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Micro Finance scheme for cottage industries planned

Punjab government would soon initiate a 'Micro Finance' scheme with an amount of Rs 1 billion during current fiscal period for the development of cottage industries in the province. The proposed scheme would not only help in establishment of large-scale cottage industries but also generating employment opportunities in the Punjab. Apart from this, the government has also earmarked Rs 1.30 billion for the development of industrial sector to facilitate the business community and ensure the development of industrial sector in the province. The government has already introduced business-friendly policies for ensuring maximum establishment of industries in private sector and the radius of setting up industries would be expanded to rural areas of the Punjab, sources added. The government has also accorded special attention of developing highly business-friendly environment for extending maximum facilities to the foreign investors and overseas Pakistanis in Punjab. (Business Recorder, 15th September, 2008)

Increased interest in CFS's work observed

The Competitiveness Support Fund (CSF), a joint initiative of the United States Agency for International Development (USAID) and the Ministry of Finance, Government of Pakistan, has observed increased interest in the public and private sector on its work and available resources on competitiveness and related matters. CSF recorded 130,029 on its website this month, which clearly indicates a growing interest on the issues of competitiveness among the cross sectors in Pakistan's economy. CSF has been working closely with the government, academia and the public/private sector to reposition Pakistan's economy on a more competitive global footing. The CSF website carries reports on competitiveness and sector management. The State of Pakistan's Competitiveness Report is CSF's flagship report and provides an in-depth analysis of Pakistan's economy with an overview of its strengths, weaknesses and required action plan to improve the state of the economy. (Business Recorder, 16th September, 2008)

Some flexibility over WTO impasse: Mandelson

Europe's trade chief said he saw some flexibility in talks over a dispute that scuppered a push for a global trade pact in July, but he stressed it was still too early to tell if a deal could be done. Envoys from trade powers last week discussed an impasse over a mechanism to protect developing countries from food import surges and there were "some cautiously encouraging signals of flexibility", EU

Trade Commissioner Peter Mandelson said. The so-called "special safeguard mechanism" to protect poor farmers when import volumes spike or prices fall proved the stumbling block in July when trade ministers tried to settle the core elements of the WTO's seven-year-old Doha round. The United States said at the time that demands for protection by developing countries, in particular India, would deny its farmers the chance of exporting to new markets. Mandelson said other issues stood in the way of a WTO deal, including cuts to cotton subsidies, chiefly in the United States, China's willingness to open its markets further and global trade in manufactured goods in general. Mandelson reiterated that a final collapse of the Doha round of trade talks would seriously dent confidence in the global trading system and harm other international negotiations, notably on climate change. (Business Recorder, 16th September, 2008)

EU seeks overhaul of high-tech trade deal

The European Union called on Monday for an overhaul of a 1996 deal that boosts trade in high-tech goods around the world, despite accusations that the bloc is breaking the original agreement. The United States and Japan in July sued the EU at the World Trade Organization, saying it was violating the International Technology Agreement (ITA) which eliminated import duties on goods such as computer screens and printers. The Commission also said the ITA should tackle red-tape restrictions on technology imports in some countries, such as multiple testing of products for different markets. "The ITA remains a milestone duty-free agreement. The EU angered the United States and Japan in 2005 when it began re-imposing duties on computer screens, multi-function printers and TV set-top boxes, saying they were mainstream consumer products, not pure high-tech goods covered by the ITA. A spokeswoman for US Trade Representative Susan Schwab said Washington had not yet seen the EU's proposal for reforming the ITA but including new products would not address US concerns about keeping existing products duty-free. (Business Recorder, 16th September, 2008)

US industrial output drop biggest in three years

US industrial production tumbled a bigger-than-expected 1.1 percent in August due to a big drop in auto production and a slide in utilities output that was tied to mild temperatures, a Federal Reserve report showed. It was the biggest decline in industrial production, which includes factories, mines and utilities, since September 2005. Analysts were expecting a 0.3 percent slide. Manufacturing output fell 1 percent, also the largest decrease in three years, as auto production plummeted by 11.9 percent. Output at utilities slid 3.2 percent because of a milder-than-usual August, the Fed said. Production at mines slipped 0.4 percent. Industrial production in June and July were revised down to show smaller gains of 0.2 percent and 0.1 percent, the Fed said. Manufacturing in New York State unexpectedly contracted in September while price pressures tumbled, according to a gauge of the factory sector published by the New York Federal Reserve on Monday. The New York Fed's "Empire State" general business conditions index fell to minus 7.41 in September - its lowest since minus 8.68 in June - from 2.77 in August.

