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WTO CELL
PLANNING & DEVELOPMENT DEPARTMENT

WEEKLY ECONOMIC DIGEST

06th July-13th July, 2008

Yarn, garment makers threaten to close units from 11th

Yarn and garments producers warned the government of closing down their factories from July 11, as country's textile industry staggers under the increasing burden of soaring fuel prices and suspension of cash research and development (R&D) support for the value-added apparel sector. Former chairman of Pakistan Hosiery Manufacturers Association (PHMA) M I Khurram said that the R&D support was a matter of life and death for the textile apparel industry. The higher value-added sector needs it more than basic textiles or low value-added sectors. The government has suspended the cash R&D subsidy for the low to high value-added textile exports from July 1. The apparel sector was receiving the highest six per cent subsidy since April 2005. Later the home textile and printed fabric manufacturers were also allowed the facility at five per cent and three per cent, respectively. (Dawn, 06th July, 2008)

Punjab allows flour supplies to NWFP, Balochistan

The first ship carrying 50,000 metric tons of wheat ordered by the government will arrive at the Karachi Port on July 22. According to officials of the Punjab Food Department, the supply situation would improve further in August when four wheat shipments would reach the Karachi Port. Currently, the department is not releasing wheat to the millers but hoarders and stockists have been playing with the wheat price manipulating shortage of official stocks. With the arrival of imported wheat, the hoarders would be forced to sell their stocks, which would stabilize the price. In another development the Punjab government decided to extend supply of flour to the NWFP and Balochistan following the directives of the prime minister. The earlier fixed quota of flour for the both provinces was about to expire. In a meeting between the flour millers and the secretary food Punjab, it was decided that the millers would continue supplying 5,000 tons of flour to the NWFP and 1,500 tons to Balochistan. (Dawn, 06th July, 2008)

Withdrawal of subsidies, Utility stores raises prices

The Utility Stores Corporation (USC) jacked up the price of sugar by Rs. 6 to Rs. 31 in one-go, from Rs. 25 per kg, followed by recent increase in rates of gram pulse, rice, ghee and cooking oil etc. In the retail market, the rate of white sweetener surged to Rs. 32 from Rs. 30 per kg. The price of Super Kernal Basmati was tagged at Rs. 93 from Rs. 80 per kg last week at

government's stores. In May, the super kernel basmati price had been increased to Rs. 72 from Rs. 60 per kg. In retail market the same brand is priced at Rs. 125 per kg. About 15 days back, the price of subsidized ghee and cooking oil pouch of one kg was raised to Rs. 120 from Rs. 100 per kg. In case of wheat, for example, the 100 kg wheat bag price fell to Rs. 2,200-2,250 from Rs. 2,350-2,400 after the Sindh government's decision of lifting inter-district wheat movement. The price of Chakki atta, fine Atta and Atta No.2.5 has already risen to Rs. 32, Rs. 32 and Rs. 30 from Rs. 30, Rs. 30 and Rs. 28 per kg. (Dawn, 06th July, 2008)

Free flow of trade Pakistan lags behind India, Sri Lanka

Pakistan is ranked at 84th position among the 118 other economies, whereas its neighbours, Sri Lanka 70, India 71, secured slightly better positions as compared to Bangladesh (110) and Nepal (116), said "global enabling trade report-2008," released by the Competitive Support Fund (CSF), covering 118 economies worldwide to present a cross-country analysis of a large number of measures facilitating trade. The enabling trade index (ETI) captures the free flow of goods over borders and to destination. Although tariff rates remain slightly lower in India, access is hampered by non-tariff barriers (115). Pakistan ranked at 106th position in terms of non tariff barriers, followed by Sri Lanka (77), Nepal (102), Bangladesh (105). Pakistan ranked at 78th in border administration, 70th in transport and communication infrastructure and 83th in business environment. But coming closer to India, Pakistan will have to improve border administration to facilitate trade, improve transport and communications infrastructure necessary to facilitate the movement of the goods from the border to destination. Sri Lanka ranked at 69th in border administration, 73th in transport and communication infrastructure, and 92th in business environment. Bangladesh ranked at 97th at border administration, 103 in transport and communication and 111 in business environment. (Dawn, 06th July, 2008)

G8 nations to tackle global food crisis: Merkel

German Chancellor Angela Merkel said the G8 group of top industrialized nations at next week's summit will take measures to fight the soaring price of food. The measures based on a German government concept, is intended "to provide short term relief to the food crisis and a long-term strategy to increase the world agricultural production," Merkel said. The G8 powers also plan to create a task force on the food crisis during the summit, the Japanese newspaper Yomiuri Shimbun said. According to the German weekly news magazine Der Spiegel, quoting a six-page document Merkel sent to her G8 colleagues on Monday, the German leader believes the spiraling cost of food could "endanger democratization, destabilize some states and become an international security problem." (Business Recorder, 6th July, 2008)

