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WTO CELL

PLANNING & DEVELOPMENT DEPARTMENT

WEEKLY ECONOMIC DIGEST

02nd June to 08th June, 2008

NEC may approve 20 percent raise in government employee's salaries: revenue collection target to be set at Rs 1.25 trillion

The National Economic Council (NEC) is going to approve 20 percent increase in the government employees' salaries, besides setting an ambitious revenue collection target of Rs.1.25 trillion for 2008-09, against revised figure of Rs. 990 billion for the Federal Bureau of Revenue (FBR) in its meeting scheduled. Prime Minister Syed Yusuf Raza Gilani will chair the meeting. The Finance Ministry has suggested 15 percent increase in salaries for all grades of the government employees. The budget-makers will inform the NEC that the government would introduce the new concept of the public-private partnership to finance a number of important projects out of the programme to supplement the government efforts for sustainable economic growth. This forced the budget-makers to introduce the public-private partnership concept. **(Business Recorder, 2nd June, 2008)**

Combined water/power projects to be prioritized

The government has decided to prioritize the development projects which would simultaneously store water and generate power, and the Prime Minister has directed the Planning Commission (PC) to do the necessary ground work in this regard. Sources said that in the past WAPDA unilaterally scrapped the provisions of power generation in some development projects like Mirani dam. In the PC-1 of Mirani dam, the provision of hydel power was there, but WAPDA scrapped this provision, without taking other stakeholders, including PC, into confidence. Sources said that WAPDA should pick up speed in construction of Sheikh Haider project, Draban dam, Tank Zam and some other proposed sites for multipurpose projects. **(Business Recorder, 2nd June, 2008)**

Strategy evolved to set up SME industrial estates

Punjab government has evolved a strategy for the establishment of SME industrial estates in Punjab. All basic facilities would be ensured to the SMEs in these proposed SME estates sources added. Special attention was also being accorded on the development of industrial sector on modern and scientific lines aimed at tracking it on modern production lines aimed at enhancing export volume and to bring industrial revolution through setting up large-scale industries including agro- industries in the Province. Under the programme government has introduced certain schemes for the development of small and medium industry besides loan facilities was being extended to the small and medium businessmen enabling them to upgrade their industrial units and for setting up new industrial projects in the Punjab. **(Business Recorder, 2nd June, 2008)**

Government determined to develop business-friendly atmosphere
Punjab Food Minister Malik Nadeem Kamran has said that government is determined to develop and strengthen business-friendly atmosphere in the country and in this context a number of measures are being taken. Present regime has adopted a number of revolutionary measures to augment the economic situation of the country, he added. Briefing the delegation, the Minister said that government is making all out efforts for strengthening industrial sector and for this purpose a Trade City is being set up at River Ravi. Mini Industrial Cities also being set up at district level, he added. The Minister said that government has also launched the project of setting up a business city and business centres for women to provide them equal opportunities of marketing their products. Members of the delegation lauded the steps of the government to provide conducive atmosphere for the business activities and assured their wholehearted cooperation.
(Business Recorder, 2nd June, 2008)

Manufacturers rejected condition of cash margin for LC
Different manufacturers associations have rejected the condition of cash margin for the LC by State Bank. According to the details, Pakistan Leather Garments Manufacturers & Exporters Association, Pakistan Gloves Manufacturers & Exporters Association, Pakistan Readymade Garments Manufacturers & Exporters Association, Pakistan Hosiery Manufacturers & Exporters Association and Pakistan Sports Goods Manufacturers & Exporters Association have rejected the condition of 35 percent cash margin for the Letter of Credit (LC) by State Bank. **(Business Recorder, 2nd June, 2008)**

Tumbling growth, surging inflation
Signals emanating from the economy lend weightage to cries from some quarters that the country has already arrived in a worrisome and difficult zone called stagflation by the economists. It is a state when the economic growth becomes stagnant and high inflation more stubborn. While the economic growth has declined from the targeted 7.2 per cent to close to 5.8 per cent, the unabated double-digit inflation continues to haunt the policy makers. Critics say that the tightening of the monetary policy may not tame inflation in the short-term but may retard economic growth. The situation has become more challenging for the manufacturing amidst growing uncertainty and rising costs" Khawaja Shahab, Federal Secretary Ministry of Industries told. **(Dawn, 2nd June, 2008)**

