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WTO CELL  
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**WEEKLY ECONOMIC DIGEST**  
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**Revamping agricultural credit system**

The credit line for farmers is paltry, complex in nature and suffers from quite a few structural problems. The sector needs around Rs. 750 billion annually, but the formal sector has been providing Rs. 100 billion. Agriculture production demands seed, diesel, fertilizer, water, management and pesticides. The sector needs around Rs. 50 billion for seed purchases, Rs. 130 billion for around two billion litres of diesel that it consumes to run farm implements and tube-wells, Rs. 200 billion for fertilizer, Rs. 20 billion for farm mechanization, Rs. 35-40 billion for electricity bills to run tube-wells, Rs. 10 billion for canal irrigation and Rs. 20-25 billion for pesticides purchase. Livestock a vital sub-sector of agriculture also needs Rs. 250 billion credit. The formal sector spares around Rs. 200 billion for the so-called agriculture credit. (Dawn, 25<sup>th</sup> August, 2008)

**How to achieve food security**

Food security exists when all people have access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for a healthy life style. In spite of significant progress made in food production over the last 60 years, most urban population/communities have had to deal with uncertainty in food security on a daily basis, year after year and most often, generation after generation. Food riots have recently taken place in many countries across the globe. The World Bank estimates that the doubling of food prices over the last few years could push 150 million people in low income countries deeper into food insecurity and poverty. According to the Food and Agriculture Organization (FAO) in 2006, both the agricultural and food production rose by less than one per cent. Food security at national level may be described as a satisfactory balance between food supply and demand. The household level of food security is most important. (Dawn, 25<sup>th</sup> August, 2008)

**The trust in tax evaders**

The Tax Force on Tax Reforms points out that 'various tax amnesty schemes have contributed to the erosion of faith in the fairness of the system'. The scheme covers all such assets up to June 30, 2007. One is honest taxpayer who has paid tax over the last five years and the other a tax evader now lured by investment tax scheme to declare his undisclosed assets. Tax compliance cost, opportunity cost, additional taxes on late payment, etc would have been paid by the honest taxpayer and the tax evader

will have no such cost. The scheme envisages that new tax payers availing ITS 2008 shall be obliged to file return of income for the tax year 2008 and subsequent three consecutive tax years. The scheme does not spell out consequences of not filing any subsequent income tax return up to tax year 2011. (Dawn, 25<sup>th</sup> August, 2008)

### **Decline in consumer financing**

It was only till recently that people had to wait for months or got delivery of their booked cars after paying a premium to a dealer. The banks then offered auto loans at very low rates that mainly financed the purchase of new cars, especially for fixed income groups. The car-makers raised their plant capacity substantially during 2001-06 to meet the increased demand. Many reasons such as increase in the energy and steel prices, levy of five per cent federal excise duty, increase in sales tax by one per cent and fixed rates of withholding tax are cited for this situation. In July, the inflation rate went up to 24.33 per cent as compared to 6.37 per cent in the same month last year. Bank credit has been made more expensive. The rise in interest rates has affected the ability especially of those middle class borrowers who borrowed on floating rates. Similarly, inflation, unemployment and declining wages have adversely affected the capacity of borrowers to repay loans. In the March 2007, the ratio of NPLs to total auto loans was 2.6 per cent which in March 2008 rose up to 5.9 per cent. (Dawn, 25<sup>th</sup> August, 2008)

### **World economies**

The IMF latest update on global economic prospects for 2008 and 2009 reveals slowdown in economic growth globally. The IMF chief economist Simon Johnson still fear chance of a global recession, which many economists define by global growth below 3.0 per cent. The global growth is now projected to moderate from five per cent in 2007 to 4.1 in 2008 and 3.9 per cent in 2009. Growth in these economies is projected to ease to around seven per cent in 2008-09, from eight per cent in 2007. The 2009 outlook was held at 1.2 per cent growth. Inflation is mounting in both advanced and emerging economies, despite the global slowdown. The Asian Development Bank projects economic growth in emerging East Asia would moderate in 2008 and 2009 as the region weathers a global economic slowdown, higher-than-expected inflation and global financial markets volatility. The bank had projected 8% growth for 2008 in December. GDP growth is projected at 9.4 per cent for 2008, a substantial 2.5 percentage points lower than in 2007. (Dawn, 25<sup>th</sup> August, 2008)

### **Cutting down PSDP by Rs. 100 billion: Planning Commission, finance at loggerheads**

The Planning Commission and the Finance Ministry are on a collision course over the announcement by the Finance Minister Naveed Qamar that the Public Sector Development Programme (PSDP) would be slashed by Rs. 100 billion; the controversy is likely to continue. Similarly, an amount of Rs. 108.135 million was allocated under PSDP for Local Government and Rural Development, Rs. 2.381 billion for Law, Justice and Human Rights Division, Rs. 769.578 million for Textile Industry Division, Rs. 4.070 billion for Housing and Works Division, Rs. 11.114 billion for Planning and Development Division, Rs. 2.370 billion for Revenue Division, Rs. 5.0752 billion for Finance Division, and Rs. 4.315 billion for Population Welfare Division. The Information Division was allocated Rs. 1.038 billion while Rs. 1.045 billion was allocated for Industries, Rs. 12 million for Economic Affairs Division, Rs. 3.015 billion for Science and Technology, Rs. 33.920 million for Youth Affairs Division. (Business Recorder, 25<sup>th</sup> August, 2008)