New draft UN treaty to streamline sea trade law

A UN body adopted a new draft convention on carriage of goods by sea that officials said would modernize and streamline existing legislation and reduce costs of international trade. The Convention on Contracts for the International Carriage of Goods Wholly or Partly by Sea says it aims to provide "a binding universal regime to support the operation of contracts of maritime carriage involving other modes of transport." Until now, most countries, including the major maritime trading nations, have used rules dating back to 1924 to govern sea transport contracts. "By dealing with a growing number of situations where transport, in particular transport of containerized goods, is carried out in door-to-door operations, the treaty will fill a significant gap in the current fragmented regime governing international trade," UNCITRAL Secretary Jernej Sekolec said. (Business Recorder, 6th July, 2008)

Rs. 44 million announced for infrastructure development

The Senior Minister and Minister for Mines and Mineral Department, Raja Riaz Ahmad has said Rs. 44 million will be spent on infrastructure development in the mines areas of the province. Further, he said another scheme had been approved to provide clean drinking water to mineworkers of Katha Saggral area of Khushab and Chua Saden Shah in Chakwal. Besides constructing staff quarters, pumping machinery and filtration plant will also be arranged. The Senior Minister also urged mine owners to adopt new technological means for exploring mineral resources and also ensure welfare of the workers. 'Pakistan is sufficient in mineral assets and needs only to explore the wealth', he added. (Business Recorder, 6th July, 2008)

Top banker warns over Indian 'exuberance'

One of India's most influential bankers has cautioned against the "exuberance" fuelling overseas acquisitions by its companies, and has said that prosperity for the country's financial sector lay in domestic opportunities. Few senior figures in India have dared question the ambitions of the country's multi-national corporations, whose thirst for global recognition was highlighted by Tata Steel's £6.7bn (\$13.3bn) takeover of Corus, the Anglo-Dutch steelmaker, last year. Mr. Kotak said that Kotak Mahindra, India's fourth-largest private sector bank, would concentrate on expanding its 200-strong domestic branch network, with simple margin products that served the needs of the real economy. After five years of strong domestic growth, India's largest privately owned banks remained well capitalized compared with their global peers and well positioned to survive a downturn, he said. (Financial Times, 06th July, 2008)

UAE scraps \$7bn Iraq debt, names envoy

The United Arab Emirates said it was waiving Iraq's debt of nearly seven billion dollars and also named an envoy to Baghdad during a visit by Iraq's premier to the oil-rich Gulf state. President Sheikh Khalifa bin Zayed alNahayan told Nuri al-Maliki the UAE has "decided to write off all debts owed by Iraq totalling four billion dollars... plus accrued interest," the official WAM news agency said. The UAE, a close US ally, also named its current envoy to India as ambassador in Baghdad, an Emirati official said. Washington has been pushing its Arab allies to send ambassadors to Baghdad and ease Iraqi debt to help anchor volatile post Saddam Hussein Iraq in the Arab world. The UAE hopes that its decision to cancel Iraq's debt "will help alleviate the economic burdens endured by the brotherly Iraqi people," and is meant to "help the Iraqi government implement reconstruction plans and rehabilitate institutions and facilities," WAM quoted the UAE president as telling Maliki. (Dawn, 07th July, 2008)

China-HK smuggling tunnel detected

Hong Kong authorities said they had smashed a cross-border smuggling network that ferried electronic goods to mainland China through a 600-metre-long tunnel. Goods were smuggled through the tunnel – which measured just six inches in diameter – using an elaborate system of fibre-optic cables and electronic pulleys, a spokesman for the customs department said. Hong Kong and Chinese authorities have already seized about 8.4 million HK dollars in goods, including mobile phones, computer motherboards and hard disk drives from sites on both sides of the border. (Dawn, 07th July, 2008)

Sialkot exports \$900 million goods annually

Sialkot is an important economic centre and the only export-oriented city in Pakistan. The industrial sector is totally export-oriented and products produced in Sialkot are exported globally and the city is earning 900 million dollars yearly. Sports goods, surgical and musical instrument industries are more than century old industries of this export-oriented city and nucleus of cottage industry. It is the distinction of Sialkot that the hands stitched soccer balls are made and export it

for world soccer cups, European Championships and other international events. The surgical industry is enjoying monopolistic position globally because no other country can produce surgical instruments in the price range and variety. The total export of surgical instruments is approximately 191 million dollars during 2006-07 while the industry is producing 100 million instrument per annum of which 60 percent disposable and 40 percent reusable instruments. As many as 1200 small and medium surgical units are functioning in and close to Sialkot and over 150,000 workers are engaged with surgical industry. (Business Recorder, 07th July, 2008)

