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Food security and trade liberalization

The rapid increase in prices of rice, wheat and other food commodities has sent a shockwave through poor households around the world. People are in the streets rioting over food and energy prices. The existing WTO and bilateral and regional trade agreements push across the board liberalization, which worsens volatility of food prices. This leads to increased dependence on international markets and decreased investment in local food production. Developing countries have turned from net exporters of food to net importers of food. Two-thirds of developing countries are net food importers and are extremely vulnerable to volatile international food prices. High food prices provide enormous benefits to transnational agribusinesses and commodity cartels that control the trade in food and farm production. Instead of dumping surplus agricultural production as “in kind” food aid, donors should provide cash to governments and aid agencies to buy local food. **(Dawn, 18th August, 2008)**

India losing basmati market to Pakistan

India has started losing its market of basmati rice to Pakistan primarily because of the curbs it imposed on its export to avoid running out of the commodity, a staple diet in may parts of the country. India has also completely banned export of non-basmati varieties which will remain in force till November. Most Indian customers are, therefore, shifting to Pakistani basmati. The country exported 1.18 million tonnes of basmati in 2007-08, worth Rs. 4,334 crore. Meanwhile, in a major and controversial initiative, India has changed the definition of the basmati rice. The revised definition enables India to develop new varieties to capture more basmati rice markets. Actually, basmati export have declined while total rice exports have increased by 13 per cent. Middle East is the major market for Pakistani basmati rice, which imports over 50 per cent of total basmati rice exports. **(Dawn, 18th August, 2008)**

Micro Finance scheme for uplift of cottage industries soon

The setting up of mini industrial estates in remote rural areas is on the card aiming at promoting non-traditional products being produced in these areas and generate employment opportunities for skilled and semi-skilled persons on their doorsteps in the Punjab. The development of industrial sector was top on the government agenda and during current fiscal period Rs 1.30 billion were being spent on 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 to expand the radius of setting up industries to rural areas for bringing industrial revolution in of the Punjab. In order to facilitate the SMEs the Punjab government would soon initiate a" Micro Finance" loaning scheme with an amount of Rs 1 billion during current fiscal period for the development of cottage industries and creating self-employment opportunities in the province. **(Business Recorder, 18th August, 2008)**

Kuwait signed $ 27 billion of deals in Asian tour

Kuwait signed more than $ 27 billion of investment agreements with nine Asian countries, including Brunei and the Philippines, during an Asian tour this month, its finance minister said in remarks published. The agreements were in the economic, oil, health and foreign affairs sectors "The value of the accords and economic and commercial protocols are more than $27 billion, with $3 billion to $4 billion of investments and possible commercial partnerships with each country," Finance Minister said. Finance Minister and Kuwaiti Prime Minister Sheikh Nasser al-Mohammad al-Sabah went on a tour of eight Asian countries this month to boost trade ties. A delegation including the Kuwait Investment Authority, a sovereign wealth fund, will visit Cambodia, Laos and Myanmar this month to look at investments in agriculture and industry. **(Business Recorder, 18th August, 2008)**

Bangladesh balance of payments falls 89.7 percent as food imports soar

Bangladesh's balance of payments slumped 89.7 percent in July-May to $105 million from the same period a year earlier due to soaring food and oil import costs, the central bank said. Imports for July-May increased by more than 24 percent from a year earlier, while exports increased 15.27 percent, bringing the trade deficit to $5.04 billion from $3.29 billion in the same period of last year, it said. The trade deficit widened mainly due to sharp rises in world prices of grains, including rice and wheat, as well as fertilizer and oil, a central bank official said. Officials said strong remittances from more than 5 million Bangladeshis working abroad helped offset the impact of the trade shortfall and kept the overall balance of payments in surplus. **(Business Recorder, 18th August, 2008)**

Suffering is relative for inflation-hit Saudis

With inflation rising across the Gulf Arab region, Saudi Arabia's perennial problem of unequal distribution of wealth has never been so obvious. Surging oil prices have triggered a turnaround in Saudi Arabia's economic fortunes and a return to some of the big spending-by wealthy individuals and the monarchy-that characterized the 1970s and 1980s. In June, inflation in the world's top oil exporter hit a 30-year high of 10.6 percent, mainly on increases in food and housing costs. John Sfakianakis, chief economist at SABB bank, HSBC's Saudi subsidiary, said the government could not raise wages to match inflation if it wanted to avoid adding inflationary pressures, but it risked angering workers. Saudis are careful about expressing public criticism lest it be taken for dissent. **(Business Recorder, 18th August, 2008)**

Shine off India's economy as gloomy data piles up

Until a few months ago, the most popular buzz phrase for India was "economic miracle", with the nation appearing impervious to the financial turmoil engulfing the developed world. But now the "India story" is losing traction, with inflation at 13-year highs and economic expansion slowing, prompting an exit by foreign investors as gloomy warnings pile up. "A number of factors inimical to growth have intensified," the government's Economic Advisory Council said last week, citing a world economy hit by the "twin onslaught" of the US subprime mortgage crisis and an oil price surge. While official growth forecasts for the year to March 2009 range from 7.7 to eight percent - down from the nine percent expansion last year and 9.6 percent the previous year - some brokerages see it as low as seven percent. Industrial output grew by just 5.4 percent in June, a sharp fall from 8.9 percent a year earlier. Global ratings agency Fitch has cut India's currency outlook to negative, citing a worsening fiscal deficit. **(Business Recorder, 18th August, 2008)**

Asia markets rise for first time in weeks

Asia Pacific markets rose for the first time in a week on hopes that a stronger dollar and cheaper oil would be good for consumer demand in the US, the region's most important export market. The MSCI Asia-Pacific Index had gained 1.2 per cent to 126.39 by late morning in Tokyo, after falling by three per cent over the past four trading days. Oil edged higher in Asia to $114.70 a barrel, but it is still well below the peak price of $ 146.65 in mid July. **(Financial Times, 18th August, 2008)**