### **Ukraine and Pakistan can further boost bilateral relations: envoy**

Ukraine and Pakistan are ready to widen the scope of bilateral relations between the two countries and the present leadership of both the countries have the potential to further expand these relations. "The

economic relations between Ukraine and Pakistan are satisfactory at the moment but the two countries have more potential to further improve and boost it," said Ambassador of Ukraine to Pakistan. The envoy said that Deputy Minister of Economy would be visiting Pakistan to sign trade agreements between the two countries. To a question about dealing with the energy crisis in Pakistan, the Ambassador said that Ukraine has rich energy resources and is producing energy from traditional and non-traditional ways. Pakistan can also benefit from the experience of Ukraine. Moreover, Pakistan's energy requirements could also be met through the rich energy sector of Ukraine and Ukraine government has also invited Pakistan's Foreign Minister to visit Ukraine and modalities about it are being finalized. (Business Recorder, 25<sup>th</sup> August, 2008)

### **ASEAN pursues free trade deals as global trade talks in limbo**

ASEAN is set this week to finalize a free trade agreement with India and hold talks with Australia and New Zealand, signaling the importance of regional pacts amid fading hopes for a global trading regime. Association of Southeast Asian Nations (ASEAN) economic ministers, meeting in Singapore from Monday to Friday, are expected to put the final touches on an ASEAN-India trade in goods pact agreed on by senior officials earlier this month. The deal covering billions of dollars is expected to be signed during the ASEAN-India Summit in December, officials have said. ASEAN economic ministers will also hold talks with their counterparts from Australia and New Zealand in an effort to have a trade agreement ready for signing by December, a Southeast Asian diplomatic source said. Forging the trade links with India and the two Pacific nations will complete the bloc's ties with all its key Asia-Pacific trading partners, and could be a catalyst for a region-wide free-trade zone, officials said. (Business Recorder, 25<sup>th</sup> August, 2008)

### **World Trade Growth Slows to 7-Year Low in Q2 –CPB**

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. Meanwhile World Trade Organization (WTO) Director-General Pascal Lamy and US trade negotiator Susan Schwab held talks in Washington in an effort to breathe life into the moribund Doha Round of negotiations. Yudhoyono has contacted President Lula da Silva of Brazil, Chinese President Hu Jintao and Indian Prime Minister Manmohan Singh to underline his concern at the failure of the ministerial-level WTO talks in July. (web.worldbank.org, 25<sup>th</sup> August, 2008)

### **Record Food Prices Push Paraguay up the Food Chain**

The crisis is good news for some Latin American nations, take record commodities prices, add a subtropical climate that gives farmers five harvests every 24 months and vast tracts of virgin arable land, and it is no surprise that tiny Paraguay has emerged as one of the big beneficiaries of the global food crisis. The fund estimates that food price rises in 2007-08 increased Paraguay's trade balance by 12.2 per cent of its 2005 GDP, the only country worldwide to have a double-digit increase. At the same time however, rising food prices forced another 270,000 people into the category of extreme poverty last year, despite the highest rates of growth registered in recent years, according to a report released in Asuncion, Paraguay, by the campaign 'Invest in the People of the United Nations (UN).

The economist commented that the combination of "growth with high inflation make it impossible to fight extreme poverty." (web.worldbank.org, 25<sup>th</sup> August, 2008)

### **Government to announce Rs. 1.5 billion Ramazan Package**

The government is to announce the Ramazan Package of Rs. 1.50 billion to ensure the provision of some kitchen items at subsidized rates in a bid to contain the traditional deadliest spate of inflation that always hits the poor masses in the holy month of Ramazan. The relief package is a commendable effort at a time when the government is facing fiscal constraints. The ECC meeting is also likely to approve Rs. 24 billion Research & Development (R&D) subsidy for the textile sector. The existing subsidy rates stand at 3 per cent and 6 per cent. Now it has been proposed for introducing slabs for granting 3 per cent subsidy up to \$ 25 million exports, 4.5 per cent subsidy for \$ 25 to \$ 50 million exports, 5 per cent subsidy up to \$ 100 million exports and 8 per cent subsidy on exports over \$ 100 million on the pretext that it would help mergers within the sector. (The News, 26<sup>th</sup> August, 2008)

### **Competition Commission works with insecure funding**

The Competition Commission of Pakistan, established with the purpose of ensuring consumer rights through fair trade practices that eliminate monopolies and cartels, is operating without a secured source of funding which could mar its independence. The commission, for instance, has not been provided with a secured source of funding to operate without state interference. Oil and Gas Regulatory Authority (OGRA), for instance, gets fee for issuing licences to different stakeholders in the oil and gas sector and bags a fixed annual fee from all its licence-holders. Pakistan Telecommunication Authority collects fee from mobile operators, wireless operators, fixed-line operators and internet service providers besides charging a one-time fee for issuing licence to different operators and service providers. (The News, 26<sup>th</sup> August, 2008)

### **Asian Banker recognizes NBP's performance**

Peter Hoflich of The Asian Banker Magazine, a financial journal, has compiled a book, recognizing 25 top chief executive officers of major financial institutions in Asia. These include five Chinese, three Japanese, four Thai, two each from the Philippines and South Korea, one Indian and one Pakistani who is National Bank of Pakistan President Syed Ali Raza. According to the book, NBP President Ali Raza was awarded 'Leadership Achievement Award 2007' by Asian Banker. In Pakistan, Ali Raza was also conferred Sitara-e-Imtiaz in 2005. About the bank, the book says that in 2005 and 2006 financial journal Global Finance named National Bank as the 'Best Emerging Market Bank from Pakistan'. The Asian Banker adjudged National Bank as the strongest bank in Pakistan in a research report on the ranking of 300 of Asia's strongest banks based on an 11-dimensional scoring criterion. (The News, 26<sup>th</sup> August, 2008)