Japan's ANA looking to buy five A380s

All Nippon Airways (ANA) is likely to buy five A380 jetliners and become the first Japanese carrier to fly the new super jumbo from Airbus, a news report said on July 04. Japan's second-largest carrier is in the final stages of the deal, which is part of efforts to rein in surging fuel expenses, the Nikkei business daily said. The paper said ANA was expected to wrap up the purchase, for an estimated 100 billion yen (937 million dollars), in September. Airbus has had a tough time cracking the Japanese aviation sector. It holds less than five percent of the market in Japan, whose airlines are mostly loyal Boeing customers. ANA confirmed it had set up an in-house committee but said it has yet to make any decision. The double-deck A380, which can seat a maximum of more than 800 passengers, will likely enter service in 2012 or later, Nikkei said. ANA intends to use two on routes serving North America, such as between Tokyo and New York, and another two on flights to Europe, such as its Tokyo-London route. (Business Recorder, 07th July, 2008)

US carmaker cutbacks hit parts sector

A spate of bankruptcies, plant closures and lay-offs has hit the North American automotive parts industry, underlining the ripple effect of recently announced cutbacks by their carmaker customers. The harder line is illustrated by Toronto-based Progressive Moulded Products' decision last week to wind down its plastic injection moulding systems business. Progressive is controlled by Thomas H Lee & Partners, a private equity group, Big suppliers such as Magna International, Lear and Dana, among others, have announced lay-offs, typically affecting 100-400 people at each plant. Toyota's sales fell 21 per cent. Advisers to Progressive Moulded said the carmakers were not even willing to pay their bills promptly. (Financial Times, 07th July, 2008)

UK industrial output falls sharply

An unexpectedly large fall in industrial output was announced as a leading business group warned that its latest survey of members had revealed a "menacing deterioration in UK prospects". The Office of National Statistics said there had been a 0.5 per cent fall in the Industrial Production Index in the three months to May compared with the three months to April. Over the same period, electricity and gas output had fallen by 2.0 per cent the largest reduction since the aftermath of terrorist attacks in the US in 2001. (Financial Times, 07th July, 2008)

Bio-diesel research begins in Pakistan

The Pakistan State Oil (PSO) has initiated research and development work on its bio-diesel project to meet government's deadline of blending five per cent bio-diesel with conventional diesel by 2015 and 10 per cent by 2025. PSO has selected only non-edible plants/seeds species, such as castor (Arind), Pongame (Sukh Chain), Jojoba, Jatropha (Karanga), etc., for production of bio-diesel. However, the company is currently focusing on Jatropha plant/seed for its better qualities as a substitute of petroleum diesel. The officials added that many countries in Europe, US, Brazil, Malaysia, and India are using Jatropha as well as other edible and non-edible plants/seeds for production of bio-diesel. This has provided incentives to search for alternative fuels derived from vegetable and non-vegetable oils, i.e. 'bio diesel', which offers several

distinct advantages as an alternative fuel for diesel engines. Economically it reduces imports and would afford improved security of energy supplies. (Dawn, 08th July, 2008)

Oil plunges below \$ 140

Oil prices dived below \$140 a barrel as the US currency firmed and tensions eased over major crude producer Iran, analysts said. New York's main oil contract, light sweet crude for August delivery, slumped \$ 5.64 to \$ 139.65 a barrel in pit trading. On Monday, Brent North Sea crude for August fell \$ 3.83 to \$ 140.60 a barrel in electronic deals. Brent had struck a record high 146.69 dollars. A strengthening US currency makes dollar-priced crude more expensive for buyers using weaker currencies, dampening demand for oil. Oil blazed a record-breaking trail last week, driven by geopolitical tensions over Iran, a weaker US dollar and tightening global supplies, traders said. (Dawn, 08th July, 2008)

Lint trading resumes on steady note

Trading resumed on a steady note on the cotton market as spinners and mills lifted all the new crop lots offered by the ginners for ready delivery. The current fall in new crop prices, from Rs. 3,975 to Rs. 3,750, and the pace of phutti arrivals into the ginneries in the central Punjab cotton belts shows that the current season could be beneficial for all those associated with the cotton trade amid hopes of a good crop, said a leading floor broker. Unlike the previous sessions when selling rates were mostly based on quality basis, the highest being Rs. 3,975 per maund for fine, most of the deals were finalized at a uniform rate of Rs. 3,750 per maund, market sources said. (Dawn, 08th July, 2008)

Businessmen accuse government of failure in averting rupee decline

Business people have blamed the government for failing to adopt proper measures, following the unabated rise in the dollar's inter bank rate above Rs. 71 and its appreciation in the open market, and also to prepare a roadmap to bring the country out of the economic and the political crises. The government took all decisions including the gas price hike, levy of 10 percent withholding tax on the electricity bills without taking stakeholders into confidence. "The persistent decline in exports and the rising import bills have left the country with a severe trade deficit," he said, adding that the issue would never be resolved unless the government encouraged exports and discouraged imports. "Chinese goods, even after payment of import duty are still cheaper than that of locally manufactured which also mounts pressure on foreign currencies demand, he said and stressed the need for government steps to enhance foreign remittance to maintain depleting foreign exchange reserves," he added. (Business Recorder, 08th July, 2008)