Food and consumer groups get hedge smart

Food and consumer goods companies are overhauling the way they buy and hedge commodities after being caught out by increases in the prices of raw materials that have squeezed industry margins and cut profits. Companies are turning to commodity trading houses for the first time to hire traders and are buying complex financial trading systems to help them cope with a new era of global inflation. **(Financial Times, 18th August, 2008)**

Cooling oil prices: India breathing easy financial scene

The decline in world oil prices should bring some cheer to the government which has been battling inflation and an economic slowdown for some months now. From a peak of $147 a barrel in early July oil now trades at around $112. In July alone it fell by $ 20. However, these are early days to conclude whether the falling prices are part of a downtrend or are momentary. One difficulty with the oil markets relates to forecasting the prices. Today while oil is at around $112 a barrel, the futures markets continue to indicate higher prices. Speculation, widely believed but not proved to be a principal factor behind the phenomenal rise in oil prices, is present even when prices decline. In India, retail prices were never linked to global oil prices .Even after the last hike Indian consumers remain substantially subsidized. There is great irony in the fact that a high level committee on petroleum prices has suggested an increase and not a decrease in petrol and diesel prices. **(Hindu, 18th August, 2008)**

New taxes on luxury imports being finalized

The Economy Monitoring Committee (EMC) directed the ministry of commerce and the Federal Board of Revenue (FBR) to firm up their recommendations to impose new taxes on import of non-essential and luxury goods. The meeting directed the Ministry of Food, Agriculture and Livestock (MINFAL) to finalize urea prices per bag, including transportation charges. MINFAL briefed the EMC on government's subsidy being provided on DAP prices against 1,60,000 tons of local production and estimated import of 2,40,000 tons to keep the prices stable and affordable for crop growers. The EMC also directed ministry of industries and production to submit proposals on forthcoming Ramazan Package on essential food items to provide relief to common man. MINFAL briefed the EMC over continued stability of food grains prices comparing it well with regional countries, including Bangladesh, China and Afghanistan. **(Dawn, 19th August, 2008)**

Consortium plans $1.8bn US oil import terminal

A consortium of oil pipeline and storage companies plans to invest $1.8 billion to build the US second deepwater oil import terminal in Texas, the companies said. The port would also include storage for 5.1 million barrels of oil. The United States is expected to become increasingly reliant on oil imported on VLCCs as both domestic and nearby foreign sources of oil, such as Mexico and Venezuela, are declining. Currently only the Louisiana Offshore Oil Port is capable of handling VLCCs. Importers seeking to bring oil cargoes to Texas ports, such as Houston and Port Arthur, must offload their cargoes onto smaller vessels, increasing costs and the risk of spills. **(Dawn, 19th August, 2008)**

OPEC may cut output

The Organization of Petroleum Exporting Countries may decide to cut the cartel's oil output quota as the price of crude risks falling under $100 a barrel, energy consultancy CGES said. "The worsening economic outlook suggests that oil prices have further to fall, but OPEC, whose members are due to meet in early September, may act to prevent them from falling too far," the Centre for Global Energy Studies said in its latest monthly report. "There is a danger, though, that the organization will over-react, cut its production too sharply and send oil prices back up," added the London-based consultancy. World oil prices rose as traders fretted about the potential impact of Tropical Storm Fay on energy facilities in the Gulf of Mexico. **(Dawn, 19th August, 2008)**

Businessmen welcome Musharraf's decision

Business community has welcomed President Pervez Musharraf's resignation and hoped that his exit would bring political and economic stability in the country. President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Tanvir Ahmed, said that the business community was in favour of resignation of President Musharraf to bring the country out of political and economic turmoil. Now resignation of the President has increased responsibility of the government to concentrate on economic issues and resolve them in consultation with business community to bring the country out of economic crisis. A former president of KCCI, Siraj Kassim Teli, said that with the resignation of President Musharraf business community hoped that the government would now concentrate on economic issues. **(Business Recorder, 19th August, 2008)**

Government striving to make PC knowledge house

The Government is endeavoring to make Planning Commission (PC) a Knowledge House, which would lead Policy Intervention Strategies and introduce a new culture of learning through sharing. This was stated by the Secretary Planning Sohail Safdar while inaugurating the Ninth Annual conference of South Asian Network of Economic Research Institutes (SANEI). The Secretary in his address emphasized the need for larger co-operation in South Asian region through learning from each others' experiences in research and development. The conference attended by world renowned professors and economists. **(Business Recorder, 19th August, 2008)**

Asia's foreign exchange reserves may not be too high after all

Asia's reserves have quadrupled since the region's financial crisis a decade ago. For a start, Ruiz-Arranz and Zavadjil (IMF researchers) say the reserve build-up has reduced Asia's vulnerability to the fall-out of the global credit crunch and so is helping to maintain financial stability in the region. This effect continues to be important even at relatively high levels of reserves, Ruiz-Arranz and Zavadjil conclude. Asia may be drowning in reserves as measured by conventional yardsticks: the ratio of reserves to three months of imports; to external debt due within a year; to broad money; and to gross domestic product. Seen through this prism, reserves currently cover less than one-third of emerging Asia's external liabilities. **(Business Recorder, 19th August, 2008)**

Eurozone price risks have risen further

Eurozone inflation risks have risen and weaker economic growth will not automatically offset them, the Bundesbank said in a report. The Bundes bank said inflation in Germany could ease slightly, with prices for fuel, heating oil and agricultural products likely to fall. But inflation would probably remain significantly above 2 percent, it added. German annual inflation registered 3.3 percent in July. Economy Minister Michael Glos told Bild newspaper in an interview that the economy faces growing risks but should still fulfill a government forecast for growth of 1.7 percent this year. **(Business Recorder, 19th August, 2008)**