### **SECP launches e-services project**

The Securities and Exchange Commission of Pakistan (SECP) Chairman Razi-ur-Rehman Khan launched e-services project aimed at improving efficiency and effectiveness of the business processes of the Commission and disclosed that all three stock exchanges of the country would be demutualised and corporative by December 2008. The project would facilitate the corporate sector, practitioners, consultants and public at large. It will facilitate the availability of name, incorporation of companies and e-filing of statutory returns. It will enable the promoters and other officers of the company to interact online using the e-services portal, without visiting the Company Registration Offices at SECP. (The News, 26<sup>th</sup> August, 2008)

### **SAARC nations asked to ratify SARSO agreement**

The South Asian Association for Regional Co-operation (SAARC) secretariat has requested the member states to initiate the process of ratification of agreement on establishment of South Asian Regional Standards Organization (SARSO), and protocol of accession of Afghanistan to agreement on South Asian Free Trade Area (SAFTA). To develop SAARC standards on the products of regional/sub-regional interest. To encourage use of international standards published by international organizations such as ISO, IEC, etc, by way of adoption, where appropriate, as SAARC standards. To encourage exchange of information and expertise among the national standards bodies of member states in the fields of standardization and conformity assessment. To act as source of information for member states on standards, regulations, and conformity assessment. Afghanistan had joined SAARC as its 8th member on April 3, 2007 during the 14th SAARC summit held in New Delhi on April 3-4, 2007. (Business Recorder, 26<sup>th</sup> August, 2008)

### **IMF trims outlook for world growth**

The International Monetary Fund has trimmed its forecasts for 2008 and 2009 world economic growth in a note prepared for a meeting of the Group of 20 (G20) nations, a G20 finance official told. The IMF is forecasting world growth this year of 3.9 percent, down from an estimate of 4.1 percent in its World Economic Outlook last month, said the official, who is involved in planning for the meeting and spoke on condition of anonymity. It forecasts 2009 growth of 3.7 percent, down from 3.9 percent. The IMF left unchanged its forecast for US growth this year at 1.3 percent, said the official. It shaved its forecast for 2009 US growth to 0.7 percent from 0.8 percent. The IMF trimmed its forecast for euro zone growth this year to 1.4 percent from 1.7 percent in July. It estimated 2009 growth at 0.9 percent, down from 1.2 percent. (Business Recorder, 26<sup>th</sup> August, 2008)

### **Public blame Brown for economic problems**

Gordon Brown faces an uphill struggle to woo back Labour supporters with this autumn's relaunch, as a majority of the UK public placed the blame for the country's economic downturn at the door of his government. The British prime minister has repeatedly emphasized the global nature of the downturn, portraying the UK as relatively well placed to weather the crisis under his stewardship. Mr. Brown's allies have responded to threats to his leadership by emphasizing his economic credentials. (Financial Times, 26<sup>th</sup> August, 2008)

### **Existing home sales fail to dispel US gloom**

Hopes for a rapid recovery in the troubled US housing industry remained subdued as sales of previously owned homes showed an unexpectedly strong 3.1 per cent increase but failed to stem a rise in inventories. With sharply lower prices luring buyers in areas hit hardest by the mortgage crisis, the pace of existing home sales jumped to a seasonally adjusted annual rate of 5m units in July the highest in five months from 4.85m units in June, the National Association of Realtors said. (Financial Times, 26<sup>th</sup> August, 2008)

### **Privatization Commission to speed up privatization**

The Privatization Commission Board, in an effort to give various public enterprises into private hands in the coming two months, decided to accelerate the privatization process of Oil & Gas Development Company (OGDC) and Jamshoro Power Company (JPC). The board also decided to invite fresh Expressions of Interest (EOIs) for the privatization of Jamshoro Power Company Limited (JPCL) which is located in Sindh, and was established as a result of unbundling of Water and Power Development Authority (WAPDA). The company was incorporated in August 1998 as a public limited

company under the Pakistan Companies Ordinance 1984. The government intends to sell a majority of 51 per cent shares in JPC, including management control, to a strategic investor or a consortium of strategic and financial investors. (The News, 27<sup>th</sup> August, 2008)

### **US help sought in agriculture**

Federal Minister for Food, Agriculture and Livestock, Nazar Muhammad Gondal, has said that there is a great need to modernize agriculture with the effective use of science and technology, and Pakistan greatly needs help and cooperation from the US in this regard. Gondal stated this while talking to the Adviser to US Secretary of State on Science & Technology Dr. Nina Fedoroff. Food shortage is an international problem and it needs cooperation and collaboration, said the minister, adding that in spite of self-sufficiency in food items Pakistan is facing a shortage because of smuggling to the neighbouring food-deficient countries. (The News, 27<sup>th</sup> August, 2008)

### **SBP governor invites project financing**

State Bank of Pakistan Governor Dr. Shamshad Akhtar invited Barclays Bank (Pakistan) to invest in infrastructure and other development projects in the country. Acknowledging the significant role of Barclays Bank Pakistan in strengthening the global financial sector, the SBP chief emphasized “you can do project financing here. We need huge investments for infrastructure development.” Whoever comes into Pakistan, she said, stays for long as high rate of returns and secured investment opportunities are available here. The SBP governor noted that the Pakistan banking sector has grown significantly over the last few years which include soft and hardware system development. (The News, 27<sup>th</sup> August, 2008)

### **France expects to expand trade ties with Pakistan**

Commercial Consular of France, Francis Widmer has said that France would like to expand its trade and economic relations with Pakistan. Speaking at a meeting of Korangi Association of Trade and Industry (KATI), he said that French businessmen would like to have joint venture with Pakistani entrepreneur in different areas. He said that Pakistan had vast market for French products and is a very attractive country to invest, however, he said emphasized on political stability for sustainable economic development. (Business Recorder, 27<sup>th</sup> August, 2008)

