (50-80%) to import/ manufacture farm machinery i.e Unmanned agriculture vehicles, Harvesters, Tractors and High Efficiency Irrigation Systems

Agriculture value addition:

Pakistan is one of the top ten producers of wheat, rice, cotton, sugarcane, mango, dates and oranges in the world that can be value added through packing, procesing, pulping, extracting oil and organic essence

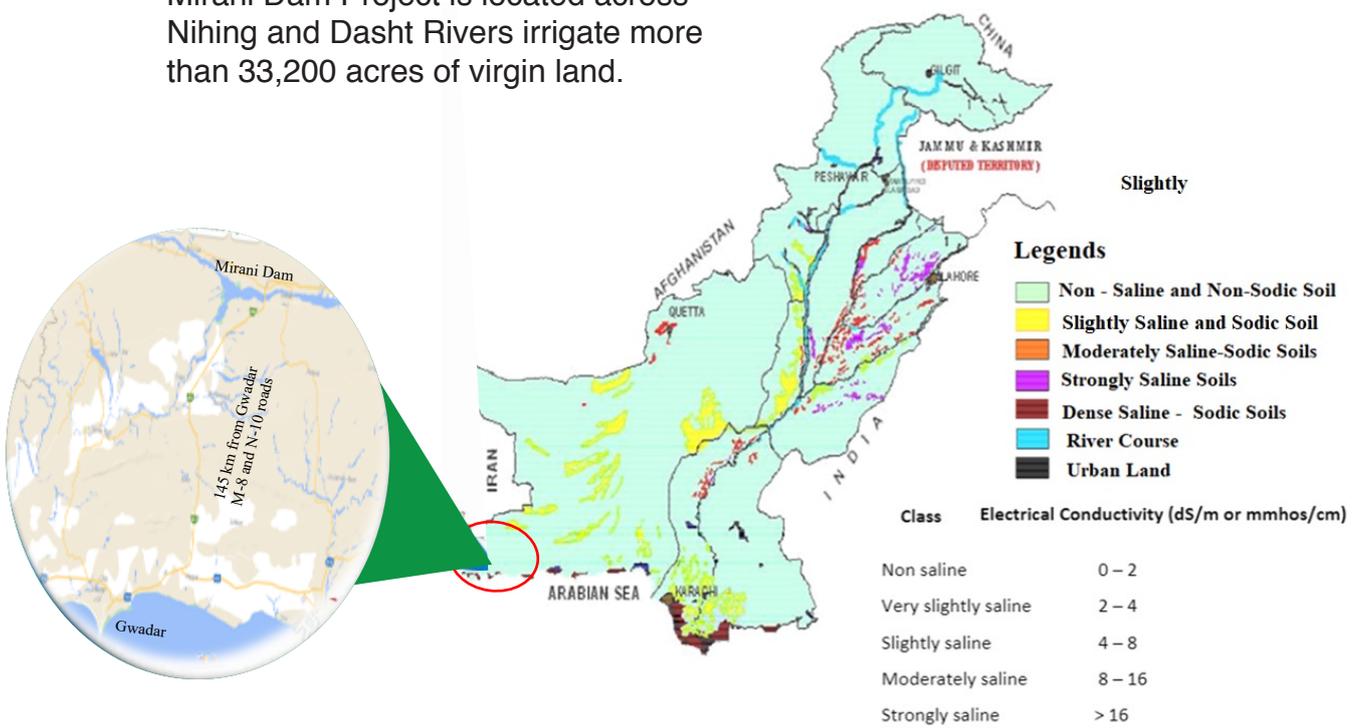
Corporate farms:

Virgin arable lands are available in South Balochistan, Cholistan (South Punjab) and GB and a number of water reservoirs are currently being built which will bring more lands under irrigation

Pakistan Soil Salinity Status and Mirani Dam command Area

In Pakistan about 20.8m hectares of land is cultivable out of which 5.33m hectares are affected by salinity and 1.55m hectares by waterlogging. In Punjab almost half of the soil is affected by various types of salinity and sodicity, 40% in Sindh and only 9% in Balochistan (Studies conducted by Ministry of Environment Government of Pakistan, FAO and ICARDA)

Mirani Dam Project is located across Nihing and Dasht Rivers irrigate more than 33,200 acres of virgin land.