US, Japan, Taiwan launch WTO high-tech challenge against EU

The United States, Japan and Taiwan have asked the WTO to settle their dispute against the European Union over its duties on certain high-technology imports, the US Trade Representative Susan Schwab said. The US and the two Asian countries claim that EU is violating World Trade Organization rules by imposing duties on imports of certain products such as "cable boxes that can access the Internet, flat-panel computer monitors, and certain computer printers that can also scan, fax and/or copy." A WTO Information Technology Agreement (ITA) signed in 1996 prohibits duties on certain high-technology products. "The EU committed to bind and eliminate duties on ITA products in its WTO tariff schedules. We believe that these duties are inconsistent with the EU's commitments on these products, and that they discourage technological innovation in the IT sector," Schwab said. **(Business Recorder, 19th August, 2008)**

World Bank chief urges resumption of WTO talks

The head of the World Bank added his voice to those calling for a revival of last month's abortive world trade talks. World Bank President Robert Zoellick said that the July meeting, which foundered on a proposal for a safeguard to help farmers in poor countries withstand a flood of imports, had left a good package of results on the table. Several countries, most notably agricultural superpower Brazil, have called for an early resumption of the talks, which were intended to secure a breakthrough in the World Trade Organization's (WTO) long-running Doha round. **(Business Recorder, 19th August, 2008)**

US economic hardship catches up with Canada

In the early days of the US credit crisis, Canada remained confident that commodity prices and stable consumer spending would allow it to escape the worst of the downturn in spite of the ties that link the two economies. But this confidence is waning as evidence grows that the gloss is coming off the Canadian economy. **(Financial Times, 19th August, 2008)**

Rise in labour cost alarms central banks

The growth of unit labour costs accelerated in most developed countries during the first three months of this year, adding to central bank concerns that rising pay demands could further fuel inflationary pressures. Figures published by the Organization of Economic Co-operation and Development revealed that industry unit labour costs increased by 0.5 per cent in the first quarter of this year across 26 member countries. **(Financial Times, 19th August, 2008)**

OPEC weekly prices dive below 110 U.S. dollars

The weekly average oil prices of the Organization of Petroleum Exporting Countries (OPEC) dropped to 109.73 U.S. dollars per barrel last week, the Vienna-based cartel said. The prices have dropped for six consecutive trading weeks by 28.58 dollars after it topped 138.31 dollars in the first week of July. OPEC said in its monthly report that the eased geopolitical tensions and concerns over slower demand growth amid weak economic signs were the main cause for the steep fall. Experts, however, have again emphasized the potential risks of geopolitical crises such as Iran's nuclear issue and the armed conflicts in Georgia's breakaway region of South Ossetia, adding that the upcoming OPEC meeting in September would lead the oil prices to a clear direction. **(Xinhua, 19th August, 2008)**

Export finance funds increased to Rs. 358 billion

The Governor of State Bank of Pakistan, Dr. Shamshad Akhtar, has decided to increase the quantum of export finance for banks under Export Finance Scheme, and now funds amounting to Rs. 358 billion would be available for export of eligible products during FY09. Furthermore, in order to ensure timely availability of financing to exporters, the State Bank has also advised the banks that in future, financing requests from exporters under EFS should not be turned down, which otherwise are meeting the requirements of EFS and lending criteria of the respective bank. State Bank would regularly monitor the behavior of banks in optimal utilization of limits and if a bank is unable to fully utilize its allocated limit, its unutilized limit would be allocated to other banks. It may be added here that the State Bank of Pakistan and commercial banks have provided export finance to the exporters during FY 08 at 7.5 percent which is substantially lower than ongoing 6-month Karachi Interbank Offered Rate (at present around 13.5 percent). **(Business Recorder, 20th August, 2008)**

SBP warns banks and DFIs

The central bank has warned the banks and DFI's against discrimination of consumers on the grounds of occupation, trade, region, sex, ethnicity etc. In this regard the State Bank of Pakistan (SBP) has issued a circular BPRD Circular Letter No 21 to the presidents and chief executives of all banks and DFIs. SBP said that it has been brought to its notice that banks and DFIs sometimes discriminate against customers and occasionally turn down requests for credit cards, car loans or other facilities merely on the basis of profession, class or group of citizens eg lawyers, politicians, security officials and law enforcement agencies etc. It has further clarified that banks and DFIs may issue credit cards to members of their Board of Directors on normal terms and conditions. **(Business Recorder, 20th August, 2008)**

SECP offers minimum rules, tax incentives

To attract maximum foreign investment in the corporate sector, the Securities and Exchange Commission of Pakistan (SECP) has offered minimum regulatory framework and tax incentives to the foreign 'Private Equity and Venture Capital Funds' (PE&VCF), who are not raising money locally. The Commission issued PE&VCF Rules, 2008 to provide conducive regulatory framework for the private equities to attract foreign direct investment. Other tax incentives included reduced capital gains tax rate of 10 percent as against 35 percent on sale of assets and shares of a private company to a PE&VC Fund. The Commission has approved the regulatory framework for registration and regulation of PE&VC Funds in Pakistan. The minimum fund size has been fixed at Rs 250 million. When contacted, experts said that the foreign funds "not raising money locally" covers funds, which are registered board and also raised funds from their investors aboard. **(Business Recorder, 20th August, 2008)**

FDI up by 76 percent in July despite uncertainty

Despite political turmoil, Pakistan has been continually attracting foreign investment, as the foreign direct investment (FDI) during the first month of the current fiscal year surged by 76 percent. The State Bank of Pakistan (SBP) said that net foreign investment in the country had increased by 40 percent during July. The country attracted 220.5 million dollars foreign investment in July 2008 as compared to 157.5 million dollars in July 2007. The foreign direct investment depicted an increase while portfolio investment showed decline in July 2008. FDI mounted by 76.1 percent to 340.7 million dollars in July 2008 as compared to 193.5 million dollars in July 2007. Portfolio investment declined by 234 percent as outflow of 120.2 million dollars was witnessed in portfolio investment in July 2008 as compared to 36 million dollars of July 2007. **(Business Recorder, 20th August, 2008)**