### **Pakistan now Asia's second worst performing market: research report**

Pakistan has become the second worst performing market in Asia, as after posting average annual gains of 28 percent during the last 10 years, it is down by 45 percent in US dollar terms in the current year from January 01, 2008 to date, analysts said. The research report said that the global credit crunch and the turbulence in the currency markets have significantly shaken investors in the global equity markets. MSCI Asian Emerging Market Index is down 29 percent to date. Analyzing the performance of 13 Asian emerging countries, China's Shanghai market ranks the worst performing market so far in 2008 with the index fell by 52 percent. Interestingly, two smaller markets Sri Lanka and Bangladesh have emerged as the best performing markets so far in 2008 with a decline of only 6 percent and 10 percent in dollar terms, the report said. (Business Recorder, 27<sup>th</sup> August, 2008)

### **ASEAN meet, Singapore Prime Minister warns on protectionism**

Singapore Prime Minister Lee Hsien Loong warned against "backsliding" toward protectionism as Southeast Asian economic ministers launched a week of talks to strengthen regional trade links. ASEAN, a 10-nation grouping of about 550 million people, has been among the most active regional

organizations promoting free trade agreements (FTAs). ASEAN is expected to seal an FTA with Asian giant India covering merchandise trade. (Business Recorder, 27<sup>th</sup> August, 2008)

### **EU urges Russia to step up WTO accession efforts**

The European Commission urged Russia to step up efforts to join the WTO after Moscow announced plans to back out of trade commitments during the long running negotiations. "As the only major economy outside the WTO, it should hasten its efforts to join," commission spokesman for trade issues Peter Power told journalists in Brussels. Russia decided to break off some trade agreements reached during negotiations to join the World Trade Organization, as relations between Moscow and the West grew increasingly tense. Western countries have long used the prospect of Russia's WTO membership for political leverage with Moscow. (Business Recorder, 27<sup>th</sup> August, 2008)

### **Oil prices rebound above \$ 117**

Oil prices rebounded briefly above \$ 117, erasing earlier losses as attention switched to a hurricane that could threaten US energy facilities in the Gulf of Mexico, traders said. London's Brent North Sea crude for October added \$ 1.23 to \$ 115.26. Oil bounced higher as Tropical Storm Gustav grew into a hurricane. "Gustav continues to represent a potential threat to oil and gas installations in the Gulf region and will be watched with vigilance," warned Barclays Capital analysts in a note to clients. Anglo-Dutch energy giant Royal Dutch Shell meanwhile said it was planning to evacuate some staff from its Gulf facilities because of Gustav. (Dawn, 27<sup>th</sup> August, 2008)

### **US firm to invest \$10bn in housing**

A US-based firm will invest \$10 billion in Prime Minister's Housing Programme, a mega project to construct one million residential units annually in the country. Secretary Housing Sami ul Haq Khilji and Country President of IOC Fazal-e-Rahim signed the MoU. The ceremony was also attended by Minister for Housing and Works Rehmatullah Kakar, Managing Director Pakistan Housing Authority Raja Mohammad Abbas, Joint Secretary Ali Abid, chief engineering adviser and senior officials of the ministry. Regarding the prime minister's plan to build one million housing units, the minister informed the House that survey in this regard had been completed and evaluation was in progress, adding that the House would be informed about the progress shortly. (Dawn, 27<sup>th</sup> August, 2008)

### **Regulatory duty on 379 luxury goods**

The PPP-led government slapped 15 to 50 per cent regulatory duty on import of 379 luxury items in a bid to reduce the import bill to the tune of \$ 500 million during the current fiscal year. The federal cabinet approved imposition of regulatory duty on 379 items. The government, Ahmed Waqar said, has increased duty on imported cars of 1800cc by 50 per cent and now duty would be charged in the range of 150 per cent. "Increased taxation would not help generate more revenues as it would neutralize the reduction in imports," said the FBR chairman, concluding that the increased import duty would not hurt the interests of common people. The decision to impose additional duty on luxury items does not aim at generating more revenues, but will help to reduce the growing trade deficit. Now the cabinet has approved extra regulatory duty on import of over 350 luxury items which will help to reduce the yawning trade deficit in the current fiscal year. (The News, 28<sup>th</sup> August, 2008)

### **Pakistan, Poland stress strong business ties**

Consul General of Poland, Ireneusz Makles has said it is need of the hour to accelerate existing business and trade activities between Poland and Pakistan and explore further avenues of business and investment opportunities bilaterally. Makles also invited the business community to Poland for

investment and development of agricultural farming and establishing industry. KCCI President Shamim Ahmed Shamsi stated the country's business and trade community may join hands in the coal based power generation sector of Poland as Pakistan has rich source of coal at Thar and there are ample opportunities of joint venture and investment between the two countries. (The News, 28<sup>th</sup> August, 2008)

### **Food crisis threatens Bangladesh gains: World Bank**

Spiraling food prices have pushed an estimated four million Bangladeshis below the poverty line despite the country's strong economic growth, the World Bank said. "Food price inflation has caused enormous hardship in Bangladesh by eroding purchasing power of the poor," he said. "Four million people have been pushed back into poverty this year because of rising food prices." Strong economic growth between 2005 and 2008 was expected to reduce poverty in Bangladesh by five per cent from 40 per cent to 35 but projections had been scaled up to 38 per cent because of the higher prices, he said. World Bank country director Xian Zhu said the bank was helping Bangladesh come up with measures to enhance food security. (The News, 28<sup>th</sup> August, 2008)

### **Mega development projects being initiated in Punjab: chief minister**

Punjab Chief Minister, Mian Muhammad Shahbaz Sharif has said that a number of mega development projects were being initiated in Punjab for the rapid development of the province and provision of better transport facilities to the masses and these projects would be executed on priority basis in less developed areas. He said that several developmental projects would commence in the provincial metropolis in the first week of September. Khawaja Ahmad Hassan, Director General Lahore Development Authority (LDA), Director Frontier Works Organisation (FWO), Managing Director TEPA, Vice President Nespak and Mustafa Kamal were present on the occasion. (Business Recorder, 28<sup>th</sup> August, 2008)

