IMF voices concern over Pak revenue shortfall

REUTERS, *Islamabad*

The International Monetary Fund said Thursday it was still concerned about lower-than-expected tax revenues in Pakistan despite approving a $114 million loan tranche for the poverty-hit nation.

Henri Ghesquiere, senior resident representative of the IMF in Pakistan, said the Fund's executive directors had understood the "exogenous factors" that led to a shortfall in revenues but had urged Islamabad to improve tax collection and administration.

"They unanimously stressed the importance for the CBR (Central Board of Revenue) to implement its ambitious reform programme fully so as to ensure Pakistan does receive the revenues ... to step up its expenditures for health and education and for alleviating poverty," he told Reuters.

The IMF Executive Board approved the $114 million tranche on Wednesday as part of a 1.37 billion three-year loan programme to reduce poverty and boost growth in Pakistan.

The Fund waived the quarterly revenue target for the period that ended March 31, saying the shortfall in revenue reflected continue lower-than-expected imports since the September 11 attacks on the United States.

"They realise there are exogenous factors such as a shortfall in imports that has played a big role," Ghesquiere said.

Pakistan, a key ally in the US-led war on terror in neighbouring Afghanistan, says its economy suffered a body blow in the wake of the September 11 events, with export orders cancelled and insurance premiums shooting up.

The trends forced the government to revise its revenue targets for fiscal 2001/02 down to 414 billion rupees from 457 billion.

The CBR, the main tax agency, however, says it collected 400 billion rupees in tax revenues by the end of the fiscal year on June 30.

"We have been told.... the government would be more than satisfied if we have achieved 400. And, by the grace of God, we have succeeded in making it," Vakil Ahmed, CBR spokesman, told Reuters.

Pakistan's tax revenues fell by three per cent in the first eight months (July-February) of 2001/02 but Ahmed said they showed improvement by March with an upward trend in imports.

"Forty per cent of our revenue is directly or indirectly dependent on imports. Since they started picking up, therefore, the situation improved," he added.

He said the revenue target for fiscal 2002/03 had been set at 460 million rupees.

Pakistan's Finance Minister Shaukat Aziz announced the national budget for 2002/03 on June 15 with overall spending of 742 billion rupees.

Ghesquiere said the IMF's Executive Board backed the new budget proposals by the military-led government.

"They consider it consistent with the objectives of the government under the poverty reduction and drought strategy," he added.

Analysts said the new budget was aimed more at a stabilising the economy than spurring growth.

Pakistan has won millions of dollars in aid after President Pervez Musharraf, long shunned internationally for seizing power in a military coup, abandoned the Taliban in Afghanistan and threw his weight behind the US-led war on terror.

The United States is the largest and most influential shareholder of the IMF.

Arroyo hits developed nations for trade double standard

AFP, *Manila*

Philippine President Gloria Arroyo on Friday attacked developed countries for blocking exports from developing countries while lecturing them on the need to open their own markets.

Doubt would be cast on the benefits of trade liberalization if developed countries do not act to make it easier for poorer countries to trade with them, Arroyo said in a speech to the chambers of commerce of ASEAN (Association of South East Asian Nations).

"It does not help any when developed countries insist on maintaining protectionist barriers against products of interest to developing countries like the Philippines and many other ASEAN countries," said Arroyo.

"While the developed countries take every opportunity to lecture us on the virtues of a market-driven economy, hundreds of billions of dollars support their farm production."

She cited environmental and health standards of developed countries which are "onerous and excessive," and gave as an example standards imposed by Australia which blocks imports of Philippine bananas and mangoes.

Despite her criticism, Arroyo said she was still committed to expanded trade and urged the ASEAN countries to further integrate their economies under the ASEAN Free Trade Area (AFTA.)

Under AFTA, the founding six ASEAN members will cut tariffs on trade in most products to a maximum of five per cent by next year, while less developed members will be given extra time to adjust.

"We cannot just generate investments unless we become part of a larger, integrated regional market," Arroyo said, adding this was the only way the region could compete with the global trade giants.

But she also said AFTA still had a long way to go before becoming an effective means for strengthening the region's competitive position.

ASEAN must also start lowering non-tariff barriers between its members such as product standards. It must also liberalize financial services, telecommunications, construction, air and maritime transport and tourism.

Arroyo also said ASEAN trade polices should recognise differences in development between countries such as the Philippines and wealthy Singapore.

ASEAN comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam as well as the Philippines.

Pakistan forex reserves rise to $6.259b

REUTERS, *Karachi*

Pakistan's foreign exchange reserves rose to $6.259 billion by June 29, up $123 million from the previous week's $6.136 billion, the central bank said Friday.

The State Bank of Pakistan (SBP) gave no reason for this rise, but bankers attribute recent increases in foreign exchange reserves to higher inflows from Pakistanis working abroad.