Rs. 3,516 million being spent on up gradation project, says minister

Senior Minister Punjab, Raja Riaz Ahmad, has said that government was spending an amount of Rs. 3,516 million on the up gradation project of underprivileged areas of the province, which will provide all necessary amenities of life to the vulnerable at their door steps to improve quality of life of the people. This project will be pivotal in improving socio-economic conditions of the people besides giving them necessary training to earn their livelihood and improve the standard of life, Raja Riaz maintained. **(Business Recorder, 20th August, 2008)**

Food Stamp Scheme: 50,000 families given Rs. 775 million so far

Chief Minister Task Force for essential items and administrator Punjab Food Stamp Scheme, Chairman S A Hameed has disclosed that so far 50,000 families of 27 districts of the province have been provided financial support worth Rs. 775 million under Food Stamp Scheme. Talking about the Benazir Income Support program, he said that four million people could get benefit of these schemes if the federal government runs the scheme with the co-ordination of Punjab government. S A Hameed said that all the data is online and when the authorities get information that more than one person of a family is getting food stamp scheme aid on the basis of data base it deleted the extra person. **(Business Recorder, 20th August, 2008)**

Venezuela government takes over cement industry

The Venezuelan government has locked up control of more than 90 percent of the domestic cement industry with its nationalization of one foreign-owned plant and pressured buyout of two others. Energy and Petroleum Minister Rafael Ramirez led workers and supporters to take symbolic control of the Mexican-owned Cemex plant in the eastern part of the country. That, placed in the hands of the powerful state oil monopoly PDVSA, was added to the deals in which the government obtained a 89 percent controlling interest of French cement giant LaFarge's local operations for 267 million dollars, and 85 percent of Swiss firm Holcim's plant for 552 million dollars. "The interest of Venezuelans is placed above the interest of businesses." In April leftist President Hugo Chavez announced he would take control of the cement industry, as he has with the oil exploration and production operations of major foreign energy companies, and with foreign-controlled telecommunications businesses. **(Business Recorder, 20th August, 2008)**

UN appeals for food aid, security for Afghanistan

The United Nations appealed for urgent food aid for Afghanistan's poor, under pressure from drought and rising food prices, and for security for frequently attacked aid convoys. About 35 percent of Afghan households were not meeting their minimum daily requirements for food, UN Special Representative in Afghanistan Kai Eide told reporters. **(Business Recorder, 20th August, 2008)**

US to give $ 15.4 million for agriculture, health

The United States and Pakistan signed two amendments to their bilateral agreements on development assistance. These amendments establish the basis for the US Agency for International Development (USAID) for providing $ 15.4 million more to projects that strengthen agricultural production and improve the health of mothers and children in Pakistan. Previous USAID projects in agriculture have increased participating farmer’s incomes by more than 19 per cent. The remaining $ 6.5 million will be placed into a USAID maternal and child health programme that trains Pakistani health professionals and renovates health facilities, providing life-saving care to Pakistani mothers, newborns and children. **(Dawn, 20th August, 2008)**

Banks asked to make full Withholding Tax deduction

The Federal Board of Revenue (FBR) has directed commercial banks to deduct withholding tax on entire cash withdrawn by an account holder if it exceeds the exempted limit of Rs. 25,000 The FBR through a circular No 9 dated August 15, 2008 has reminded the commercial banks that it was clarified in April 2008 that withholding tax on cash withdrawal under the provisions of section 231-A will now be made on total amount and not on amount exceeding the exemption limit of Rs. 25,000. However, the banks were violating these directives and were still deducting withholding tax on cash withdrawal exceeding Rs. 25,000 only. **(Dawn, 20th August, 2008)**

US inflation at 27-year high

A pair of troubling US economic reports released showed wholesale prices had spiked dramatically in the past year while new home construction slumped heavily last month. The Labour Department reported that its producer price index (PPI), a key gauge of inflation at the wholesale level, rose by a hefty 9.8 per cent in July from a year ago. That marked the biggest surge in annualized headline prices at the factory and farm gate since a 10.4 per cent gain was recorded in June 1981. The core PPI rate, which strips out volatile energy and food costs, has increased by 3.5 per cent over the past 12 months, marking the largest surge in the annualized core reading since May 1991. On a monthly basis, overall prices rose by a more-than-expected 1.2 per cent in July against market forecasts which had predicted a rise of 0.4 per cent. **(Dawn, 20th August, 2008)**

July current account deficit up by 24 percent

Pakistan's current account deficit jumped up by 24 percent to 1.01 billion dollars during the first month of current fiscal year against 816 million dollars during the same period of last fiscal year, depicting an increased of 194 million dollars. SBP statistics showed that current account contributed 1.195 billion dollars deficit, 428 million dollars services deficit and 340 million dollars income deficit. The income deficit increased by 25 percent to 340 million dollars, as country's altogether income from abroad stood at 65 million dollars compared to payments of 405 million dollar during July 2008. However, the services sector performed well and its deficit declined by 21 percent to 428 million dollars, with exports of 263 million dollars and imports of 691 million dollars. Without official transfers the country's current account deficit stood at 1.01 billion dollars in July 2008 as compared to 841 million dollars in July 2007. **(Business Recorder, 21st August, 2008)**

Public private partnership vital to infrastructure development: Naveed

Federal Minister for Finance Syed Naveed Qamar has said that Public Private Partnership (PPP) is an essential option for infrastructure development to augment government's efforts and resources for the development of the country. Pakistan's structured programme and framework in this regard will help private sector participation in development of infrastructure projects in the country. As a result of combined efforts of IPDF, Planning Commission and Ministry of Finance, more foreign investment is expected in the infrastructure projects under public private partnership modality, he added. The government recognizes the Public Private Partnership as an essential option for infrastructure development in the country, there is a need to identify projects which can be launched under the Public Private Partnership modality to relieve the burden on the public sector in the immediate term. **(Business Recorder, 21st August, 2008)**