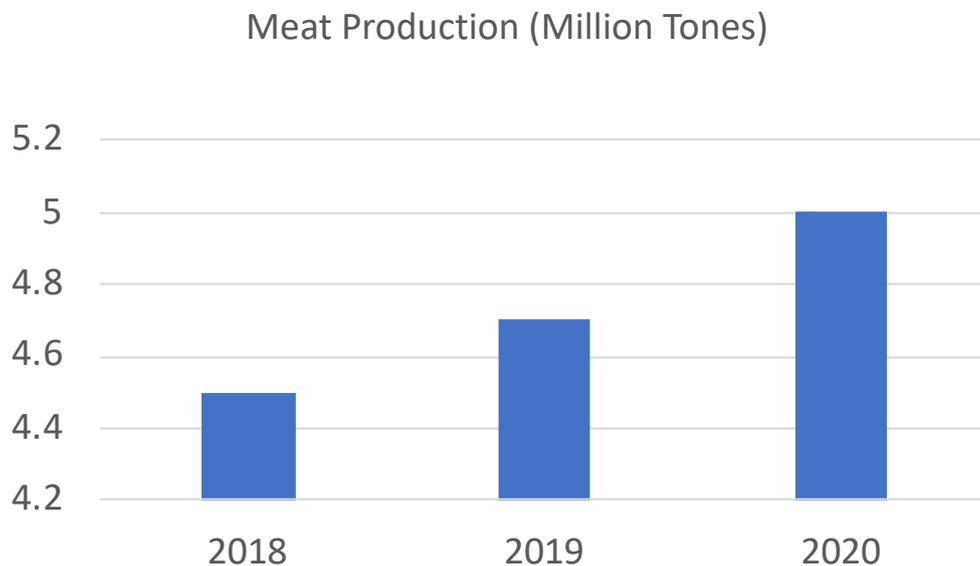
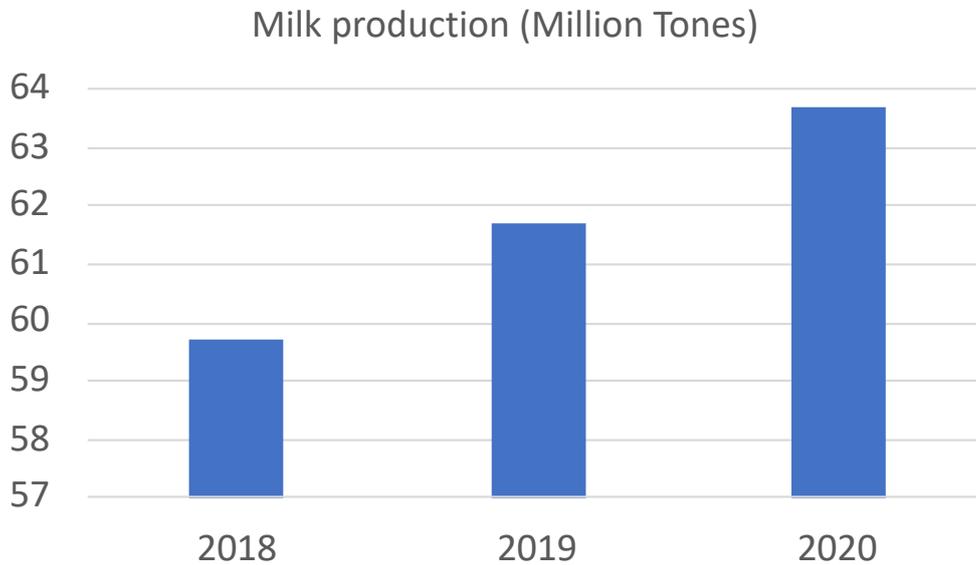


Source: <https://wedocs.unep.org> (National Land Use Plan Project, Pakistan)

| Mirani Dam Areas | Soil | Irrigation | Land |
|------------------|---------------|---------------------|-------------------------------------|
| Kolwa | Fertile soils | Rain Fed | Slightly saline patches are present |
| Dasht | Fertile soils | Irrigated /Rain Fed | Slightly saline patches are present |
| Balgattar | Fertile soils | Irrigated | Non saline arable land |
| Nigwar | Fertile soils | Irrigated | Non saline arable land |
| Kech | Fertile soils | Irrigated | Non saline arable land |

Livestock (meat and dairy products)

Pakistan provides fiscal incentives and land lease policy to develop livestock farms and FMD free zones. Pakistan Halal meat and dairy products are registered in Middle East and other Muslim countries.