### **Developing nations trying to break WTO impasse**

Developing nations are working on a compromise which they hope can help break a deadlock in global trade talks, Indonesian Trade Minister Mari Pangestu said. The Group of 33 (G33) developing states' secretariat was working to convene a meeting of officials to draw up a compromise, Pangestu said on the sidelines of an Association of Southeast Asian Nations (ASEAN) meeting in Singapore. Washington rejected Indian proposals that developing nations should be allowed to boost duties by an additional 25 percent on farm products if imports surged by 15 percent. Washington insisted extra duties should be allowed only if imports rose by 40 percent. Indonesian President Susilo Bambang Yudhoyono has called on the leaders of fellow developing countries Brazil, China and India to help revive the stalled negotiations. (Business Recorder, 28<sup>th</sup> August, 2008)

### **India for rule-based multilateral trading system**

Union Commerce and Industry Minister Kamal Nath affirmed that "India wants a rule-based multilateral [trading] system." Top officials of the World Trade Organization, like Pascal Lamy, had also contacted Mr. Nath after the onset of the latest impasse. It applies to the United States, applies to India." On the issues still at stake in the Doha Round, Mr. Nath said: "We can't go backwards. The developing countries can't be salvaging the economies of the developed countries. The issue of Special Safeguard Mechanism is an issue of livelihood security. It is not an issue to service the commercial interests of countries. There can be no trade-off between livelihood security issues and commercial interests. The headline issue is subsidies; the headline issue is the product-specific caps." (Hindu, 28<sup>th</sup> August, 2008)



### **ADB offers new poverty benchmark in Asia**

The Asian Development Bank (ADB) announced that it has adopted a poverty line that is more accurate and specifically more relevant to the Asia and Pacific region. The new poverty line, called the Asian Poverty Line, is roughly 1.35 U.S. dollars per day, the Manila-based regional lender said in a press release to announce its flagship annual statistical publication Key Indicators 2008. The report noted that the World Bank's one-dollar-a-day poverty estimates are based on PPPs developed for comparing household consumption across countries, known as consumption PPPs. The prices paid for the products purchased by the poor are used to generate a new set of PPPs, called poverty PPPs. Under the more robust poverty PPPs, this estimate would drop to 843 million people. (Xinhua, 28<sup>th</sup> August, 2008)

### **World energy subsidies touch \$300bn a year**

While the government in Pakistan was gradually withdrawing subsidy on energy and raising power rates to put additional burden on the inflation-hit people, worldwide energy subsidies was touching the figure of \$ 300 billion per year, or around 0.7 per cent of world GDP, most of which to fossil fuel. Pakistan currently subsidizes only natural gas and oil products; the share of subsidy in gas is much more than oil products. After withdrawing subsidy on electricity, the government was constantly increasing the cost of electricity. Although most energy subsidies still go to fossil fuels, support for so-called "clean" energy technology is growing. Fossil fuels account for 84 per cent of the increase in energy use. As a result, energy-related emissions of carbon dioxide rise by 57 per cent. (Dawn, 28<sup>th</sup> August, 2008)

### **JPMorgan, IFC to help boost trade activities**

IFC, a member of the World Bank group, and JPMorgan, jointly launched an innovative trade finance structure in Asia and the Pacific to help facilitate and boost trade activities in the region. The finance trade advance, a component of the IFC global trade finance programme, provides a cost-effective pre-export and post-import financing to banks, said an IFC press release. It has raised a \$ 55 million trade advance to support its corporate clients international trade activities, the press release said and added that this would help the bank expand its financing options as trade flows in Pakistan continue to grow. (Dawn, 28<sup>th</sup> August, 2008)

### **Cabinet body approves 1,000MW power projects**

A meeting of the Cabinet Committee on Fast Track Power Generation was held under the chairmanship of Federal Minister for Water and Power, Raja Pervez Ashraf. The meeting was attended by Special Assistant to PM on Social Sector, Secretary and Adviser of Ministry of Water and Power, Secretaries M/O Petroleum & Natural Resources and Environment, Chairmen WAPDA & NEPRA, Additional Secretary, M/O Water & Power, MDs PPIB & PEPCO, Member PIC and senior officers of PPIB. The Minister appreciated the efforts of the committee members and hoped that the generation of 1000 MW electricity on fast track basis would help minimize load shedding in the country. (The News, 29<sup>th</sup> August, 2008)

### **Infrastructure and energy sectors: consensus reached with US Chamber over boosting investment**

US Chamber of Commerce and the Ministry of Finance have developed consensus on increased Pak-US commercial interaction for public and private sector development to progressively increase investment in infrastructure and energy sectors in Pakistan. US Chamber of Commerce delegation led by Lieutenant General Daniel W Christman (Retd), Senior Vice President for International Affairs accompanied by Jay Collins, Chairman, US-Pakistan Business Council met Finance Minister Syed Naveed Qamar. The Finance Minister briefed the US delegation about latest economic and business

development initiatives of government of Pakistan that not only focus strengthening of internal economy but also take stock of GoP's business and commercial relationship with regional states and the developed world. Macroeconomic stability is primary agenda of the present government, the Finance Minister added. (Business Recorder, 29<sup>th</sup> August, 2008)