Export earnings up on lower unit prices
In spite of soaring global commodity prices and currency advantage over the regional economies like India and China, Pakistan is set to miss its export target of $19.20 billion for the current fiscal. "We may reach close to the target in dollar terms but the fact remains that exports are declining in terms of quantity. The more troubling is the decline in the textile and clothing exports, which form almost 60 per cent of total export revenue. But he did not mention the decline in the exported quantities of rice or textile and clothing items, leather, surgical instruments, chemicals, footballs, etc. Both non-textile core and nontraditional exports grew by above 40 per cent in the third quarter. The current year's export target is 11 per cent higher than last year's export proceeds of $17.3 billion and 3.2 per cent larger than the last year's original, unmet target of $18.6 billion. That made exports more expensive. Mr Ikram said the TDAP had devised a comprehensive marketing plan to arrest the decline in exports. He claimed that the TDAP marketing plan, already underway, was also responsible for arresting decline in textile exports after December. Unfortunately, Pakistan is making limited textile products whose share in the global trade is only $135 billion. **(Dawn, 2nd June, 2008)**

Concerns over food inflation

The recent price hike especially of food items has adversely affected the economy. The salaried class is the worst sufferer. The government has failed to overcome the wheat crises and it seems to have been caught napping on the inflation front. Official statistics released in February 2008 showed 18 per cent increase in food prices, the highest ever monthly increase from over 14 per cent in October 2007. Food inflation has registered 3.04 per cent increase in January 2008 as compared with the increase in the preceding month of December 2007. Rice price per kg has gone up to Rs. 100 and above, sugar about Rs. 28 per kg and milk Rs. 40 per litre and so on and so forth. If calculated in detail, an average family consumes about 4-5 kg of flour per day which costs Rs.100-Rs.120. Pakistan is listed among 36 countries facing food crises. A global surge in food prices is causing havoc across the developing countries and thousands of poor people are compelled to starve in the developing countries. Similarly increase in petroleum prices has tremendously added to inflation. In order to control inflation especially food inflation in the country, the government should take corrective measures. **(Dawn, 2nd June, 2008)**

Package for industrial revival

On the eve of the federal budget 2008-09, the business and industry have appraised the government about its various problems and submitted suggestions to minimize the emerging threats to the industry. It is time for the new government to enable it to play its due role in the growth of national economy. The industry has suggested recently that the tax refund policy should be revised. Presently, only cash invoice exceeding Rs25,000 is eligible for claiming Input Tax Refund, which is too low and must be enhanced to at least Rs.100,000 per cash invoice. On late submission of monthly/quarterly sales tax return, a heavy penalty of Rs25000 is imposed. The industry faces tiresome procedures in filing tax returns which result in wastage of precious time, energy and resources. Also the Sales Tax Return is too complicated and lengthy. The industry has proposed that the submission of purchase invoice should be considered sufficient proof of Sales Input Tax paid by the purchaser for input adjustment. To facilitate the industry, all the appeals relating to sales tax disputes should be dealt by the RTOs /Income Tax Tribunals only. The government needs to ponder over the ratio of sales tax on various industries as well as its rationality. **(Dawn, June 3rd, 2008)**

Cost and benefit of oil subsidy

Fuel prices in Pakistan are heavily subsidized. Oil is bought at international market prices and sold within the country at a lower fixed price. Finally, fuel subsidies prevent development of alternate and more efficient modes of transportation and lighting. First, let us consider the proposed benefits of fuel subsidies. The other perceived benefit of fuel subsidy is price stability. The fluctuations in international oil markets are supposed to be dampened by the fuel subsidy. The first argument against fuel subsidy is that since fuel is a pervasive input, it distorts prices throughout the economy. Now let us consider the fiscal impact of an oil subsidy. The previous government kept oil prices low due to political expediency. The need is to depoliticize this issue and link oil prices to international oil prices with an independent body which makes decisions based on economic considerations. Finally, fuel subsidies prevent development of alternate modes of transportation or energy. Subsidy reduces the incentives to explore alternatives. **(Dawn, June 2nd, 2008)**

The worst stocks crash seems to be over

The share market witnessed a major change in the investors' strategy during the last two sessions of the week as institutional-led rescue operation on selected counters raised hopes that the worst may now be over and the next week could witness the return of the bulls at the current lows. The market did react positively to the step but the recovery proved short-lived as speculators again tightened grip on the market. Over the week, the KSE 100-share index and the market capital significantly added to previous losses, off by 881.23 points and Rs. 258bn at 12,130.51 and Rs. 3,746.20bn respectively. “The market needs sanity on the political front and allaying of fears about new taxes in the budget”, he added. “The market is still in the tight grip of speculative forces which are out to undo just within no time what the capital market had attained during the last couple of years”, analyst Ahsan Mehanti said. “The current sell off has surpassed all previous market crashes including those of March 2005 and June 2,007 in terms of erosion of the market capital”, analysts Faisal A. Rajabali said. **(Dawn, June 2nd,2008)**