EU and India say committed to world trade deal

The European Union and India said they were committed to a world trade deal that takes account of services as well as agriculture and industrial goods. A joint statement issued after Indian Trade Minister Kamal Nath and EU Trade Commissioner Peter Mandelson held talks in London called for a successful ministerial meeting of the World Trade Organization later this month. "A successful outcome of the Doha Round, balanced across the full range of market access issues in agriculture, industrial goods and services is essential to secure growth in trade and boost the global economy," the statement said. (Business Recorder, 08th July, 2008)

Sale of \$ 50,000 & above needs SBP nod

The State Bank of Pakistan has bound exchange companies to take prior permission for all transactions of \$50,000 and above. The SBP said the decision was taken to further strengthen monitoring mechanism of transactions made through the exchange companies. However, this requirement will not be applicable on sale of foreign currency to the banks or exchange

companies. "Failure to comply with the above instructions will attract severe regulatory action under related rules and regulations," said the SBP circular. Same rule will be applied to 'B' category exchange companies. (Dawn, 09th July, 2008)

PSQCA has no presence on TDAP board

The Pakistan Standards and Quality Control Authority (PSQCA), a national standards body to interact with world quality control organizations, has no representation on the board of Trade Development Authority of Pakistan (TDAP). As a result of this major flaw in functioning of TDAP, the country's share in the world market is not expanding because countries around the world are increasingly using Non-Tariff Barriers (NTBs) and Technical Barriers to Trade (TBTs) as the best course for protecting their domestic markets, ministry of science and technology sources said. The government in pursuance of good practices to promote the exports of the country had constituted the TDAP replacing export promotion bureau (EPB). Consequently, the TDAP, under market-based global economy, has to cater to the needs of increasing and diversifying exports, which will focus on exposure of country's products, market access and prepare the private sector for meeting the challenges of NTBs and TBTs. (Dawn, 09th July, 2008)

Govt. urged to sort out R&D issue

Pakistan Knitwear and Sweater Exporters Association Chairman Rafiq Habib Godil has urged the government to immediately sort out the eligibility period for getting research and development (R&D) support. In a statement, he said the members of his association have complained that State Bank of Pakistan has not included the claims of R&D support from June 26 to June 30, whereas the ministry of commerce SRO of 2005 allows R&D support to shipments made up to June 30. Mr. Godil said that the R&D support should be given on just and fair system and without any discrimination. (Dawn, 09th July, 2008)

Plan to air-link Mirpur with rest of the world

AJK government is contemplating to air-link Azad Jammu Kashmir's fast expanding model city of Mirpur with rest of the world through the establishment of an international airport in order to provide direct air travelling facilities to the people of Mirpur, official sources said. The proposed Mirpur International airport would provide direct air travelling facilities to the overseas Kashmiris, including UK-based settlers hailing from the area, to their ancestral town of Mirpur. (Business Recorder, 09th July, 2008)

India and Bangladesh pay too much for state workers: ADB

Many developing countries are paying higher salaries to their state employees than they can afford and stunting economic growth in the process, a study by the Asian Development Bank shows. "The higher the relative government pay rates, the lesser the economic growth attained," the study of 19 Asian, African and Latin American countries said. "The high relative government pay rates cost the country in terms of economic growth, while the higher employment share does not seem to have any economic growth impact," the Manila-based bank report said. While listed as a high-paying country, Vietnam's pay rate has "fallen rapidly, and it may no longer be of concern." It said economic rents embedded in government pay rates "reduce the affordability of government and reduce the coverage of public services essential to economic growth." (Business Recorder, 09th July, 2008)

D8 agrees to boost food production as crisis looms

The "D8" group of developing nations resolved to boost food production to combat shortages that it said threaten to trigger widespread political unrest. "With food and oil prices going high, the only alternative is agriculture and we agreed to diversify our economies and divert to agriculture," Pakistani Prime Minister Yousuf Raza Gilani told a joint press conference. "This

situation of oil crisis is an artificial situation. Yudhoyono also said D8 countries should ensure food self-sufficiency to address the problem of food security. Abdullah, the new D8 chairman, said global food prices were estimated to have risen by more than 75 percent since 2000 and urged the grouping to modernise their agriculture sectors. Gilani expressed Pakistan's commitment to ensuring success of D-8 summit. (Business Recorder, 09th July, 2008)

Textile industry may get Rs. 4bn relief

The government has decided in principle to provide Rs. 4 billion relief to the textile industry through reduction in recently announced gas price increase for industrial and captive power plants, it is learnt. The government had recently increased gas rates for industrial consumers by 31 per cent and for captive power plants of textile units by 68 per cent. As a result, textile-specific gas rates for industrial sector and captive power plants would reduce by more than 50 per cent. The gas development surcharge is shared by the provincial governments on the basis of their gas production. (Dawn, 10th July, 2008)