### **Foreign debt payments: Pakistan urged to seek IMF help to avoid default**

US-based Citibank has advised Pakistan to secure help from the International Monetary Fund (IMF) to avoid default on its foreign debt repayments in the face of an ongoing political crisis. In a report, "Pakistan: could the political chaos lead to sovereign default?" released in New York, Citibank cited a rising chance of default over mounting political instability, dwindling foreign exchange reserves and the weakening Pakistani rupee. "Pakistan perhaps now needs an IMF stabilization programme to manage the dire situation," it said. The bank said if Pakistan opted to default, it would have to reschedule all of its debt, which amounted to 2.6 billion dollars in self-issued bonds and 13.9 billion dollars in bilateral debt. (Business Recorder, 29<sup>th</sup> August, 2008)

### **Pakistan's foreign exchange reserves fall by \$ 186 million**

Country's foreign exchange reserves further decreased by 186 million dollars during the last week due to slow foreign inflows. The State Bank of Pakistan (SBP) said that the country's foreign reserves stood at 9.3821 billion dollars during the week ended August 21, 2008, as against 9.5681 billion dollars a week earlier. The reserves held by SBP declined by 254.7 million dollars to 6.0079 billion dollars during the last week. On August 16, 2008 the reserves totalled 6.2626 billion dollars. After the current surge, banks' overall foreign reserves rose to 3.3742 billion dollars as compared to 3.3055 billion dollars a week earlier. (Business Recorder, 29<sup>th</sup> August, 2008)

### **US growth revised upward to 3.3 percent**

The US economy grew at a solid 3.3 percent annual rate in the second quarter, much stronger than first thought, but many economists expect growth to flag as the year progresses. The US Commerce Department on Thursday said consumer spending and net exports were more robust than initially estimated and that inventories fell less sharply. Analysts polled by Reuters were expecting the annual rate to be revised to 2.7 percent. Federal funds futures showed increased prospects for interest rate hikes. GDP grew at a sluggish 0.9 percent rate in the first quarter after a 0.2 percent contraction in the final three months of 2007. Consumer spending, which fuels two-thirds of the US economy, grew at an upwardly revised 1.7 percent rate in the second quarter rather than the 1.5 percent pace first reported. Meanwhile, exports grew at a 13.2 percent annual rate instead of the 9.2 percent pace initially estimated. (Business Recorder, 29<sup>th</sup> August, 2008)

### **Greater Asian Integration Tipped After ASEAN Pacts: Officials**

The ASEAN regional bloc concluded free-trade pacts with India and Pacific neighbors Australia and New Zealand, setting the stage for broader Asian economic integration, officials said. India and the 10-member Association of Southeast Asian Nations (ASEAN) announced they had concluded a deal for free trade in goods. The accord covers billions of dollars in trade and a market of 1.7 billion people. Australia and New Zealand have concluded negotiations on a free trade pact with 10 Southeast Asian nations in a deal Australia's government said could help breath new life into failed world trade talks. Southeast Asian countries said they reached a tentative agreement with Australia and New Zealand on a comprehensive free trade pact aimed at boosting the \$ 48 billion annual trade between the nations. ASEAN, Japan, China, South Korea, India, Australia and New Zealand agreed that next

year they will consider 'what to do next - an 'ASEAN + 3' or an 'ASEAN + 6' free-trade agreement. (Web. world Bank.org, 29<sup>th</sup> August, 2008)

### **MINFAL asked to expedite Saudi urea import**

The Economy Monitoring Committee (EMC) has directed the Federal Agriculture Ministry to expedite the import of 300,000 tons of urea from Saudi Arabia to check its rising price in the domestic market. The EMC also directed MINFAL to make sure that the imported fertilizer is made available in the market and distributed through the Fertilizer Corporation of Pakistan (FCP) and Utility Stores Corporation (USC). MINFAL also informed the meeting that the prices of DAP had surged from Rs. 900-1,000 to R. 2,800-3,100 in the market and the government was providing a subsidy of Rs. 470 per 50-kg bag. The country's total annual production of phosphoric fertilizers is about 700,000 tons against its demand of 1,300,000 tons, leaving a gap of 600,000 tons. The Ministry of Ports and Shipping also briefed the EMC on the up-country transportation cost of imported wheat from Gwadar and Karachi ports. (Dawn, 29<sup>th</sup> August, 2008)

### **Rs. 2 billion project to build shrimp farms**

The Federal government is implementing a project to construct 11 shrimp farms and two hatcheries in Balochistan and Sindh at a cost of about Rs. 2 billion. Out of 11 eight model shrimp clusters eight would be constructed in coastal areas of Balochistan. "Major portion of the fund allocated for the project would be spent in the province," sources in provincial Fisheries Department told. The Fisheries Development Board also plans to introduce intensive fish cage culture at Sabkzai and Meerani dams. "The objective of the project is to develop the coastal areas and alleviate poverty in these areas of Balochistan," Secretary Fisheries Balochistan Ruhail Baloch told Dawn, adding that through this project employment opportunities and other allied economic activities would generate in the province. (Dawn, 29<sup>th</sup> August, 2008)

### **Pakistan to get \$ 2 billion aid package**

Federal Finance Minister Syed Naveed Qamar has said Pakistan will soon receive a \$ 2 billion aid package, from both the World Bank and Asian Development Bank. In his welcome address, SECP Chairman Razi-ur-Rahman Khan discussed in detail how Services would facilitate the corporate sector and improve the efficiency of SECP's business processes. The Finance Minister stated that MOF and SBP are working in tandem to initiate and implement all difficult and urgently needed measures to attain the targeted economic and fiscal goals. Expenditure controls and rationalization of monetary spending in the public sector is underway, the statement added. Qamar appreciated ADB's role regarding its commitment for providing \$ 500 million for accelerating the economic transformation that enables the new government to regroup recent economic initiatives. (The News, 30<sup>th</sup> August, 2008)