Industrial, technical sectors linkage to be strengthened

The Punjab Government will not only strengthen the linkage between technical institutions and industries but also make it more effective so that we could produce skilled labour force according to the requirements of local market. Yawar said that small and medium enterprises are the backbone of economy and the Punjab government would prepare a comprehensive policy for the promotion of SMEs which would help generate job opportunities apart from checking poverty ratio in the province. He said that proposals and recommendations of industrialists, traders and business community would be included in the proposed policy and after giving final shape; the draft of policy would be presented to Chief Minister Punjab for final approval. He said that duplication role of various departments would be further minimized and SMEs sector would be provided more incentives and facilities. He said that due attention would be paid on research work on SMEs sector. On this occasion, businessmen and traders also presented the proposals for the promotion of SMEs sector. **(Business Recorder, 21st August, 2008)**

USC to get Rs. 1 billion subsidy as Ramazan package: National Assembly informed

The government will provide Rs. 1 billion subsidy in the shape of Ramzan package to the Utility Stores Corporation (USC) for supplying essential items at cheap rates to masses. The Adviser disclosed that during Ramzan almost 1,500 new utility stores would be opened in August throughout the country as the government has set a target of 6000 more stores. The education minister told the House that the Higher Education Commission has adopted a systematic process of reforms. "A total budget of Rs. 33.766 billion has been allocated to the HEC for 2007-08 including the recurring grant of Rs. 15.766 billion and development grant of Rs. 18 billion," the minister said. "A total grant of Rs. 509.342 million was released to the federal government universities during last quarter of the last fiscal year including recurrent grant of Rs. 161 million and development grant of Rs. 347.637 million," the minister said. **(Business Recorder, 21st August, 2008)**

Global economic expectations at 18-year low

Expectations for the global economy have fallen to their lowest level in nearly 18 years, with the outlook in Western Europe and Asia deteriorating, the IFO economic research institute said. The Munich-based think tank's world economic climate index, which measures both current conditions and expectations, fell to its lowest level in almost seven years in the third quarter to 73.4 from 81.4 in the previous quarter. The worsening of the IFO world economic climate has affected above all Western Europe and Asia. A climate reading for North America rose to 62.7 from 60.9 in the second quarter, but fell to 63.1 from 75.9 for Western Europe, the worst reading since the spring of 1993. The gauge for Asia fell to a 6 1/2-year low of 75.9. In contrast to the previous survey, the experts polled expected central bank interest rates to rise in coming months. **(Business Recorder, 21st August, 2008)**

Provinces yet to review property valuation rates

All four provincial governments have so far failed to act in accordance with the decision of the Federal Cabinet to review existing valuation rates of immoveable property in their respective areas, as existing rates did not match the fair market value. The government wants to jack up the valuation rates in accordance with the existing rates of property in the market. Due to low fixation of valuation of property, people paid less tax by hiding the real value of their property. Now Federal Board of Revenue (FBR) has requested the chief secretaries of all the four provinces to respond at the earliest on the Federal Cabinet's decision to review the existing valuation rates of the immoveable properties in their provinces. **(The News, 21st August, 2008)**

Provinces asked to revise rates: Property valuation

The federal government has decided in principle to revise rates of immovable property and asked the provincial governments to propose new rates for the levy of capital value tax (CVT) and stamp duty. A senior income tax official told that the present rates were very nominal yielding very lesser revenue for the government. It has been observed that the values of property fixed for calculation of taxes is still very low like in thousands, while property market value is in millions. Provinces collect capital value tax on behalf of the federal government on transfer of property. An official announcement issued here said that the Federal Board of Revenue (FBR) has requested the chief secretaries of all the four provinces to respond at the earliest on the federal cabinet's decision to review the existing valuation rates of the immoveable properties in their provinces for the purpose of transfer of such units. **(Dawn, 21st August, 2008)**

Current account gap swells to $ 1 billion

The current account deficit rose to $1.010 billion in the first month (July) of the current fiscal year threatening the payment ability of the country amid fast eroding foreign exchange reserves. The government said the reserves were enough for three months imports. The July's current account deficit is not only higher than last year, but shrinking FOREX reserves and the falling rupee has threatened the country's viability to make timely external payments. The average monthly current account deficit could go further high in next few months as the previous trend showed the pattern of import growth. The services export witnessed sharp decline while its import was much higher adding more weight to import bills. "The July current account deficit is still lower than monthly average deficit of last year which came around $1.17 billion," said the analyst. The total current account deficit for 2007-08 was $14.036 billion. Analysts believe that the current account deficit will rise in coming months despite lower oil import bills. **(Dawn, 21st August, 2008)**

Economic turmoil cues fall in property prices

Property prices have crashed by up to 35 per cent in all major cities over the past two to three months due to a tremulous financial market and investments being shifted to the United Arab Emirates (UAE) real estate sector. Experts and dealers in the local estate markets revealed that Pakistan is suffering from its worst ever property crisis. The property was eventually sold for Rs13.5 million. Munir Sultan, Vice-President the Federation of Pakistan Chambers of Commerce & Industry (FPCCI) sub-committee for Housing and Construction, explained that the reason behind the downfall was the turbulent financial market of the country. "When the Karachi Stock Exchange fell, they (investors) sold their properties at throwaway prices to pay for the shares that they had pledged to avoid becoming defaulters," stated Sultan. Faisal Adil, a property consultant, deals in both buying and selling of properties. **(The News, 22nd August, 2008)**