Trade deficit may cross $20 billion this year

The country's trade deficit is likely to cross $20 billion mark, for the first time in Pakistan's history, this fiscal year, mainly due to sharp rise in imports and low exports. The State Bank of Pakistan imposed 35 percent margin on all import Letters of Credit (L/Cs), except oil and some food items from May 23, aimed to bring down imports and the rising trade deficit. The previous government has set the import target of $32.3 billion. Imports during ten months have already reached near the target, as the July-April imports stood at $32.06 billion, 28 percent higher than last year's imports of $24.9 billion. Economists have predicted that this year trade deficit would cross $20 billion, or about 49 percent, with about $37.5-38.5 billion imports and $18-18.5 billion exports. The targeted trade deficit for the current year was $13.1 billion, with $19.2 billion exports and $32.3 billion imports. **(Business recorder, June 3rd, 2008)**

Prime Minister seeks market access for Pakistani products in EU

Prime Minister Syed Yousuf Raza Gilani has said that Pakistan and Italy enjoy close friendly relations covering diplomatic, political, economic, security and agriculture sectors. The Prime Minister was talking to Italian delegation headed by Giuseppe Vegas, Minister of State for Economic and Finance, who called on him at the PM's Secretariat on Monday morning. The Prime Minister said that Pakistan accords high priority to its relationship with Italy and is keen to further expand these relations. The Prime Minister said that Pakistan is facing energy shortage and desired Italy to invest more in the power sector to supplement government efforts to overcome the energy shortage. The Prime Minister lauded the role of Italian government towards providing valuable assistance to rehabilitate the earthquake-affected areas. **(Business recorder, June 3rd, 2008)**

Pakistan and Italy sign soft loan agreement

Pakistan and Italy signed a financial agreement under which the later would provide soft loan of Euro 7.75 million for the development of Small and Medium Enterprise (SME) in Pakistan. The Government of Italy through this agreement will provide credit facility of a soft loan of Euro 7.75 million for the provision of small and medium enterprise (SME) development in Pakistan. The loan carries zero percent interest rate payable in 39 years. The SME Bank would lend this loan to SMEs at a maximum mark up of four percent on loan in Euro and eight percent on loan in Pak Rupee. The credit line will be disbursed through a Small and Medium Enterprise Development Authority and United Nations Industrial Development Organization (SMEDA-UNIDO)'s Investment Promotion Unit (IPU). **(Business recorder, June 3rd, 2008)**

Government asked not to impose GST in budget

Government should not impose further tax, instead General Sales Tax should be reduced to 10 per cent in the budget, stated President, Islamabad Chamber of Commerce & Industry (ICCI), Muhammad Ijaz Abbasi. Furthermore, he added that in the upcoming budget the government should consider reducing GST to 10 per cent, which would help bring down prices of general commodities, adding that GST directly affects consumers and under current circumstances, when prices of almost every product have increased manifolds, the government must reduce GST, to relieve the end consumers. Abbasi said that for economic growth of Pakistan, along with foreign investment, local investment should be encouraged. **(Business recorder, June 3rd, 2008)**

Cement scrips being traded at irrational levels: analysts

The cement sector scrips are being traded at highly irrational levels, as the market players are considering solely growth in despatches and ignoring the high cost of doing business. Similarly, the rate of return on equity for consumer goods sector is 85 percent. Manufacturers in cement sector are thinking seriously of shifting their investments to power and other sectors, securing an attractive rate of return. The equity of cement manufacturers has increased from Rs. 26.30 billion in 2002-03 to Rs. 93 billion in 2006-07, which indicates an exponential rise of 254 percent. In Pakistan, the demand for cement is 22.4 million tonnes annually against an installed capacity of 37.2 million tonnes, creating a surplus of 14.8 million tonnes annually in a situation where acute shortage of cement is prevailing world wide. According to the market experts, the prevailing cement prices of Rs. 270 per bag are not covering the cost of doing business, as it includes government taxes and high freight cost resulting a loss proposition for the cement industry. **(Business recorder, June 3rd, 2008)**

Paint industry hit by kerosene oil crisis

Due to non-availability of kerosene oil the paint industry is passing through the worst crisis like situation in its history. Dozens of paint factories in different cities of southern Punjab, including Multan have been closed, and thousands of associated workers have lost their jobs. Moreover, the factory owners are seemed in sixes and sevens to cope with the situation. According to detail the kerosene oil is presently selling at Rs. 60, instead at the official rate of Rs. 45. In January the rate of kerosene oil was Rs. 37 that has increased up to Rs. 60, which has led to enhance production cost that also made impossible for the owners to sustain their business any further. **(Business recorder, June 3rd, 2008)**