The SBP's direct holdings were $4.333 billion while other commercial banks held $1.926 billion, the bank said.

The SBP changed its method of calculating foreign reserves last year and now monitors total liquid foreign reserves by including previously undisclosed foreign exchange deposits held by other banks.

Pakistan's central bank said last month foreign exchange inflows through official banking channels soared 111.9 per cent to $2.121 billion for the first 11 months of fiscal 2001/02 (July/June) compared with $1.001 billion in the same year-ago period.

Indian rupee may fall 2.5 pc by March 2003

REUTERS, *Bombay*

India's tightly policed rupee is likely to slip to 50.075 per dollar by March 2003, and to 51.9250 a year later, a Reuters poll of 12 research houses showed.

That shows a slower depreciation than an April poll, which had estimated the rupee would slide to 50.54 by March.

The partially convertible rupee, which is currently at three-month highs of 48.82/83, recovered from a record low of 49.08 on May 16 on steady dollar flows from exporters foreign direct investment and the greenback's overseas woes.

But analysts said the rupee was likely to lose ground gradually during the year.

India has said it was aiming for 12 per cent export growth in the current year to March 2003 after a flat performance last year and analysts expect the central bank to nudge down the rupee to encourage exports.

PHOTO: SHAHJALAL BANK

Sajjatuz Jumma, chairman of the Board of Directors of Shahjalal Bank, presides over the 13th meeting of the Board in the city recently. Chairman of the Executive Committee of the bank Anwer Hossain Khan, Board members and Managing Director Matin Uddin Ahmed were also present on the occasion.

India's int'l phone monopoly on even after opening market

REUTERS, *Bombay*

A big bang that was not.

Three months after India opened its $1.3 billion international phone market to competition, a government-founded company retains a monopoly and charges remain among the highest in the world.

Three companies hold licences to start services -- Bharti Telesonic, a unit of New Delhi-based Bharti Tele-Ventures, Data Access, a subsidiary of Hong Kong's Pacific Century Cyberworks, and Reliance Communications, part of India's powerful Reliance group.

But delays in obtaining security clearances and in signing inter-connect agreements have blocked any competitor from entering the market, according to company executives and telecom analysts.

"Bharti has not started its service for the simple reason it lacks security clearance," said a Bombay-based telecom analyst.

Failure to seal inter-connect charges with the two state-run companies that dominate India's fixed-line market is also to blame, said Kobita Desai, a telecom analyst for Gartner Inc.

By default, Videsh Sanchar Nigam Ltd (VSNL) remains the only service provider, even after New Delhi privatised the company in February and opened the international call market to competition from April 1.

Simultaneously, the government began permitting a drastically cheaper, but lower quality, dial-up Internet telephone service to customers using computers.

But it hasn't made a dent in a phone market expected to be one of the world's fastest growing this decade since computer penetration in India is quite low.

"What's changed?" asks Naresh Patil, 42-year-old stock broker in Bombay. "I still need a bank loan to pay my phone bill for June when I called to assure them (relatives living in three foreign countries) India and Pakistan weren't going to war."

Analysts insist it's only a matter of time, though, before call charges drop sharply when other service providers finally enter the market, touting cheaper rates in a battle for market share in a volume-driven business.

"Rates could drop 50 to 60 per cent," said Gartner's Desai.

Depending on the time of day, VSNL now charges 27.2-40.8 rupees (56-84 cents) per minute for a call to the United States.

Bharti plans to charge 21.18-24.00 rupees per minute for a similar call, and may get permission to begin doing so soon.

"We have to obtain a security clearance, which is expected any day," said Bharti Telesonic Chief Executive Officer N Arjun.

Arjun said service would begin within hours of getting that clearance as the network has been in place since early April.

"We have already signed an inter-connect agreement with BSNL, and are doing so this week with MTNL."

Mexico, Argentina sign auto deal

REUTERS, *Buenos Aires*

Mexico and Argentina signed a deal to liberalise auto trade Thursday providing hopes of wider regional economic integration despite growing financial woes in the southern cone's Mercosur trade bloc.

The deal followed a similar auto pact between Mexico and Brazil on Wednesday. Leaders of Brazil, Argentina, Uruguay and Paraguay, members of the world's No. 3 trade block Mercosur, are meeting with Mexican President Vicente Fox to talk trade in Buenos Aires.

Analysts said auto deals were the best Mercosur could hope for at this biannual summit, given the decision-making limbo caused by Argentina's caretaker government bringing elections forward to March and Brazil's vote in October.

Mexico wants to wean its heavy reliance on US trade by positioning itself as the link between North and South America, while Brazil and Argentina want to spur growth by exports after financial uncertainties have shaken their economies.

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