CNG price may be fixed between Rs. 42.5 and Rs. 45.5

The government, industry and OGRA may reach a consensus on CNG prices somewhere between Rs. 42.5 and Rs. 45.5 per kg, a senior official told. Earlier, the Ministry of Finance had asked OGRA to fix the CNG prices between Rs. 42 to Rs. 43 per kg. According to the press release issued later, Ministry of Petroleum, Finance and OGRA jointly briefed EMC about the initial outcome of their negotiations with CNG stakeholders/distributors on the CNG pricing formula. MINFAL briefed EMC on local urea production and projected import after signing of an agreement with Saudi Arabia. EMC directed MINFAL/NFC that mobile sales outlets be arranged, where there is no proper sales outlet facility. EMC directed MINFAL to fast track wheat import to meet domestic shortfall. Finance Minister has directed MINFAL and Ministry of Industries to recheck subsidy figures and examine various options about DAP prices and submit recommendations. **(The News, 22nd August, 2008)**

PRL unveils record profit amid uncertain future

Pakistan Refinery Limited (PRL) announced more than 740 per cent increase in net profit for fiscal year 2007-08, just days after the government acted to limit the profitability of refineries to save subsidy on petroleum products. PRL's profit rose to Rs. 2.1 billion compared to previous year's Rs. 250 million primarily on the back of inventory gains, which represent the worth of crude oil stocks the refineries maintain, analysts told. Consequently, margins of OMCs have been capped at $100 per barrel of the price of crude oil, deemed duty on diesel reduced, and price calculation method for petrol has also been altered. Refining industry officials argue that constant fluctuation in international oil price quickly turns into bane from boon on account of inventory losses and poor refining margin. **(The News, 22nd August, 2008)**

Japan Special Zones to be set up to facilitate investors

The country has assured the Japanese government that it would establish fully-equipped Japan Special Economic Zones (SEZs) where all state-of-the-art facilities and infrastructure would be provided at zero points to investors. Discussing special economic zones policy, the delegates were informed that the country was working on Japan SEZs proposal forwarded by Japan External Trade Organization (JETRO) and Pakistan Japan Business Forum (PJBF). The delegation was visiting Pakistan for exploring investment opportunities in different sectors. JBIC has a statutory mandate to undertake lending and other operations for the promotion of Japanese exports, imports and economic activities overseas; for the stability of international financial order; and for economic and social development as well as economic stability in the developing economies, thereby contributing to the sound development of the Japanese economy as well as international economy. **(The News, 22nd August, 2008)**

Asian electronics sector holding up

Asia's electronics manufacturing sector is holding up, despite a slowing global economy, because of sustained demand from Brazil, Russia, India and China. The need for newer technology to put into cars, mobile phones and flat screen television panels should help drive demand for increasingly sophisticated electronics chips, they said at an industry forum in Singapore. Albert Lu, a senior scientist with the state-linked Singapore Institute of Manufacturing Technology, said innovation to find new technologies for use in cars, mobile phones and high-tech television sets will help drive demand for electronics products. **(The News, 22nd August, 2008)**

Pakistan's foreign exchange reserves decline by $352 million

Pakistan's foreign exchange reserves decreased by 352 million dollars during the last week due to slow foreign inflows and huge payments. The State Bank of Pakistan (SBP) said that the country's foreign reserves plunged by 4 percent or 351.9 million dollar to 9.5681 billion dollar during the week ended August 16, 2008, as against 9.92 billion dollars a week earlier. The reserves held by SBP declined by 381.8 million dollar to 6.2626 billion dollar during the last week, they on August 9, 2008 the reserves totaled 6.6444 billion dollar. After the current surge, banks' overall foreign reserves rose to 3.3055 billion dollar as compared to 3.2756 billion dollar a week earlier. **(Business Recorder, 22nd August, 2008)**

Exports come to grinding halt: imported cargo piling up at ports

Whereas, the exports come to grinding halt, imported cargo is piling up at ports due to the non-availability of transport in the wake of continued wheel-jam strike by the cargo carriers. "The goods transporters have refused to take the cargo from the ports to factories and factories to ports, therefore, the imported goods are stuck up at ports. Acting chairman of Pakistan Hosiery Manufacturers Association Muhammad Khalid Mukashi has sent a letter to the chief minister, transport minister and provincial secretary transport by inviting its attention towards the goods transporters' strike. "A large number of PHMA members and other exporters are facing serious problems due to the ongoing goods transport strike," Khalid Mukashi said. **(Business Recorder, 22nd August, 2008)**

Pakistan and Indonesia negotiating to sign FTA

Indonesia and Pakistan are actively engaged in negotiations to sign Free Trade Agreement (FTA), which would help in raising the volume of bilateral trade up to one billion dollars mark. On the occasion of 63rd anniversary of Independence Day of Indonesia Ibnu Prispermana Charge d' Affaires of the Embassy of the Republic of Indonesia said that the bilateral trade between Indonesia and Pakistan stood at 919.46 million dollars during 2007, reflecting significant increase in import/export between the two countries. In 2007, trade volume between Indonesia and Pakistan reached 919.46 million dollars, whereas the export value of Indonesia to Pakistan was 846.62 million dollars. Indonesia and Pakistan can enhance co-operation in the framework of technical co-operation among developing countries (TCDC) in various fields by exchanging experiences, skills and information. **(Business Recorder, 22nd August, 2008)**

NTC decisions: setting up of tribunal will lead to meeting WTO obligations

The establishment of appellate tribunal, approved last week by the cabinet, for hearing appeals against decisions of National Tariff Commission (NTC) would lead to meeting WTO obligations with regard to the Trade Defence Laws which are obligatory for WTO member countries. Engr. Jabbar highlighted following major implications in the absence of appellate tribunal i.e. No appellate forum is provided to the aggrieved interested parties against the decisions/final determination of the NTC. NTC has now made reasonable number of final determinations and mostly it is claimed by the NTC that uptill now no interested party has so far appealed against the decisions of the NTC. NTC decisions cannot remain transparent unless appellate tribunal is provided for hearing appeals against its decisions. **(Business Recorder, 22nd August, 2008)**