China appeals WTO car parts ruling

China has appealed at the World Trade Organization against a ruling that its imported car tariffs were "inconsistent" with trade rules, a WTO source told. "China has appealed," a WTO spokeswoman said just hours before the organization's Dispute Settlement Body (DSB) was due to meet to formally adopt the ruling. "According to the dispute resolution procedures of the WTO, the Chinese side reserves the right to appeal." "I am extremely pleased with the issuance of a very strong report by the WTO panel," US Trade Representative Susan Schwab said at the time. The panel report leaves no doubt that China's

discriminatory treatment of US auto parts has no place in the WTO system." Beijing has a minimum local content requirement of 60 percent for home produced cars. (The Post, 16th September, 2008)

UK inflation rises to 4.7%

The economy needs a period of sustained weakness to squeeze out remaining inflationary pressures, Mervyn King, governor of the Bank of England, said in a letter to Alistair Darling, the chancellor. Consumer price inflation rose to 4.7 per cent in August, the Office for National Statistics reported, up from 4.4 per cent in July and at the higher end of expectations, on the back of sharp rises in gas and electricity bills. Inflation in the retail price index – the basis for some wage and benefits adjustments – fell to 4.8 per cent year on year from 5 per cent, reflecting house price falls. Given that inflation was more than one percentage point higher than the Bank's 2 per cent target, Mr King was prompted to write a second explanatory letter to Mr Darling. Economists suggested the governor hoped to avoid the possibility that markets interpret the letter as signalling that weak economic growth overshadows inflationary concerns. The letter highlighted the rises in food, oil and gas prices, which have pushed inflation to its highest rate for 16 years, and said that inflation would "peak soon at around 5 per cent". Food inflation hit a record 14.5 per cent year on year in August. Falling crude oil prices prevented the rise in inflation from being more severe. (Financial Times, 16th September, 2008)

New WTO talks possible 'in coming weeks': Lamy

The World Trade Organization (WTO) could invite ministers to Geneva in the coming weeks to resume July's abortive talks on a new global trade pact, its head said. But fresh sparring between US and Chinese diplomats indicated that any new meeting would not be easy. In the weeks to come, and depending on progress made by the negotiations at senior official level, I am ready to call ministers back to Geneva to try and close the issues which remain open," WTO Director-General Pascal Lamy told a meeting of the United Nations Conference on Trade and Development (UNCTAD). July's ministerial talks fell apart over differences between the United States and India over special measures to help poor-country farmers cope with a surge in imports. "There's no doubt it was a setback, but it was not a collapse of the round," said Australia's WTO ambassador, Bruce Gosper, who chairs the WTO's General Council. A deal to free up world trade could boost confidence in a world economy battered by financial meltdown. Developing countries are particularly keen to complete the talks as they recognize trade can help them grow out of poverty. "If the shirt that we are producing to export, we don't find somebody in Europe or in the export destinations to buy it, then we don't survive," said Shree Baboo Chekitan Servansing, the WTO ambassador of Mauritius, which represents African, Caribbean and Pacific countries at the WTO. Trade experts said any resumed ministerial talks would most likely be called before the US presidential election. (Business Recorder, 17th September, 2008)

'IMF mission's visit, financial crisis have no impact on foreign exchange market'

Senator Khurshid Ahmed, a prominent economist to state that the ongoing IMF mission and financial crisis in the international markets had no impact on the sentiment of the currency markets in Pakistan. He said that the rupee was facing immense pressure due to depleting foreign exchange reserves and weak macro economic fundamentals. Khurshid said that precisely because Pakistan is not on IMF program, the Fund's findings were unlikely to have any negative impact on the rupee-dollar parity. In contrast to these views, Nabeel Iqbal, market and research manager of Khanani and Kalia International (KKI) opined that the recommendations of current IMF mission would set the sentiment of the currency markets in Pakistan. IMF observations could change the market sentiment. If it is ready to

issue the 'letter of comfort' with positive findings, it would improve the rupee-dollar parity. Before Eid, home remittances are expected to rise, which would improve the sentiment of the currency markets. Other experts said that the interbank rate of dollar touched Rs 77.60 on Wednesday, and following the interbank rate, the rupee-dollar parity in the kerb market was traded at the highest rate of Rs 77.60. However, the rate of dollar against the rupee came down to Rs 76.20 at closing time. They said that Pakistan's economy has been under tremendous inflationary and deficit pressure, and the stock market has also shown sluggish activity. During the first quarter of the current fiscal year the rupee lost more than 20 percent against dollar. (Business Recorder, 18th September, 2008)