Source: finance department-Agriculture

Livestock sector can be organized for export purpose

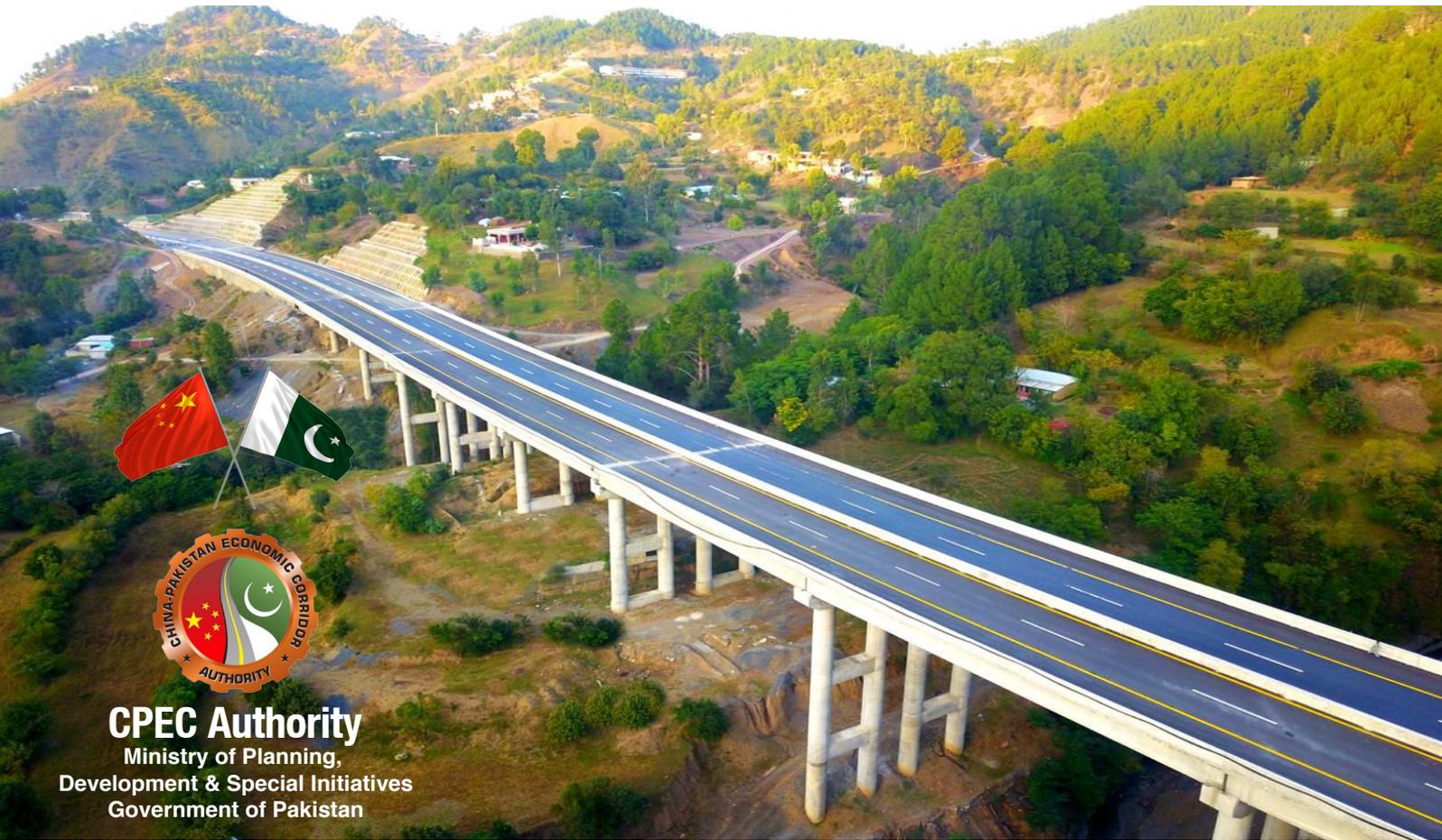
Potential of Agriculture Sector in Pakistan

Pakistan has an excellent climate to grow diverse crops and fruits and the growth conditions for animal husbandry are the most suitable

Pakistan is already among the top producers of wheat, rice, cotton, sugarcane, mango, dates and oranges in the world

Large tracts of fertile, high-yield lands are available for Corporate and Cattle Farming

The above factors provide a strong business case for Chinese companies to invest in the Agriculture sector of Pakistan



CPEC Authority

Ministry of Planning,
Development & Special Initiatives
Government of Pakistan

CPEC Authority Office
5th Floor, Science and Technology Building,
1-Constitution Avenue,
G-5/2, Islamabad.



CPEC.gov.pk



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