### **US waiting for ROZ locations**

Lt Gen (retd) Daniel W Christman, Senior Vice President for International Affairs of the US Chamber of Commerce and Industry (UCCI) said that they were waiting for the Pakistani government to inform them of the exact geographical locations of the Reconstruction Opportunity Zones (ROZ) to make the plans functional. A delegation led by Christman and accompanied by Esperanza Gomez Jelalian, Executive Director of US-Pakistan Business Council was here on a fact-finding mission to explore business opportunities in the wake of the Pakistani elections this year. The delegation informed that they were pleased with the response they had received from the Pakistani government and would be going back with a positive attitude to dismiss the negative image of the American people against Pakistan. (The News, 30<sup>th</sup> August, 2008)

### **SMEs urged to go for import substitution**

The Union of Small and Medium Enterprises (UNISAME) has appreciated the steps taken by the government to curtail imports by imposing duties on 379 items at a meeting held in London, United Kingdom at the union's branch office. The body called on the government to provide finance at affordable mark-up, land at concession, leasing facilities for plant and equipment without equity, leasing of commercial property for workshops, factories and warehouses, import of raw and packing material at zero per cent duty. (The News, 30<sup>th</sup> August, 2008)

### **ADB agrees to release \$500m tranche: \$ 1.3 billion programme**

The Asian Development Bank (ADB) has agreed to release the first tranche of a programme loan worth \$ 500 million to Pakistan for accelerating economic transformation that enables the government to regroup recent economic initiatives. According to the official, the government has not yet decided to negotiate any new project loan with the World Bank. The ADB team apprised the finance minister that they were working with all stakeholders to support the diverse financial requirements of the government. Both sides discussed ADB's phased assistance. Both sides also discussed Pakistan's commitments to structure reforms, which would contribute to economic revival in the country. (Dawn, 30<sup>th</sup> August, 2008)

### **RTO plans to collect 1m tax returns**

The Regional Tax Office (RTO), Karachi, has made elaborate arrangements to receive a record number of over one million income tax returns by September 30, as against 0.73 million last year. These measures are being taken to achieve the revenue target of Rs1.225 trillion set by the Federal Board of Revenue (FBR) for 2008-09 and to broaden tax base so that tax-to-GDP ratio could improve, which presently stands lowest in the region. Talking to Dawn director general RTO Asrar Raouf said that in order to achieve the assigned target of receiving over one million returns the tax department will set up over 50 'tax facilitation kiosks' from September 1, 2008. Furthermore, two mobile tax facilitation units will also be made available in the field to collect and receive returns from taxpayers. Senior tax officials will hold meetings with businessmen and apprise them of the tax benefits offered in the new tax amnesty scheme and tax arrears settlement incentive scheme, 2008. (Dawn, 30<sup>th</sup> August, 2008)

### **Banks perform well in six months**

Despite political turmoil in the country and an apparently weakening economy, banks' advances grew by 11 per cent pushing profits higher during the first half of the current calendar year, 2008. Banks earned 27 per cent higher profit during the period (Jan-June) 2008 but the massive provisioning against the non-performing loans (NPLs) resulted in the decline of net profits by 20 per cent. The revenue growth of the banks remained impressive with net interest income (NII) registering a growth of 14 per cent to Rs. 99 billion. The increase in NII was primarily contributed through growth in advances which was 11 per cent. Banks would have earned much more profits had the Karachi Stock Exchange performed normally as it did last year. "In the banks' non-interest income notable decline of 36 per cent was witnessed in capital gain income due to negative performance of KSE during the period," said a research carried out by a brokerage house, the FCEL. (Dawn, 30<sup>th</sup> August, 2008)

### **Repatriation of profit by foreign investors up 14.57 percent in fiscal year 2008**

Repatriation of profit and dividend by foreign investors has rapidly increased and during the last fiscal year they transferred some 921 million dollars abroad, the State Bank of Pakistan said. Repatriation of profit and dividend by foreign investors registered a growth of 14.57 percent during last fiscal year. After the current upsurge, the overall repatriation reached 921.4 million dollars during FY08, as

compared to 804.2 million dollars in FY07, depicting an increase of 117.2 million dollars. Foreign investors have sent back 82.6 million dollars from oil and gas exploration sector, 51.7 million dollars from petroleum refining sector, 43 million dollars from tobacco and cigarette sector and some 41.1 million dollars from the pharmaceutical sector during FY08. Repatriation by foreign investors has shown an increase of 59 percent to 804.2 million dollars during FY07 as compared to 504 million dollars sent abroad during FY06. The government has allowed 100 percent transfer of profit/dividend to foreign investors aimed at boosting foreign investment in the country. (Business Recorder, 30<sup>th</sup> August, 2008)

### **Broadening export base to help boost Pakistan's economy: ADB**

Asian Development Bank's Principal Economist for Central and West Asia Jesus Felipe said that broadening of exports base could help Pakistan accelerate the pace of economic growth. While addressing a seminar jointly organized by Technology Upgradation and Skill Development Company (TUSDEC) and Asian Development Bank here, he said the process of industrial diversification and value addition is needed to achieve this objective. Malaysia, Korea and Thailand were poorer than Pakistan in 1960s. TUSDEC Chairman Manzar Shamim while delivering the address of welcome underlined the need of accelerated industrialization to ensure sustained economic growth in the country. He said that government had set up Technology Upgradation and Skill Development Company (TUSDEC) to achieve this objective with the help of technological upgradation and skill development in line with the needs of industrial sector. (Business Recorder, 30<sup>th</sup> August, 2008)