LCCI worried about depleting foreign exchange reserves, fall in rupee value

The Lahore Chamber of Commerce and Industry (LCCI) has demanded of the government to come up with an economic plan as fast depleting foreign exchange reserves coupled with falling rupee value and widening current account deficit have shaken the confidence of the business community. The LCCI President Mohammed Ali Mian in a statement said that foreign exchange reserves had gone down to \$8.91 billion, while rupee value is touching the historic low at Rs 77.60 versus dollar and the current account deficit widened by \$2.5 billion during July-August mainly due to slow down in exports and rising trade deficit besides slow foreign inflows. Mian said the fast falling rupee price has not only worsened the balance of payment position but had also raised the burden of Pakistan's foreign debt and debt service liability. The LCCI President said that persistent decline in rupee would cause a contraction in economic activity and consequential slide down in income tax receipts will raise the burden of foreign debt overnight. It cannot stop smuggling as long as black- market transactions in foreign exchange continue. Devaluing the rupee means devaluing the price of Pak labour and talent in the international market who send foreign exchange. (Business Recorder, 19th September, 2008)

Current account deficit widens to \$2.5 billion in July-August

The country's current account deficit widened by 64 percent to 2.5 billion dollars during July-August of current fiscal year mainly due to slowdown in exports and rising trade deficit, besides slow foreign inflows. The State Bank of Pakistan statistics indicate that principal factors responsible for the widening of current account deficit include a widening trade deficit, which surged by 67 percent. However, services deficit registered a negative growth of 2 percent in July-August of 2009. The country's overall imports stood at 6.299 billion dollars and exports at 3.643 billion dollars registering a trade deficit of 2.657 billion dollars during first two months of current fiscal year. Services trade deficit stood at 1.068 billion dollars from 1.090 billion dollars, depicting a decline of 22 million dollars in first two months with 1.491 billion dollars import and 423 million dollars exports. Similarly, income deficit also witnessed a slight increase of 44 million dollars to 683 million dollars from 638 million dollars. Overall deficit including trade, services and income stood at 4.408 billion dollars against the current account transfers of 1.854 billion dollars. Statistics show current account deficit without official transfers climbed to 2.633 billion dollars during the first two months of fiscal year 2009 as compared to some 1.575 billion dollars during FY08. (Business Recorder, 19th September, 2008)

'Rice raises doubts about Russia's integration into world economy

US Secretary of State Condoleezza Rice cast doubt on whether Russia, "increasingly authoritarian at home and aggressive abroad," will continue to be brought into the global economic fold. Rice said that because of its August 7 invasion of Georgia and other behavior, "Russia's bid to join the World Trade Organization (WTO) is now in question. "William Burns, the State Department's number three and former US ambassador to Russia, warned that Russia's leaders risk a future political backlash from the growing economic fallout over its actions in Georgia. "To reach its full potential, Russia needs to be

fully integrated into the international political and economic order," Rice said. She said Russia's leaders will fail to "accomplish their primary war aim of removing Georgia's government." Rice, an academic who specialized in Russia and the former Soviet Union, said that Russian actions toward Georgia fit into "a worsening pattern of behavior over several years." "The picture emerging from this pattern of behavior is that of a Russia increasingly authoritarian at home and aggressive abroad," Rice said. She said that the United States and its allies Russia's "attack on Georgia has crystallized the course that Russia's leaders are taking - and brought us to a critical moment for Russia and the world." Rice said Russia was finding an excuse for its behavior in blaming Nato's eastward expansion to include former soviet territory. Washington has supported efforts by Georgia and Ukraine to join the western alliance. (Business Recorder, 19th September, 2008)