NAMA progress sans compromise not possible

The WTO’s chief negotiator on freeing up access for industrial products said on Monday he sees no point in further talks until member states are ready to compromise over tariffs and other key sticking points. The 152 members of the WTO need to “work among themselves to bridge their positions and until they do that, it is pointless to convene NAMA negotiating group sessions,” ambassador Don Stephenson said. Industrial products come under the rubric of “non-agricultural market access” (NAMA) as part of World Trade Organization talks launched in 2001 on liberalizing the global trading system. “Some issues that were either resolved or at least nearly resolved were reopened, some extreme positions were maintained, some positions were perhaps even arguably made more extreme,” he added. The NAMA text proposes that about 30 emerging market countries would agree to reduce their customs duties to a maximum level of 19 to 26 per cent. **(Dawn, June 3rd, 2008)**

Italy backs Pakistan for FTA with EU
Italian Minister of State for Finance and Economic Affairs Giuseppe Vegas said that his country supports Pakistan's case for a Free Trade Agreement (FTA) with the European Union (EU). "The new government in Italy will continue collaboration for economic development of Pakistan," the Italian Minister told. Answering a question, Vegas said it was important for Pakistan to overcome food crisis. He observed that increasing food supplies can provide a solution, and stressed that Pakistan needed to modernize its agriculture for which his country was ready to supply modern agriculture machinery and share its expertise with Pakistan. Pakistan, he said, had a good potential of olive cultivation and an Italian expert was here to share his expertise in the field. The Italian Minister said Pakistan also had a great potential of exporting value-added gemstones in the international market. A low taxation, less regulations and guarantees that laws concerning investment would not change can make a big change. **(Dawn, June 3rd, 2008)**

Body to review Rs30bn package for textile
Faced with a soaring budget deficit, the government on Tuesday constituted a high- level committee to review the economic implications of the proposed Rs30 billion cash subsidy package for the textile exporters. The committee includes representatives of textile, commerce, and Federal Board of Revenue and Governor State Bank of Pakistan. The sources said that after claiming huge cash subsidy, concessions on bank loan rates and also on export refinance in last few years, the pace of growth in textile exports did not accelerate, which remained stagnant at four per cent between April 2005 and Jan 31, 2008. Under the proposed package, the textile industry has proposed 3 per cent rebate on exports of garments worth above $25 million, 2.5 per cent for home textile, while it will go up to 9 per cent in case of exports worth $200 million. **(Dawn, June 04th, 2008)**

APTMA plea to continue R&D support
All Pakistan Textile Mills Association Chairman Iqbal Ibrahim has pleaded for continuing the government's Research and Development (R&D) support facility for various segments of textile sector during 2008-09 on same lines as it was being done in the current year. In a statement, the APTMA chairman took notice of media reports that the research and development support will be linked to volume of exports during the next fiscal year. He said it would amount to discrimination and distortions and hurt badly the small exporters. He urged that the R&D support be given to garments, bed-wear, fabrics, made-ups and home textiles. **(Dawn, June 04th, 2008)**

Leather export target to be surpassed
The Pakistan Tanners Association (PTA) has said that the encouraging trends in export of leather and leather goods indicate that the export target of $1.135 billion will be surpassed by June 30, 2008. Of the total leather sector export target of $1.135 billion, the tanned leather, in particular, achieved excess export by $38 million till April 2008. It is suggested that the leather export target should be set at $1.5 billion by the year 2010. **(Dawn, June 04th, 2008)**

No CGT on shares for two more years
Capital Gains Tax (CGT) exemption on listed shares has been extended for two years (till June 30, 2010), a press release issued by the Karachi Stock Exchange, following the Government-KSE meeting in Islamabad on Wednesday evening, said. The Capital Market Policy to focus on reforms related to taxation, promotion of new listings, integration of capital markets with the national economy and other measures to ensure a sustainable and healthy capital market for the long term.