Food items exports fall to $0.32 million in July

The overall exports of the food commodities worth $0.32 million in July 2008, decreased by 9 percent as compared to the $0.35 million in the month of June 2008. The total export of basmati was decreased by 21 percent to $0.12 million against $0.16 million exports of basmati in July 2007. The data showed an increase of 226 percent in exports of rice in July 2008 as compared to July 2007 that was just 72,000 tonnes. The exports of basmati during July 2007 was worth $53,000 indicating a decrease of 129 percent as compared to the recent exports of the same commodity in July 2008. The exports of fruits and vegetables in July 2008 have increased by 27 percent and 1.7 percent respectively as compared to June 2008. While the exports of fruits in July 2008 have increased to 13 percent as compared to July 2007 while the exports of vegetables decreased by 28 percent against July 2007. **(Business Recorder, 22nd August, 2008)**

US wants push to revive Doha trade talks

The United States wants officials to resume international trade talks in September after a meeting of ministers collapsed without a breakthrough last month, US trade chief Susan Schwab was quoted as saying. She said in an interview with specialist newsletter Inside US Trade that senior officials from a small group of countries should meet next month to explore the possibility of restarting the Doha round negotiations at the World Trade Organization (WTO). Schwab was speaking ahead of a visit to Washington by WTO Director-General Pascal Lamy, who also visited India last week. Schwab's comments, reported in the newsletter's online edition, reinforce those made by several countries, notably Brazil. **(Business Recorder, 22nd August, 2008)**

Oil price hike shuts down 100,000 Mexican firms

At least 100,000 small companies have been shut down in Mexico due to the soaring oil prices and new tax laws, the Latin American Organization of Small and Medium Companies (Alampyme) has said. Other factors that contributed to the closer of the small firms included disloyal competition and underground and unfair trade practice, the Alampyme said at a press conference. "The deterioration of the business environment at a national level has forced many companies to cancel their official registration and shifted their business underground for tax evasion," said Pedro Salcedo Garcia, president of Alampyme. The collapse of these companies has raised the unemployment rate in Mexico, Garcia said. **(Times of India, 22nd August, 2008)**

Plan to slash PSDP by Rs100bn

The government has decided to cut the federal Public Sector Development Programme (PSDP) by Rs. 100 billion to contain fiscal deficit at 4.7 per cent level and allow a 'hefty increase' in electricity tariff to achieve macro-economic stability, says Minister for Finance and Privatization Naveed Qamar. Terming it unfortunate, he said that the government would have to slash its development budget from Rs. 550 billion to Rs. 450 billion to avoid piling up problems. The National Electric Power Regulatory Authority (NEPRA) is believed to have recommended a 61 per cent increase in electricity tariff, which the government was anxious to pass on to consumers. WAPDA's circular debt is increasing, which will have to be cut by allowing the increase in electricity charges. Referring to petroleum export, he said, the export of oil to Afghanistan would be controlled by imposing a regulatory duty on subsidized petroleum products. "The government will raise Rs. 52 billion from the privatization other than big ticketing items." In reply to a question, he said that the government was in touch with the government of Saudi Arabia to import 120,000 barrels of oil on deferred payment. **(Dawn, 23rd August, 2008)**

Criteria for valuation of assets sought: Whitener Scheme

The Income Tax Bar Association Karachi (ITBAK) has asked the Federal Board of Revenue (FBR) to come out with clear-cut guidelines for determining the fair market value of assets being disclosed in the 'Whitener Scheme'. Though the FBR has already clarified that the fair market value as declared by a taxpayer would be accepted for determining the value of undisclosed assets, the tax bar still feels that this does not inject sufficient confidence to ensure success of the Investment Tax Scheme, 2008. Whereas shares of companies not quoted on stock exchange, the face value or break-up value of the share as on June 30, 2008, may be considered for valuation. For determining the value of imported motor vehicles for the purpose of amnesty scheme on payment of two per cent tax, the bar has suggested that the CIF value, plus the amount of all charges, customs duty, sales tax, Federal Excise Duty, levies, fees and other duties and taxes imposed thereon up to registration of a vehicle be included in the value. The tax bar wants the FBR to assess the value of undeclared gold and jewellery at a flat rate of Rs20,000 per 10 grams upon which two per cent tax be recovered for availing the whitener scheme. **(Dawn, 23rd August, 2008)**

BMA extends financial, investment services to NWFP

BMA Capital has extended financial and investment services to NWFP with the objective of the facilitation and promotion of investment in the province. BMA Capital Chief Executive Officer Junaid Iqbal gave a detailed presentation on various modes of investment and particularly mutual funds. The company would also hold functions in educational institutions, banks, chambers of commerce and other government institutes for encouraging people to investment in mutual funds. Speaking on the occasion, NWFP Minister for Finance Mohammad Hamayun Khan said the government was making efforts for bringing investment to arrest the growing problem of employment. He said that the provincial government had constituted a committee, headed by the Chief Minister, to give incentives to private sector for promotion of private investment in the province. **(Business Recorder, 23rd August, 2008)**

Public debt up by Rs. 630 billion in 45 days

Pakistan's public debt has gone up by Rs. 630 billion due to depreciation of rupee against dollar in the past one-and-a-half months. Since Pakistan's public debt is all time high, depreciation of one rupee against dollar would add Rs. 45 billion to it. Dollar-rupee parity was around 1:64 some one and half months back. Then unending rupee nosedive changed this ratio to 1:76.50 on August 22. The dollar is gaining substantially vis-à-vis rupee for long and, on Friday, the last working day of the money market, it crossed the level of 76.50 in open market. Between August 20 and 22 it lost more than four rupees. Special Secretary Finance Dr Ashfaque Hasan Khan, who is also Director General of Debt Management Office, looks visibly disturbed over rupee depreciation. He is worried over the rising public debt due to rupee downfall. Senior officials of MoF are of the view that since the SBP is enjoying full autonomy, it is the only authority to take corrective measures for checking any fluctuation in exchange rate. **(Business Recorder, 23rd August, 2008)**