Bush ready to take more steps

US President George W. Bush said his administration was prepared to go beyond the "extraordinary measures" already taken to strengthen and stabilize them. White House Spokeswoman Dana Perino declined to comment on what possible further steps, if any, were under consideration. In Bush's first remarks on the financial crisis since the rescue by US authorities of insurance giant American International Group, he said the recent steps by his administration and the Federal Reserve were necessary. "The American people are concerned about the situation in our financial markets and our economy, and I share their concerns," he said. Bush is scheduled to meet with Treasury Secretary Henry Paulson later on Thursday. Bush cancelled a trip to Alabama and Florida, where he was slated to attend closed-door fund-raisers on Thursday and make brief remarks about energy, instead deciding to stay at the White House to monitor the unfolding financial crisis. "Our financial markets continue to deal with serious challenges," he said. The president sought to reassure investors, pointing to the government's takeover of mortgage financing giants Freddie Mac and Fannie Mae "to help promote market stability and to ensure they continue to play a role in helping our housing market recover." He also noted that the Securities and Exchange Commission had made moves to shore up investor protections and boost enforcement against illegal market manipulation. (Business Recorder, 19th September, 2008)

EU sees progress by China on market economy status

China has made "considerable progress" on the road to winning coveted market economy status, the European Commission has concluded in an internal report. "China now has in place almost all the legislation which is necessary for granting of market economy status. Acknowledging China's "considerable progress" toward fulfilling the criteria necessary for winning the status, the commission said it "remains strongly committed to working with China to achieve that." Beijing asked the European Union in 2003 to grant it market economy status, which is used when calculating tariff barriers in anti-dumping cases. The one criterion covered state influence over privatized companies and the absence of market distorting compensation and trading systems such as barter. However, the commission found in the report that "China has made considerable progress on the remaining four" criteria. EU Trade Commissioner Peter Mandelson is to head to China next week for high-level talks, during which he is to present the report. During his tenure as Europe's chief trade pointman, Mandelson has frequently visited China, which is now the EU's biggest trade partner after the United States and largest source of imports. (Business Recorder, 19th September, 2008)

Subsidies to be eliminated by June 30 2009

Finance minister Syed Naveed Qamar announced an 'indigenous package' for stabilization of economy, with main focus on deletion of all kinds of subsidies by June 30, 2009. The minister said

that the economic situation demanded some harsh steps to discourage import of luxurious or non-productive items. Duty on 350 items, L/C margin on many items raised, Finance Minister unveils package for economic stability, rules out seeking IMF assistance Package to bring about macroeconomic stability, bring down fiscal and C/A deficits and to protect reserves. He said the government policy of taking short- and medium-term measures for stabilization of the economy had worked up to its expectations. Naveed said that the donors had been consulted on the economic stabilization 'package' for keeping them in the loop on the decisions being taken by the government for overcoming the financial crisis. He said he was confident that the economic stabilization package would provide a window to all sectors of the economy for playing their due role for generating economic activities. (Business Recorder, 20th September, 2008)

Top expert urges US to ease tariff policies to bolster Pakistani exports

Arguing that the most vital step the United States can take to help Pakistan succeed is to create economic opportunities for its people, a top American expert has urged Washington to ease its tariff policies toward Pakistani products as a way to bolster the South Asian country's exports. "The single most useful thing the United States can do to help Pakistan succeed is to put Pakistanis to work. As it currently stands, US trade policy actually discriminates against Pakistan, he noted in an article entitled "Getting Smart on Pakistan." "US tariffs on Pakistani textiles', Pakistan's most important export" are far steeper than on similar goods from other countries. Last year, Pakistani exports to the United States totalled not much more than a quarter of the value of Sweden's exports. As the United States seeks to help Pakistan, trade parity should be at the top of the next administration's agenda." (Business Recorder, 20th September, 2008)

Piaf welcomes World Bank offer to develop Thar Coal reserves

Pakistan Industrial and Traders Associations Front (PIAF), while welcoming the World Bank offer to develop Thar Coal reserves, hoped the government will accept this offer as the exploration of coal will help generate cheaper electricity to bridge demand and supply gap of 5000MW. If the World Bank, the existing huge coal reserves are tapped and used for power generation, the electricity situation in the country would substantially increase, they added. Because of the shortage of energy, the textile sector was the biggest loser and the country's total exports registered a sharp decline. (Business Recorder, 20th September, 2008)