Government controlled corporations, companies and entities such as Employees Old-age Benefits Institution, State Life Insurance Corporation, port authorities, Oil and Gas Development Company Limited, Pakistan International Airlines, Pakistan Steel Mills Corporation, etc will invest up to 25 per cent of their retirement and long term funds in the equity markets in a phased manner. **(Dawn, June 04th, 2008)**

PSDP to focus on agriculture and manufacturing

Prime Minister Syed Yousuf Raza Gilani said the focus of public sector development plan for 2008-09 would be on manufacturing and agriculture sectors to enhance economic activity in the country. Mian Manzoor Wattoo informed the Prime Minister about the steps being taken by his ministry to encourage investment in various sectors of the economy. He briefed the Prime Minister about the role being played by the Utility Stores Corporation (USC) in providing essential food items to the poor at an affordable price. **(Business Recorder, June 04th, 2008)**

Automotive industry may be declared as withholding agents

The government may declare automotive manufacturers and assemblers as withholding agents in coming budget for accurate tax deduction and documentation of the entire motor vehicle industry. The meeting drew the attention towards sub-section (9) of section 153 of the Income Tax Ordinance wherein withholding income tax agents have been prescribed. The unit should deal with all the importers of automotive and auto parts, assemblers/manufacturers as well as sales tax, income tax and custom clearance. Once the input tax and withholding tax adjustments are streamlined the industry has potential to grow further. **(Business Recorder, June 04th, 2008)**

Saudi Arabia to give $300m to offset deficit

Saudi Arabia is expected to provide Pakistan with a grant of $300 million to offset the burden on country's economy in the wake of rising fuel prices. This indication was given by the Saudi Ambassador in Pakistan Ali S. Awadh Asseri, while speaking to newsmen in Rawalpindi on Wednesday. There is enormous scope for expanding trade and economic relations. "Given political and investment security, Pakistan remains a good place for investment, he added." Saudi investors have made huge investments in countries that ensure political and investment security, he said. **(Dawn, 5th June, 2008)**

6-month T-bill yield raised

The cut-off yield on benchmark six-month Treasury bills rose at an auction to 11.2464pc from 9.9570pc previously, the central bank said. The weighted average annual yield on the six-month paper came at 11.1894pc, up from 9.8931pc in an auction on May 7, the State Bank of Pakistan said. The cut-off yield on the 12-month paper rose to 11.4893pc from 10.2452pc, and its weighted average yield rose to 11.3931pc, from 10.3246pc. The cut-off yield on the 3-month paper came at 11.2331 per cent, up from 9.7746 per cent and the average weighted yield rose to 10.9769 per cent from 9.6679 per cent previously. **(Dawn, 5th June, 2008)**

10pc increase in drug rates demanded

The local pharmaceutical industry has sought 10 per cent increase in drug prices, cut in customs duty on imports to five per cent and removal of input sales tax on packaging. The size of pharmaceutical market size is Rs89 billion ($1.32 billion). PPMA Executive Committee Member Khalid Mahmood said there was cost pressure on the local industry as it had to rely on imported raw materials for medicine manufacturing, while India produces 90 per cent of all raw materials. Giving reasons to low exports, he said the country's spending on health as percentage of GDP was only 0.8 per cent as compared 5-6 per cent in Sri Lanka, 3-4 per cent in Bangladesh, 6-7 per cent in Algeria, 5-7 per cent in Mexico, 6-9 per cent in Iran and 10-15 per cent in Costa Rica and Cuba. **(Dawn June 5th, 2008)**

Discounting in tight money market

Pakistani banks borrowed Rs. 6.185 billion from the central bank's discount window on Thursday in an inter-bank money market that was tight because of a lack of cash inflows. Overnight call rates ended at 11.90 per cent, unchanged from Wednesday's close and just below the 12 per cent discount rate at which banks borrowed funds from the State Bank of Pakistan three-day repo facility. The central bank on Wednesday sold Rs3.13 billion of six-month bills, Rs6.73 billion of 12-month paper, and Rs53.6 billion of 3-month paper, after receiving total bids of Rs67.1 billion. In the currency market, the rupee closed at 67.35/50 to the dollar, compared with Wednesday's closing of 67.60/80. **(Dawn, June 06th, 2008)**

Changes in corporatisation bill 2008 possible

Many possible changes are expected in the Corporatisation, Demutualization and Integration Bill 2008, which was approved by the Cabinet, once it is presented in the House Standing Committee on Finance. The bill would later be tabled in parliament for final approval. The draft law had also been approved by the caretaker cabinet in January and had forwarded it to President Pervez Musharraf for approval in the shape of an ordinance. Now, it is expected that the Parliament would infuse some of the changes suggested by various stakeholders recently when the draft law was still pending for approval by the president. Ever since the president refused to sign the draft amidst speculations of possible changes in the law once it was tabled in the Parliament, the SECP had started efforts to make sure that the draft law did not go to Parliament in the shape of a bill but rather should be treated as a part of the existing legislation. **(Dawn, June 06th, 2008)**