Rupee bounces back against dollar

The falling rupee bounced back as it gained 3.2 per cent against the US dollar which was the direct outcome of a series of measures taken by the State Bank of Pakistan. Currency dealers in the inter-bank market said dollar-rupee parity witnessed fluctuations as it first dipped to Rs. 71.40, then rose to Rs. 72.10 and finally settled at Rs. 71.40-71.50. Corrective measures by the SBP were necessary to arrest the fast depreciation of the rupee, and these supported the local currency to regain its lost value against the dollar, said a dealer. This mounted pressure on regulators to stop free fall of rupee. The rupee lost value against all major currencies, like euro, British pound and Japanese yen. How much benefit they want from the dollar is not known," said a currency broker. (Dawn, 10th July, 2008)

Cotton prices quoted higher by Rs. 50

Cotton market showed a firm trend as spinners and mills remained active buyers at the current levels amid fears about the size of the new crop. Owing to steady mill demand, prices were quoted higher by Rs. 50 per maund, but spinners said "they are well within our export parity level and an alarm bell will ring if they cross the Rs. 4,000 per maund mark." "We are not inclined to repeat the previous season's mistakes about the size of the crop," said a leading spinner, adding "the current buying spree by the textile sector reflects fears both about the size of the crop and future price outlook." (Dawn, 10th July, 2008)

Meezan Bank joins IFC system

The International Finance Corporation (IFC), a member of the World Bank Group, announced that Meezan Bank Limited has become the first Islamic bank in Pakistan to join the IFC Global Trade Finance Programme as an issuing bank. The IFC global programme promotes trade with emerging markets worldwide by supporting flows of goods and services to and from developing countries. Through the programme, IFC provides guarantee coverage of bank risk in emerging markets, allowing recipients to expand their trade finance transactions within an extensive network of countries and banks and to enhance their trade finance coverage. (Dawn, 10th July, 2008)

Pakistan could tighten more to fight inflation

Pakistan is ready to tighten monetary policy further to fight inflation, a senior finance official said, stressing the authorities' commitment to getting inflation down from a three-decade high above 19 percent. In May the SBP increased its discount rate to 12.0 percent from 10.5 percent to counter inflation and widening fiscal and current account deficits. For the 2007/08 fiscal year that ended on June 30, the government expects its budget deficit to be 7.0 percent of gross

domestic product (GDP), while the current account deficit is likely to be between 7.3 percent and 7.8 percent of GDP. "The rupee's problem is a balance of payments problem more than anything else," Khar said. It rose 2 percent to 71.40/60 per dollar. (Business Recorder, 10th July, 2008)

Trade deficit widens to \$ 20.7 billion in fiscal year 2008

Pakistan annual trade deficit for 2007-08 closed at \$ 20.745 billion, which is 52.92 percent more over \$ 13.563 billion for 2006-07 because of food import bill and steep increase in prices of crude oil in the global market. The trade deficit was recorded \$ 1.97 billion in June with \$ 4.052 billion imports against \$ 2.053 billion exports for the month. Monthly comparison of trade data showed that there was about 57.42 percent increase in trade deficit in June 2008 over the same month last year. The deficit was increased from \$ 1.252 billion in June 2007 to \$ 1.971 billion in June 2008. There was a huge increase in import bill because of high prices of oil and food import bill. (Business Recorder, 10th July, 2008)

Punjab government to provide small loans to skilled persons

With a view to bringing industrial revolution in the province, the Punjab government has decided to introduce a scheme under which small loans on soft term will be issued to skilled persons so that they could be activated and brought into the mainstream of industrial sector. Moreover, Punjab Chief Minister, Mian Shahbaz Sharif directed to hand over eight cluster development centers being operated by the Punjab Small Industries Corporation (PSIC) in different cities of the province to private sector. Shahbaz chaired a meeting, which reviewed the matters of industrial estates, small industries, and Teyta. The Chief Minister was also given a detailed briefing about Sunder Industrial Estate, Quaid-e-Azam Industrial Estate Kot Lakhpat, Multan Industrial Estate, Faisalabad Industrial Estate as well as other industrial estates in Jhelum, Gujjar Khan, Chakwal, Gujranwala, Gujrat, Bahawalpur, Sialkot, Sargodha, Sahiwal, Daska, Taxila, Kasur, Mian Channu and Khanewal. (Business Recorder, 10th July, 2008)