China launches trade dispute with US

China has launched a dispute against the United States at the World Trade Organization (WTO) over US measures against imports of certain steel pipes, tyres and woven sacks, China's WTO mission said on 19th September. "Considering that bilateral consultations between China and the US failed to solve concerns of China, China requested consultations with the US under the WTO dispute settlement mechanism regarding those measures," it said in a statement. It is the second trade case launched by China. In September last year China challenged US measures against imports of coated sheet paper. That resolved the case in China's favour without it going to a WTO panel, although the WTO has not been formally notified that the case was settled. China also joined a case in 2002, a few months after joining the WTO, launched by the European Union against US measures on steel imports, which the United States subsequently lost. The mission statement said China had repeatedly expressed its concern to the United States about Commerce Department measures tackling alleged unfairly priced - or - dumped, imports and Chinese subsidies on certain products. (Business Recorder, 20th September, 2008)

MF says Tanzania must tame domestic price growth

Tanzania must fight home-grown inflation as global food and fuel prices ease, but it has so far been unaffected by turmoil in the world's financial markets, the International Monetary Fund said. The east African country's annual inflation rate stood at 9.8 percent in August, up from 9.5 percent the month before and 7.8 percent in August 2007. "As global pressures subside, the key challenge for Tanzania is to ensure that domestic inflation also retreats." The Bank of Tanzania (BOT) aims to keep money supply growth to below 18 percent by June 2009, compared with a rate of 21.0 percent by the end of June 2008. "Should the tumultuous global financial conditions persist, or should growth prospects deteriorate significantly, low income countries may not remain immune," it said. "In particular, reduced access to foreign capital and slower export growth may also dampen economic activity in Tanzania." (Business Recorder, 20th September, 2008)

Foreign investment returning to Georgia: Prime Minister

Foreign investment has begun to trickle back into Georgia as the free-market economy shrugs off the impact of last month's war with Russia, Georgian Prime Minister Lado Gurgenedze said. Georgia's stock of FDI now accounts for 60 percent of the \$13 billion economy, the sixth highest level in Europe, he said. Certainly it's business as usual in banking," he said. "Resilience is our middle name." "This conflict will cost us a few percentage points of GDP growth," Gurgenedze said. Besides the war, Georgia has not escaped the financial market turmoil shaking the rest of the world. Since August 1 the Tbilisi stock market has fallen 37 percent, but Bank of Georgia, the main component in the index, was up 12 percent on Thursday in a flight to quality, he said. Gurgenedze's presentation to the Jetfin conference was part of an intense investor relations campaign by the US-educated banker, which sees him talking to investors in London, and in New York and Washington in mid-October, after a big emerging markets conference in Istanbul two weeks ago. Gurgenedze said that the free-market policies of President Mikheil Saakashvili's administration remained in place. These have seen Georgia simplify and drive down taxes, ban budget deficits, and eliminate import tariffs. Inflation - one of the major policy concerns in emerging markets - spiked a monthly 3 to 4 percent in August because of supply disruptions in the war, after slowing to single figures at an annual rate in July. The central bank retains an 8 percent inflation target, and single-digit targets are now legally mandated, he said. (Business Recorder, 20th September, 2008)

TDAP to set up training institutes in collaboration with PIBF

The Trade Development Authority of Pakistan (TDAP) has decided to set up four training institutes in each of the four capitals to provide skilled manpower for the marble and minerals sector in collaboration with the Italian government and with the co-operation of Pakistan Italy Business Forum, said Syed Mohibullah Shah, CEO of TDAP in a meeting with a delegation of Pakistan Italy Business Forum led by Acting President, Majyd Aziz. He added that the Italian Ambassador has also accepted the demand to provide Master Trainers so that the latest technology can be imparted through these institutes. He also assured the delegation that he would continue to maintain the channel of communication with the Italian Ambassador as well as the Pakistani diplomats in Rome to follow up on the proposal to set up the institutes. (Business Recorder, 21st September, 2008)

Marriott bombing a big blow to markets

The suicide bombing attack which killed at least 53 people in Islamabad would be a big blow to foreign investment and would lead to further weakening of the rupee which is already trading at a record low, dealers and analysts said. It's a big blow for foreign investment, as foreigners are going to

feel less secure in investing in Pakistan, and the fact that the government is not able to control these attacks does not leave much confidence in the market. The rupee weakened to a record low of 78.27 against dollar on Saturday because of weak economic fundamentals and the global financial crisis. It lost 21.3 percent against dollar since the beginning of the year. Dealers said the market was short of dollars because of the central bank's buy/swap operation. The central bank has been buying dollars in the ready market with a simultaneous commitment to sell them back in future, they said. They said they expected the rupee to weaken past the 80-rupee mark. (Business Recorder, 22nd September, 2008)