Extension of CGT exemption hailed

The Overseas Investors Chamber of Commerce and Industry (OICCI) said here on Thursday that the government's initiative of involving stakeholders, prior to taking any policy decision, would bring stability back to the stock market besides raising investor confidence. The government's decision to develop a three-year capital market policy, which would focus on reforms related to taxation, promotion of new listings, integration of capital markets with the national economy, reflects governments sincerity in bringing stability into the country, said a statement. American Business Council of Pakistan President Tasleemuddin A. Batlay, commenting on extension of exemption of Capital Gains Tax (CGT) on shares listed on the stock exchanges, said the decision would help rehabilitate and enhance confidence of both domestic and international investors.**(Dawn, June 06th ,2008)**

Repatriation of profit by foreign investors up 12.2 percent

Repatriation of profit and dividend by the foreign investors has rapidly increased and during the current fiscal year they transferred some 735 million dollars abroad. The State Bank statistics show that investors repatriated some 151.27 million dollars profit from power sector, which grew by 28 percent or 32.95 million dollars during the July-April period, as compared to 118.32 million dollars repatriation of funds during the same period of FY07. Foreign investors sent 64.56 million dollars from oil and gas exploration sector, 51.70 million dollars from petroleum refining sector, 27.28 million dollars from tobacco and cigarette sector and some 25.51 million dollars from the transport equipment with an upsurge of 84 percent, 6 percent, 55 percent and 35 percent, respectively during the July-April. Repatriation by foreign investors registered an increase of 59 percent to 804.2 million dollars during FY07 as compared to 504 million dollars sent abroad during FY06. **(Business Recorder, June 06th, 2008)**

Iran to mediate between India, Pak on gas transit fee

Iran will mediate between India and Pakistan to end a deadlock on the issue of transit fees to be paid by New Delhi for gas transported through a 7.5-billion dollar pipeline to be built by the three countries. Iranian President Mahmoud Ahmadinejad has constituted a four-member committee of officials to hold talks with Pakistan and India on the transit fee issue. Pakistan and Iran were set to sign a bilateral gas sale purchase agreement (GSPA) for the Iran-Pakistan-India gas pipeline project by May 31 but would now sign the pact after the Iranian committee resolves the transit fee issue between Pakistan and India, the sources said. Pakistan and India too could sign a gas transit fee agreement when the GSPA is signed by Iran and Pakistan, they said. The sources said India had offered a gas transit fee of 15 cents per million British thermal units (MMBTU) whereas Pakistan had demanded 60 cents per MMBTU. **(Times of India, June 06th, 2008)**

Punjab to cut next ADP to Rs. 130bn

The Punjab government plans to "rationalize" its annual development plan (ADP) for the next fiscal year by cutting it down to around Rs.130 billion from the original estimate of Rs. 150 billion for the outgoing year, provincial finance minister Tanvir Ashraf Kaira told Dawn. "The previous government inflated the revenue estimates as well as development spending for the outgoing year for gaining political mileage," he said. Mr. Kaira said the provincial government would finance its development programme by cutting non-development spending and improving its own tax revenue. The minister said the coalition government of the Pakistan Muslim League-Nawaz and Pakistan People's Party had also decided to review the two mega projects – the Lahore Mass Transit System and the Lahore-Sialkot Motorway – initiated by the previous provincial government. The provincial government is already facing a 30 per cent shortfall in its targeted tax revenue collection for the present fiscal year. **(Dawn, 07th June, 2008)**

Rice cartels pocket Rs. 200 billion

Rice cartels bagged about Rs. 200 billion in a price game that pushed the rates high up to 300 per cent in a short period of six months. Mr. Thaver said according to official figures 908,736 tons of basmati rice valued at $653.546 million was exported with an average unit price (AUP) of $719 per ton and 1,520635 tons of non-basmati rice valued $557.375 million was shipped with AUP at $366 per ton. Likewise, paddy of P-386 rice (non-basmati) was sold by farmers at an average price of Rs. 600 to Rs. 750 per 40kg. Giving details of windfall profits made by cartels and hoarders, the market sources said that the average calculated cost price of super basmati crop (2007-08) to rice millers, dealers and traders was Rs. 47 per kg and for P-386 the average price was Rs. 27 per kg. However, rice cartels hoarded P-386 rice at an average price of Rs. 30 per kg and super basmati rice at Rs. 50 per kg in January this year. Since seasoned rice fetches better price than the old crop P-386 in wholesale market was sold during last two weeks at Rs. 85 per kg giving a windfall profit of Rs. 63 per kg and super basmati at Rs. 105 per kg allowing a hefty profit margin of Rs. 78 per kg. Similarly, he said that Irri-6 rice price surged from Rs. 17 to Rs. 47 per kg and have blessed hoarders with a profit of Rs. 30 per kg. Irri-9 rice price soared from Rs. 25 to Rs. 65 per kg, giving handsome profit of Rs. 40 per kg. **(Dawn, 07th June, 2008)**