Leaders hail softer Brazil, France stance on Doha

Brazilian President Luiz Inacio Lula da Silva expressed his openness to a global trade deal when top officials from the United States, the European Union, India, Brazil and other WTO members gather in Geneva on July 21, the leaders said. Brazil, one of the world's biggest producers of farm goods, has played a major role representing the interests of developing countries in the World Trade Organization's long-running Doha round of trade talks. For his part, French President Nicolas Sarkozy made clear he wants a breakthrough in the Doha talks and appealed to Brazil to help strike a deal, British Prime Minister Gordon Brown said. France is reluctant to approve cuts to European Union farm subsidies that would have to be part of any deal. A revised negotiating proposal on industrial goods is due. (Business Recorder, 10th July, 2008)

Rs. 17.55 million overpayments unearthed in NWFP

The audit carried out by the Directorate General Audit NWFP has unearthed overpayments of Rs. 17.551 million on account of contracts, pay and allowances and rewards during 2004-05. The report was put before the provincial legislature during the budget session. According to the report, the provincial government during the period made an overpayment of Rs. 539, 694 due to allowing higher premium. In the office of On Farm Water Management Chashma Right Bank Irrigation Project (CRBIP) D.I. Khan, in a work valuing Rs. 3,275,415 contractor was allowed 77 percent instead of permissible premium of 65 percent resulting in overpayment of Rs. 393,050. Similarly, another contractor was allowed 76 percent premium on a value of work done of Rs. 1,333,126, resulting in overpayment of Rs. 146,644. The provincial government during the prescribed period also made overpayment to the tune of Rs. 4.721 million in head of higher

exchange rate, higher rate to contractors, in correct application rate, account escalation, excess rate, higher premium and non-execution of work in different areas by different departments. (Business Recorder, 10th July, 2008)

OGDC plans aggressive exploration

A Senate body was informed that the Oil and Gas Development Company Limited (OGDCL) has chalked out an aggressive oil and gas exploration programme to meet the growing energy demands of the country. The committee assured support to the OGDCL in removing hurdles in the way to expedite oil and gas exploration in the country, particularly in Balochistan. The committee noted that Balochistan has great potential for oil and gas reserves and called for making the environment conducive to carry out exploration activities in an appropriate manner and suggested that parliamentarians and tribal elders should play their due role in facilitating the OGDCL in exploration activities. The committee called for striving to enhance the reserves by working on both off-shore and on-shore exploration activities. (Dawn, 11th July, 2008)

Strategy to raise exports to \$ 40-45bn

The government requires \$ 65 billion investment in the manufacturing sector to double its declining exports. Sectoral growth strategies and targets provided in the export plan were aimed at promoting core and development categories of country's exports to be implemented by the concerned agencies. To enhance exports to 15 per cent of GDP in next six to seven years, the Planning Commission prepared the export plan in consultation with the stakeholders from both public and private sectors. The plan gives a detailed review of all major exports, highlighting constraints impeding exports and presents a strategic framework to achieve a quantum leap in exports from \$16.4 billion in FY2006 to \$40-45 billion by Financial Year 2013. The strategic thrust to achieve the export target is focused on enabling policy environment. Higher investment in high value-added export-oriented manufacturing and agriculture activities is required. The need is to establish and operate new industrial estates/export cities/industrial parks. (Dawn, 11th July, 2008)

Palm oil prices

Malaysian palm oil futures slipped despite gains in crude oil prices as weak exports and concern about swelling stocks dampened demand. Other traded months fell between 5 and 53 ringgit. Overall traded volumes stood at 7,764 of 25 tons. Malaysia's crude palm oil stocks rose 6.38 per cent to a new 25-year high of 2,035,353 tons in June, from a revised 1,913,360 tons in May, official crop agency Malaysian Palm Oil Board said. Exports of Malaysian palm oil products for July 1-10 fell 1.3 per cent to 355,154 tons from 360,000 tons shipped between June 1 and 10, cargo surveyor Intertek Testing Services said on Thursday. Another cargo surveyor Societe Generale de Surveillance said on Thursday exports of Malaysian palm oil products for July 1-10 fell 16.2 per cent to 326,109 tons from 389,300 tons shipped between June 1 and 10. (Dawn, 11th July, 2008)

US to provide food assistance: Patterson

United States is sensitive to the existing wheat shortage in Pakistan and would provide necessary food assistance to meet her requirements, however, the quantity of soft white wheat would be discussed by the concerned authorities of both the countries, said US envoy to Pakistan Anne W Patterson in a meeting with the Finance Minister Syed Naveed Qamar. Apart from discussing co-operation in food and agriculture sectors, the US envoy underlined its government steadfastness to provide security and economic assistance to Pakistan. The minister apprised the Ambassador of Pakistan's budget implementation plan in various social and economic sectors, which now is ready for execution through relevant government agencies. Finance Minister stressed that the

entire process of any possible wheat shipment from US to Pakistan has to be transparent. (Business Recorder, 11th July, 2008)

