

Inauguration of Yamaha Motorcycle Plant

Speech by Finance Minister

**Honourable Mr Hiroyuki Yanagi, President & CEO Yamaha Motors Japan,
Governor State Bank of Pakistan,
Mr Miftah Ismail, Chairman Board of Investment,
Mr Muhammad Zubair, Chairman Privatization Commission,
Chairman National Bank of Pakistan
Mr Hiroshi Inomata, Ambassador of Japan to Pakistan,
Chairman Karachi Stock Exchange,
Distinguished Participants,**

Ladies and gentlemen,

I am extremely pleased to address this gathering and to congratulate President of Yamaha Japan, management of Yamaha Motor Pakistan (Pvt) Limited and other relevant stakeholders for their efforts in materializing this project. I appreciate the firm commitment shown by Yamaha, Japan for bringing this project on ground.

Ladies and gentlemen,

It is very satisfying that Yamaha has returned to Pakistan with this investment. I am happy that our government played role in their return. Soon after our government took office, in June 2013, we approved a New Entrant Policy in the Economic Coordination Committee of the Cabinet and also reduced the threshold of foreign investment to US\$ 100 million. Just last month, in the meeting of the Board of Approvals of the Special Economic Zones, we approved some much needed changes in the Special Economic Zones Act that were a demand of foreign investors, including Yamaha.

The establishment of Special Economic Zones is the main pillar of our Investment Policy. With the efforts of Board of Investment, Special Economic Zone Act was passed in 2012 and three Special Economic Zones, including Bin Qasim Special Economic Zone, have already been approved. We welcome the initiative of establishment of Yamaha Motor Cycle plant based on new technology which has the honour of being first enterprise in Bin Qasim Special Economic Zone.

Ladies and gentlemen,

Yamaha is not a new name in Pakistan. In the early 1970's, Yamaha had introduced their motorcycles in collaboration with a local partner. Their new plant by costing US\$ 150 million will provide job opportunities to 45,000 people, directly and indirectly. Their plans to produce motorcycles of 125 cc and above in this production facility and to export to distant markets like Latin America will increase the export earnings of Pakistan.

Our government attaches great importance to economic development of the country through inclusive growth in order to make Pakistan prosper and to give better quality of life to the citizens of Pakistan. Today, our policies are even more liberal, business friendly and forward looking than before. Our focus is on reducing the cost of doing business and eliminating cumbersome administrative processes to provide ease of doing business. We have equal and non-discriminatory treatment to local and foreign investors. Barring a few, all sectors of economy are open for foreign investment with 100% equity basis and repatriation of equity investment, profits/ dividends and capital gains is allowed. We are working to create a public sector that is market responsive and creates conducive environment for the development of the private sector.

We are committed to provide security to all investors under the SEZ law. Provincial Governments are obliged to provide security to all enterprises/

investors. Additional initiatives including Special Task Force for the protection of foreign investors is also on the agenda of the present government.

Ladies and gentlemen,

The auto industry, including motor cycle manufacturing, annually contributes over Rs. 30 billion to Pakistan's GDP and is also paying approximately Rs. 8 billion per year in the form of taxes. Thereby the auto industry is playing a pivotal role in the development of Pakistan's economy. There are 500 auto-parts manufacturers in the country supplying parts to original equipment manufacturers (OEMs).

Pakistan's auto industry has become a leading industrial sector to steer the growth in large scale manufacturing. The high economic and job multiplier effect of this industry and its deep forward and backward linkages in allied industries make the auto industry a key player in the national economy. Many auto parts manufacturers are Small and Medium Enterprises (SMEs). Keeping in view the importance of the SMEs, the government is developing a plan to further simplify procedures and to minimize hindrances for setting up businesses particularly SMEs in Pakistan.

Ladies and gentlemen,

Increased urbanization, favourable demographics and growing middle class, are usually recognized as the parameters of growth. Fortunately, Pakistan is blessed with all these important factors. Pakistan is the most urbanized country in South Asia with over 180 million people; and is the sixth largest country in the world. Nearly sixty per cent of its population is under the age of thirty, thus offering huge demographic opportunities. By 2025, Pakistan will be one of the six countries in the world with a 100 million strong middle class, ready to seek and afford better lifestyles and living standards.

The focus of our Government is on the 4 Es which we had mentioned in our GE 2013 Manifesto as well. I am happy to share with you that the economy has become stable and taken a direction, operation against extremism is progressing successfully while the Prime Minister is himself regularly reviewing progress in the energy sector. Energy sector, which was neglected for over a decade, has been given a new lease of life by our Government. Major initiatives now underway in terms of power generation, transmission system upgrades, LNG and diversified fuel based projects will transform the landscape of the Power sector within the next three years and this should add 1.0% to 1.5% to Pakistan's GDP growth rate.

With sincere efforts, structural reforms, stabilization measures and various policy initiatives, the economy has been put on the right track. The growth rate that averaged around 3% in the five years before June 2013, rose to 4.14% in 2013-14 and is projected to rise to 5% during 2014-15. Inflation, which had averaged around 12% before June 2013, was brought down to 8.6% in 2013-14 and is now projected to decline further to around 6% in 2014-15, which will be the lowest in the last many years. Low inflation will increase purchasing power of the people of Pakistan, something which bodes well for the investors.

The tax revenues showed an upward trend in the first year of our government, increasing by 16.44%, from Rs. 1,946 billion in 2012-13 to Rs. 2,266 billion in 2013-14. This strong performance has continued during the current fiscal year with a revenue growth around 13% in the period July-March 2015 compared to last year, despite a massive decline in oil and other commodity prices having a negative impact on revenue collection.

The reduction in inflation and effective monetary policy has enabled the State Bank of Pakistan to reduce the Discount Rate to 8% which is lowest in the last ten years. This will provide a golden opportunity to investors to undertake capital expenditure and expand production capacity. Furthermore, in order to boost private sector borrowing, the government has decided to avoid central

bank's borrowing for financing budget deficit. The good news for the investors is that SBP reserves are now around US\$ 12.5 billion while commercial banks' reserves exceed US\$ 5 billion. The balance of payments position has improved further and the target for current account deficit for year 2014-15 is around 1% of GDP.

Karachi Stock Exchange Index which stood at 19,916 on 11th May 2013, the day the elections were held, has continuously scaled new heights and stood at 33,490 on 22nd April 2015, showing an increase of nearly 68%.

Moody's improved Pakistan's rating outlook last year from negative to stable and, more recently, from stable to positive. Moreover Japan's Trade Organization JETRO, the British economist Peter O'Neil and Morgan Stanley have all predicted that Pakistan will soon be one of the most significant economies of the global emerging markets.

Ladies and gentlemen,

Let me conclude by saying that huge potential exists between Pakistan and Japan to further strengthen economic ties as Pakistan offers a big market for investments in energy, automobiles, textiles, surgical equipment, infrastructure, engineering, agriculture and SMEs. I was further convinced of this potential as a result of my meetings with senior Japanese Parliamentarians, officials, Cabinet members and leading businessmen and investors in Toyko earlier this year during my Tokyo visit.

We have earmarked an area of 2,000 acres near Karachi for Japanese investors. Our Government is fully committed to harness the economy of Pakistan through appropriate policies and a strategic vision. The Board of Investment is mandated to facilitate local and foreign investment. I assure you of all possible assistance and facilitation to materialize the foreign and local funded projects in Pakistan.

My best wishes for success for the new venture of Yamaha Group in Pakistan.

Thank you all.