PIAF to remove fear factor among business community

Pakistan Industrial and Traders Associations Front (PIAF) has decided to launch "contact campaign" to undo the fear factor spoiling the business atmosphere in the country. The PIAF leadership along with the Lahore Chamber of Commerce and Industry (LCCI) office-bearers would visit all the city markets and industrial areas to hold meetings with the business community so that they could be able to do their businesses with peace of mind. PIAF Chairman Irfan Qaiser and Vice-Chairmen Iqbal Baig Chughtai and Khwaja Shahzeb Akram stated this. The PIAF office-bearers, condemning the Wah Cantt blasts in severest possible terms, said that the blasts had not only shaken the confidence of the business community once again, but it had also sent a very wrong signal abroad. **(Business Recorder, 23rd August, 2008)**

World trade growth slows to seven-year low in second quarter

Growth in world trade slowed in the second quarter of this year to its lowest for nearly seven years, the CPB Netherlands Bureau for Economic Policy Analysis said. In the three months ended June, world trade rose by only 0.6 percent at an annual rate compared with the previous three months, CPB said. "This is the weakest quarterly performance since the drop in world trade in the final quarter of 2001," it said in its monthly analysis of global trade flows. CPB provides trade data to the EU Commission for its surveys of the euro area, and also works closely with the World Bank on its trade series. On a 12-month perspective, trade growth has been slowing steadily since late 2006, CPB data show. **(Business Recorder, 23rd August, 2008)**

EU to lift dumping duty next year

The five-year anti-dumping duty imposed on Pakistani manufactured goods by the European Union will come to an end next year and the country was hopeful that it would not be re-imposed. Commerce Secretary Syed Asif Shah said despite these duties Pakistan exports around $2 billion textile goods to EU and if the duty is reduced to zero, the country's trade will go manifold. The commerce secretary said Pakistan's trade with EU was around $10 billion and the EU remains country's largest trading block. The secretary stated Pakistan was not in the LDCs category but the country is eager to have Free Trade Agreement with EU as this will help in demand for goods, increase production and develop economic activities. Shah further said Pakistan was keenly interested in securing GSP plus programme. "If the study showed that it had negative impact on Pakistan, then EU will hold negotiations on FTA with Pakistan. **(Dawn, 24th August, 2008)**

POL imports up by 87.4pc

The country's import bill of petroleum products has increased by 87.41 per cent to $1.287 billion in July, 2008 against $0.686 billion in the same month last year. The import bill of machinery was mainly pushed by an increase of 48.24 per cent in power generating machinery, office machines 2.24 per cent, construction machinery 55.84 per cent and other machinery 14.7 per cent. In the telecom sector, the import of mobile phones decreased by 38.55 per cent. The import of milk products increased by 88.92 per cent, wheat 473.69 per cent, pulses 76.54 per cent, tea 52.09 per cent, and spices 40.38 per cent. However, the import of sugar declined by 65.08 per cent followed by palm oil 6.69 per cent, soyabean oil 92.30 per cent and dry fruits 12.01 per cent during the period under review over the last year. **(Dawn, 24th August, 2008)**

Non-textile exports up 84.6 per cent

Country's non-textile products exports edged up by 84.6 per cent during the first month of the current fiscal year over last year, Statistics Division data revealed. Despite dismal performance of textile and clothing sector, the overall export proceeds recorded an impressive growth of 29.48pc. Export of food group inched up by 121.14pc. Export of rice went up by 226.43pc, fish products 65.45pc, fruit 13.14pc, oil seeds 330.39pc, sugar 100pc, meat 18.13pc and all other food items 8.53pc. Export of petroleum products increased by 91.68pc, sports goods 22.41pc, leather products 11.68pc, footwear 24.43pc, surgical instruments 21.64pc, engineering goods 30.61pc, cement 103.52pc, molasses 217.31pc, jewelry 399.51pc, gur 5.61pc during July 2008 over the same month last year. Product-wise details showed that export of readymade garments declined by 0.21pc in July 2008, cotton yarn by 17.49pc, knitwear 8.93pc, bed-wear 8.52pc, made-up articles 0.57pc, other textile material 32.25pc, over the same month last year. **(Dawn, 24th August, 2008)**

Pakistan for enhancing trade with Europe

The visiting Pakistan Commerce Secretary underscored the need of enhancing trade and investment in the South Asian country as a part of international support in the perspective of new era of democracy following the February 18 parliamentary elections. Introducing Pakistan as a investment-friendly country, the commerce secretary informed that with $160 billion GDP and Foreign Direct Investment of average $5-7 billion coupled together with ease of doing business, Pakistan can be counted as one of the friendliest investment country in the world. The foreign investors and expatriates based in Pakistan have entirely different view about the country and its investment environment. Asia House Chief Executive MsCharlotte Pinder, in her opening remarks, introduced Pakistan as a country with remarkable economic growth having immense potential for investments in various sectors. Pakistan

High Commissioner Wajid Shamsul Hasan appreciated the role of Asia House in introducing economic and trade potential of Pakistan to investors in UK. **(Business Recorder, 24th August, 2008)**

US economy may shrink in second half 2008: IMF's Lipsky

Recent US growth has been better than expected but the country could still see activity shrink in the second half of the year, a top International Monetary Fund official said. Second-quarter US growth notched a better-than-expected 1.9 percent annualized pace and economists think it could be revised even higher. The IMF last month raised its forecast for 2008 US growth to 1.3 percent from a mere 0.5 percent previously expected, but said that next year would be slightly softer. Lipsky did, however, see 2009 bringing improvement. The IMF said last month that the case for Fed rate hikes was unclear. The US central bank has slashed its benchmark overnight fed funds rate 3.25 percentage points to 2 percent to shield the economy from a housing crisis and credit crunch. Lipsky, attending the annual monetary policy symposium hosted by the Kansas City Federal reserve in the Teton Mountain resort of Jackson Hole, said there had been no overt criticism of the Fed's lack of action. "The Fed has responded with alacrity and decisiveness to the unfolding events. **(Business Recorder, 24th August, 2008)**