Weekly inflation shoots up by 26.16pc

The weekly inflation increased by 26.16 per cent during the week ended on June 5 on the back of rising food and oil prices over the corresponding week of last year. The SPI witnessed an increase of 30.11 and 29.25pc for households in the two lower income brackets of up to Rs. 3, 000 and Rs. 3, 001 to Rs. 5, 000, respectively. The price of onions increased by 6.70pc to Rs16.25 per kg; milk powered (Nido) by 5.94pc at Rs. 157.37 per 400 gm; kerosene by 5.73pc to Rs. 53.11 per litre and potatoes by 3.15pc to Rs. 17.34 per kg during the week. The price of lawn rose by 2.33pc to Rs. 90.65 per metre, wheat by 1.99pc to Rs. 20.53 per kg, masoor pulse washed by 1.70pc to Rs. 111.23 per kg and bread plain (mid size) by 1.46pc to Rs. 21.59. Voil printed price increased by 1.31pc to Rs. 44.82 per metre and shirting by 1.20pc to Rs. 73.94 per metre. The LPG 11-kg cylinder went up by 0.94pc to Rs. 664.74, rice basmati broken by 0.53pc to Rs. 54.66 per kg and gur by 0.47pc to Rs. 31.79 per kg. Milk fresh price went up by 0.36pc to Rs. 33.78 per kg, coarse latha by 0.36pc to Rs. 42.22 per metre and firewood 0.25pc to Rs. 237.16 per 40 kg. The price of beef increased by 0.23pc to Rs. 130.72 per kg; rice Irri-6 by 0.22pc to Rs. 49.68 per kg and gram pulse washed by 0.15pc to Rs. 59.81 per kg, curd by 0.05pc to Rs. 39.77 per kg, mutton by 0.04pc to Rs. 246.39 per kg and mustard oil by 0.01pc to Rs. 144.94 per kg. **(Dawn, 07th June, 2008)**

Pakistan keen to strengthen ties with ASEAN countries

Pakistan's vision East Asia policy is focused on strengthening its mutually beneficial cooperation with ASEAN countries in various fields. The 4th Meeting of ASEAN- Pakistan Joint Sectoral Cooperation Committee (APJSCC) was held in the Indonesian capital recently. Addressing the meeting, Masood Khalid, who led the Pakistan delegation, said that Pakistan and ASEAN countries shared the common aspiration for peace, progress and prosperity. Pakistan was now a member of the Asian Cooperation Dialogue (ACD), ASEAN Regional Forum (ARF) and Asia-Europe Meeting (ASEM) and had acceded to the Treaty of Amity and Cooperation as well as signed a Joint Declaration to Combat Terrorism with ASEAN. The ASEAN Deputy Secretary General acknowledged Pakistan's contribution as a valued Dialogue Partner of ASEAN while expressing the desire to further strengthen the existing level of mutual collaboration. The deputy secretary general observed that Pakistan can extend technical assistance and expertise to ASEAN in Education, Banking, Agriculture and IT fields. It was agreed that Pakistan will be holding conferences on Halal Food Technology and Material Sciences this year in cooperation with ASEAN countries. Pakistan invited the ASEAN side for the 5th APJSCC meeting next year in Islamabad. **(Business recorder, 07th June, 2008)**

India-China trade target likely to be achieved ahead of schedule

The revised trade target of $60 billion between China and India may be achieved ahead of its target of 2010. “China is becoming India’s biggest trade partner,” Mr. Mao said. Mr. Mao said that economic co-operation was the driving force and the focal point of China’s ties with India. He felt that China’s policy towards India would not let border issues get in the way of developing the overall relationship with India. The Tibetan issue should not affect bilateral ties either, he felt. “My definition of the word is the joint rise of China and India. **(The Hindu, 07th June, 2008)**

Rs. 56bn relief for poor suggested

To protect the vulnerable groups from pains of adjustments aimed to achieve stability and threat of starvation Rs. 56 billion should be allocated to provide relief to the poor. The current monthly food support amount of Rs. 200 per month should be revised to Rs.1, 000 for four million households. “Based on the estimation of monthly expenditures on food items by the lowest income quintile in