Pakistan's Foreign exchange reserves down over \$4 billion in fiscal year 2008

The country's foreign reserves have shown a sharp decline of over four billion dollars during the last fiscal year due to the rising imports and current account deficit. A rapid decline of about 5 billion dollars in the foreign reserves was witnessed after the imposition of the state of emergency, as it stood at 16.37 billion dollars on November 3, 2007 as compared to 11.28 billion dollars on June 28, 2008. The State Bank of Pakistan's (SBP) statistics show that overall foreign reserves have registered a 27 percent decrease during the last fiscal year. The country's overall foreign reserves stood at 11.2845 billion dollars as on June 28, 2008, down from 15.6137 billion dollars as on June 30, 2007, depicting a dip of 4.23292 billion dollars during the fiscal 2008. The reserves held by banks reached 2.6591 billion dollars during the week ended June 28, 2008, which previously stood at 2.2853 billion dollars on June 30, 2007. (Business Recorder, 11th July, 2008)

Rising integration among Asian economies to promote growth: ADB

Increasing integration among Asian economies offers a new platform to promote growth, strengthen trade links and reduce poverty. The new ADB study entitled "Emerging Asian Regionalism", partnership for shared prosperity suggests that while Asian economic integration is market-led, to tap the full potential of regional interdependence, Asian economies need to boost their ties through closer dialogue and policy co-ordination. The book recommends that to foster financial stability and economic prosperity, Asian authorities also need to enhance regional macroeconomic surveillance and work towards the creation of new regional institutions such as an Asian Financial Stability Forum and an Asian Secretariat for Economic Cooperation. (Business Recorder, 11th July, 2008)

WTO mediators finalize negotiating texts

World Trade Organization mediators put the final touches to new negotiating texts on Thursday that will serve as the blueprint for an outline deal in the WTO's long-running Doha round, trade officials said. A deal would see rich countries like the United States, Japan and the European Union's members open up their food markets by reducing protection for their farmers. In return they will get greater access to developing country markets for industrial goods and services, especially in emerging nations like India, Brazil, China and South Africa. Any outline deal by ministers will be followed by months of detailed work translating it to individual goods and services, before ministers can sign off on a final agreement. (Business Recorder, 11th July, 2008)

Pakistan wins Saudi deferrals on oil bill

Saudi Arabia has agreed in principle to defer payments for crude oil sales to Pakistan expected to be worth approximately \$ 5.9bn at present rates during Pakistan's present July-June financial year. This would provide a significant boost to the south Asian country's economy just when it is coping with fast-mounting political and economic difficulties. (Financial Times, 11th July, 2008)

Rs. 20 billion 'Food Stamp Scheme' in Punjab from August 14

Punjab government will launch Food Stamp Scheme in the province from August 14, 2008, which would cost Rs. 20 billion. The Chief Minister Punjab Shahbaz Sharif dilating on the scheme here in a press conference on Friday said the scheme would get addition impetus in the next fiscal year estimates. Emphasizing on the hard work to change the existing economic scenario, he said that in order to control price mechanism, task force of Price Control Committees headed by Syed Nazim Ali Shah was in offing. The chief minister on the austerity measures of their government said that Chief Minister's Secretariat budget had been slashed down to Rs. 70 million from Rs. 350 million. Chief Minister dilating on previous government's

Rs. 80 billion Ring Road Project said that today this project was visible to nobody. (Business Recorder, 12th July, 2008)

WTO issues new farm, industry texts for Doha round

World Trade Organization mediators circulated new negotiating texts that will serve as the blueprint for an outline deal in the WTO's long-running Doha round, trade officials said. "A deal to open trade in agriculture and goods means more growth, better prospects for development and a more stable and predictable trading system. "The WTO papers will only produce a deal if the rich countries improve their offer, showing leadership and reducing trade barriers," said Roberto Azevedo, Brazil's chief trade negotiator. In return they will get greater access to developing country markets for industrial goods and services, especially in emerging nations like India, Brazil, China and South Africa. The new farm text set a tariff cap of 100 percent for developed countries - a key demand of poor countries - as part of complex technical arrangements, still under negotiation, of how countries shield sensitive farm products from tariff cuts. (Business Recorder, 12th July, 2008)

World economy between recession and inflation: IMF

The world's economy is teetering between "the ice of recession and the fire of inflation", but may see some recovery by early next year, IMF Managing Director Dominique Strauss-Kahn said. Addressing a conference in the Ukrainian Black Sea resort of Yalta, Strauss-Kahn characterized the economic situation as the "first crisis of the 21st century" made up of soaring inflation and a financial market crisis. "The answer has been global and broadly adequate. Strauss-Kahn said emerging market countries were "really emerging" on the basis of high growth rates in both celebrity economies like India and China and "B-list" regions such as West Africa. But markets should not subscribe to "decoupling" theories that suggest emerging economies are unaffected by the West's performance. (Business Recorder, 12th July, 2008)