### **Imports of Chinese goods not liable to regulatory duty: SECP's e-services launched**

Finance Minister Naveed Qamar has said that imports of Chinese goods under Free Trade Agreement (FTA) would not be liable to regulatory duty (RD), recently imposed on luxury items. The imposition of RD on luxury goods would only affect persons who prefer to purchase foreign goods. In his address of welcome, SECP Chairman Razi-ur-Rahman Khan discussed in detail how e-Services would facilitate the corporate sector and improve efficiency of SECP's business processes. In some cases, SECP is empowered to initiate criminal proceedings on committing insider trading. Arshad Javed Minhas, Executive Director Information Systems and Technology, SECP, gave a detailed presentation on e-Services operations. (Business Recorder, 30<sup>th</sup> August, 2008)

### **Pak-GCC talks on FTA in Riyadh from September 6**

A second round of negotiations on the free trade agreement (FTA) between Pakistan and the Gulf Cooperation Council (GCC) will commence from September 7 in Riyadh with the objective of enhancing trade ties, well-placed sources told. At present, Pakistan is importing raw materials, semi-finished goods and oil from the GCC countries and the FTA will reduce the cost of these imports. "We want to enhance trade ties with the Gulf countries and after signing of preferential trade agreement (PTA), Pakistan's exports will show a substantial growth," said a Commerce Ministry official. "The FTA will help abolish or reduce the existing five per cent import duty imposed in the GCC countries, which will ultimately help reduce prices of Pakistani products in the region," the sources concluded. (Business Recorder, 30<sup>th</sup> August, 2008)

### **At 7.9%, GDP quarterly growth drops to 3-year low**

Lending weight to fears of a slowdown, India's economic growth rate slipped to 7.9% in April-June 2008, the slowest growth in any quarter in the past three-and-a-half years, compared with 9.2% in the same period last year. The growth dip was mainly on account of RBI's hard anti-inflation measures like increasing interest rates. The downward trend in the first quarter growth rate, however, is on expected lines. RBI had projected growth of 8%, the PM's Economic Advisory Committee had pegged

it at 7.7% and the chief economic advisor between 7.75% and 8.75%. Global rating agency Moody's revised its projection for economic growth this year to between 7% and 7.5%. It said in the present global scenario, 7.9% first-quarter growth meets expectations. Finance minister P Chidambaram, however, put up a brave front saying the economy would maintain 8% growth in 2008-09. Industry bodies expressed their happiness at the 7.9% growth. (Times of India, 30<sup>th</sup> August, 2008)

### **APEC members pass declaration to promote SMEs**

Ministers and officials from the 21-member Asia-Pacific Economic Cooperation (APEC) signed a joint declaration on promoting the development of small- and medium-sized enterprises (SMEs). "The ministers agreed to improve enterprise environments as well as policies and regulations to promote the establishment, growth and development of the micro, small- and medium-sized enterprises," said Peruvian Production Minister Rafael Ray. The APEC countries emphasized the importance of promoting the SMEs growth as part of their sustainable economic development, Rey said. APEC concluded its 15th SME Ministerial Meeting in Peru's Chiclayo, 750 km northeast of the capital city, Lima. (Xinhua, 30<sup>th</sup> August, 2008)

### **Mango gardens to be certified for EU markets**

The first of the three produce marketing organizations (PMOs) being supported by the Agribusiness Support Fund (ASF) will go through final audit on Sept 2 to get their mango orchards Global GAP certification. ASF chief monitoring grants Ahmad Ali Shah while talking to a group of journalists during their orientation tour to mango orchards said that they had started this project last year for mango growers keeping in view the tough requirements laid down by the European and other high-value markets so as enabling the growers to fetch maximum price for their fruits. The visiting journalists were shown improved orchards, storage and packing house facilities that this certification requires. Saleem Alizai, head of progressive mango growers group appreciating the ASF support to the farmers said that now the government should also play its role for promotion of mango exports. (Dawn, 31<sup>st</sup> August, 2008)

### **Euro zone inflation, sentiment fall**

Euro zone inflation slowed more than expected in August and inflation expectations plunged but economic sentiment also worsened more than forecast, underlining concerns the area may be heading for a technical recession. "This decline is solely due to the sharp fall in crude oil prices. Separately, the European Commission's monthly economic sentiment indicator for the euro zone fell to 88.8 points this month from 89.5 points in July, well below economists' expectations of a decline only to 89.1 points. Producer price expectations fell to 17 from 20 points. This is likely to please the ECB, which wants inflation to be just below two per cent and raised interest rates by 25 basis points to 4.25 per cent in July to better anchor inflation expectations amid soaring food and fuel prices. (Dawn, 31<sup>st</sup> August, 2008)

### **Social sector PSDP will not be slashed**

The government will not slash Public Sector Development Programme (PSDP) 2008-09 pertaining to health and education sectors, whose allocation is already meager as compared to other countries of the region keeping in view the size of population growing at the rate of 1.9 percent per annum. The amount of revised estimates of 2007-08 for education sector was Rs. 4.38 billion which has been increased to Rs. 6.27 billion in the current year's PSDP. In consultations with the Ministry of Finance and the concerned Ministry, the Planning Commission will authorize funds for projects in the first week of each quarter. The meeting was attended by Secretaries of Finance, Defence, Interior, Health,

Food and Agriculture, Industries and Production and Population Welfare. In addition, members of the Planning Commission, Chief Economist and Chiefs of Sections also attended the meeting. (Business Recorder, 31<sup>st</sup> August, 2008)

### **EU blocks WTO investigation into high-tech tariffs**

The European Union blocked a World Trade Organization (WTO) investigation of its duties on high-tech imported goods such as satellite boxes, flat-panel computer monitors, and digital scanners and printers. Washington asked for a WTO panel to examine the tariffs Brussels imposes on products the United States believes should get duty-free treatment under the Information Technology Agreement reached in 1996. If the United States submits a second request at the next Dispute Settlement Body meeting on September 23 the panel will be set up automatically. (Business Recorder, 31<sup>st</sup> August, 2008)

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