Household Income Estimation Survey 2005-06, the support amount is recommended at Rs. 1, 000 per month per household," says the report. The report does not favour extension of general food subsidy offered through Utility Stores Corporation of Pakistan because it scored "low on six criteria, including targeting efficiency, low coverage, and high share of programme expenditure scores high in three criteria, degree of ease of access, absence of negative incentive effects and degree of freedom from private transfers." The report analyzed two livelihood programmes, national employment guarantee scheme for poor and graduate employment scheme but advocated to implement them only after "successful piloting".**(Dawn, 08th June, 2008)**

Resource sharing formula still holds good: No 7th NFC meeting since 2005

The seventh National Finance Commission continues to exist till the year 2010 and can be convened either on suo motu by the chairman or requisitioned by any member to amend the interim grant in aid and resource distribution formula given by President Musharraf in 2006. The next budget for the year 2008-09 will be the third consecutive budget on the basis of president's interim resources distribution formula, which is open to changes and amendments by the NFC. While Punjab insists on retaining population as the only criterion for distribution of resources among the provinces, Sindh, Balochistan and the NWFP want multiple criteria, in which resources generation capacity of the province, economic backwardness and a few other factors be given consideration. On June 4, the finance minister of Punjab held a meeting with ministers of three other provinces in Lahore and in a joint press conference demanded a greater role for the provinces in development efforts and revenue generation and contain the role of the federation. **(Dawn, 08th June, 2008)**

Sugar production reaches 4.73m tons

Pakistan has produced about 4.73 million tons of sugar to fulfil its domestic consumption for the year 2008-09. An official in the Ministry of Food, Agriculture and Livestock (MINFAL) told APP here on Saturday that about 4.2 million tons of sugar was consumed per annum as against the total production of 4.73 million tons of sugar. The government has set the target to cultivate sugarcane crop on 1.39 million hectares during 2008-09 to further increase sugar production for domestic consumption as well as for export, he added. In Punjab, 0.7 million hectares was set to produce sugarcane, while in Sindh 0.230 million and the NWFP 1.09 million hectare land would be put under sugarcane cultivation respectively, he said. This is the first time that the sugar production in Pakistan crossed 4 million tons mark. Last season 3.5 million tons of sugar was produced. **(Dawn, 08th June, 2008)**

Decision on CGT exemption final: FBR

The Federal Board of Revenue (FBR) said that exemption of capital gains tax (CGT) will continue till June 30, 2010. FBR Information Secretary Hafeez Mughal said, in a statement, that a final decision had been taken at a high-level meeting that exemption would continue for next two years and the budget-makers were no more considering the proposal. He said in accordance with the finance minister's direction the CGT would continue to be exempted on stock market. The government, however, would continue to collect Capital Value Tax (CVT) and Withholding Tax (WHT) at the existing rates. So, basically there would be no change in the taxation policy towards stock exchange market in the forthcoming budget. This means that the rates of CVT and WHT would also remain unchanged for the next two years. The finance ministry in consultation with the FBR had earlier taken a decision to tax the stockbrokers, who were making huge profits and paying no income tax on it. The decision was withdrawn on the direction of PPP Co-chairman Asif Ali Zardari after his meeting with the representatives of stockbrokers. **(Dawn, 08th June, 2008)**

Government working on broad-based industrial policy

Federal industries and production ministry has been chalking out a broad-based industrial policy to address problems faced in the growth of industrial development, which contains short-, medium-, and long-term measures to explore import substitution to boost export and bridge the gap of trade deficit. The minister identified that the problems faced by industries in Pakistan are relatively narrow industrial base, low technology base, predominately low tech goods produced (around 90 percent), low value addition (textile and leather contribute 12 percent towards GDP), inadequate infrastructure, multiplicity of procedures, taxes and regulations, absence of linkages between industry and academia/research institutes, and security and governance issues. he ministry identified existing potential areas for investment includes engineering goods industry and services, machine tool, energy equipment, telecommunication, basic industries of forging, castings and foundry work, automobiles, marble, ceramic and stones development, plastic and chemicals, paper and paper board, glass and basic metals offer high potential for industrial development. **(Business recorder, 08th June, 2008)**

United States and Asian powers call for gradual end to subsidies

The United States and Asia's four largest economies called here Saturday for a "gradual" end to fuel price subsidies, but India and China signalled they would not move soon. India and Indonesia have recently been forced to hike prices amid soaring global crude oil costs, triggering large anti-government demonstrations in the two countries. Japan, which imports nearly all of its oil, has pushed for an easing of subsidies, arguing that they artificially move prices on the market. Akira Amari, Japan's energy minister and host of the talks, said what they agreed upon was "the need" to remove subsidies. The joint statement said "undistorted and market-based energy pricing" would help "enhance energy efficiency and increase investment in alternative sources of energy." **(Business recorder, 08th June, 2008)**