Oil hits new high, metals shine

Oil prices zoomed to a record \$ 147.50 this week and aluminum hit all time highs as many commodities were boosted by supply worries, growing tensions over Iran and the weak US currency. Commodity prices swung higher as increased tensions between Iran and the West triggered fresh safe-haven demand for oil and metals, said James Moore, analyst at TheBullionDesk.com. The struggling dollar boosts demand for dollar-priced raw materials which become cheaper for buyers using stronger currencies. OIL: Oil prices rocketed above \$ 147 as traders seized on tensions over Iran and Nigeria at the end of a very volatile trading week. Prices soared to record highs on mounting geopolitical tensions in Nigeria and Iran, while supply threats in Brazil add to supply woes, said Barclays Capital analysts. Gold rallied on the back of growing inflationary pressures, record high oil prices and turmoil on global equity markets. Three-month aluminium jumped to 3,380 dollars per ton from \$ 3,100. (Dawn, 13th July, 2008)

Real GDP grew to Rs. 5.492 trillion during 2007-08

Real Gross Domestic Product (GDP) volume reached new peak level of Rs. 5.492 trillion during 2007-08 from Rs. 5.192 trillion of previous year, up by Rs. 300.383 billion, due to the robust performance of the services sector. The State Bank of Pakistan has released sector-wise data of real GDP growth, which showed that the country's economy grew by 5.78 percent during fiscal year 2007-08. The services sector played a vital role in achieving 5.78 percent GDP growth, as growth in services sector was higher than commodity producing sector. Services sector presented a healthy growth of 8.6 percent during fiscal year 2008. Its volume increased to Rs. 2.923 trillion by the end of June, 2008 as compared to Rs. 2.702 trillion in fiscal year 2007, showing an increase of Rs. 220.591 billion. The growth of Commodity Producing Sector, comprising agriculture and industry, stood at 3.20 percent in fiscal year 2008. The volume of commodity

producing sector reached Rs. 2.569 trillion during 2008 over Rs. 2.348 trillion of 2007, depicting a rise of Rs. 79.747 billion in 2008. (Business Recorder, 13th July, 2008)

OSCCI demands withdrawal of 10 percent withholding tax

President, Sarhad Chamber of Commerce & Industry (SCCI) Peshawar, Haji Mohammed Asaf has flayed the levy of 10 percent Withholding Tax on commercial and domestic electricity bill above Rs 20,000, an injurious step for the national economy. In a statement issued here on Saturday, he feared that the step of the government would not only stop the industrial and trade development, but would also cut industrial production in the country. The SCCI chief demanded the withdrawal of the decision of the 10 percent tax on electricity bills above Rs. 20,000 and revival of the old procedure to retrieve the national economy standing on the verge of collapse. (Business Recorder, 13th July, 2008)

Major ASEAN economies to deliver higher growth

The major ASEAN economies are likely to deliver higher-than-expected growth this year, but the outlook for 2009 looks challenging, economists said in a published report. Morgan Stanley raised its 2008 growth forecast for Singapore, Malaysia, Thailand and Indonesia to 5.6 per cent from an earlier estimate of 5.5 per cent. The investment bank kept intact its recently upgraded GDP growth projections for Malaysia at 5.7 per cent and Thailand at 5.6 per cent. A stronger-than-expected global growth backdrop and a relatively slow monetary policy response to emerging inflation risks resulted in the region's 2008 first-half growth being higher than anticipated earlier, Morgan Stanley said. The Association of South-East Asian (ASEAN) economies will "face headwinds" next year as higher inflation cuts into purchasing power and capital investment decisions, and export markets soften, the investment bank's outlook said. It cut its 2009 GDP growth forecast for the region to 5.1 per cent, nearly 1 point. (Business Recorder, 13th July, 2008)

Food prices high until 2012: World Bank

World Bank President Robert Zoellick said he expected food prices to remain above 2004 levels until at least 2012 and energy prices would also remain high and volatile. He repeated that with food and fuel prices in a "danger zone" there was a need for \$10 billion to provide food and cash handouts for the world's poorest. Soaring oil and food prices have fuelled inflation across the globe at the same time as economies slow, posing a sharp dilemma for policymakers. Earlier this week, leaders of the Group of Eight rich nations in Japan agreed on the need to address global inflation, particularly elevated oil and food prices. (Business Recorder, 13th July, 2008)

Sectoral agreement key to Doha deal: US manufacturers

US manufacturers urged Brazil, India, China and other major developing countries to agree to eliminate tariffs in key industrial sectors to help reach a deal in long-running world trade talks. A major issue in the manufactured goods negotiations is the difference between how much developed and advanced developing countries would be required to cut their tariffs. The United States and the European Union complain the proposed tariff-cutting formula for countries such as China, India and Brazil would not provide new export opportunities. Priority sectors for the United States include industrial machinery, electrical and electronic goods, wood and paper, chemicals and environmental goods, NAM officials said. (Business Recorder, 13th July, 2008)