

Pakistan export boom won't repair economy

AFP, Karachi

After a year of unemployment and wondering if his family would be better off if he died, Pakistani textile worker Murad Ali has got the spring back in his step.

One of thousands laid off by textile bosses last year, the father of four is now back at work and one of those to benefit from a surge in Pakistani exports in the current fiscal year, which ends on June 30.

Experts say rising global commodity prices, a government decision to prioritise power supply to industry and currency devaluation that has made Pakistani products more competitive, have fired an export boom.

Compared with the same period last year, the Trade Development Authority of Pakistan says textile exports such as silk rose 25.8 percent and agricultural produce, such as basmati, rose 6.2 percent from July to February 7, 2011.

The textiles sector is one of the key drivers of the Pakistani economy, accounting for 55 percent of all exports and 38 percent of the workforce, according to official figures.

Bosses have rehired staff who were laid off, but Ali is only getting a third of the salary as a skilled garment worker that he used to command.

"I'm earning less than last year. It is difficult to live a better life due to price rises, but I'm happy," Ali said.

He has re-enrolled his sons at school but his wife will continue to work as a maid. Money is too tight for her to go back to being a housewife.

"The situation has drastically changed in the favour of the country's economy," said textile tycoon Mirza Ikhtiar Baig, who employs more than 2,000 workers and predicts exports will rise 10 percent for the fiscal year 2010 to 2011.

"Now with demand for Pakistani products rising internationally we are employing more workers.

"Our exports are getting healthier because of an increase in international commodity prices and the government's will to give top priority to the country's economy," said Baig, an advisor to Prime Minister Yousuf Raza Gilani.

The Asian Development Bank forecasts GDP growth for Pakistan of 2.5 percent for fiscal year 2011 despite pressures from unprecedented floods in 2010, with a relatively modest rebound to 3.7 percent for fiscal year 2012.

But behind the headlines, experts warn that the exports boom is a mirage that barely even papers over how ailing the economy really is in a country where suicide and bomb attacks have killed more than 4,200 people since 2007.



An employee works at a textile factory on the outskirts of Pakistan's eastern city of Multan. Experts say rising global commodity prices, a government decision to prioritise power supply to industry and currency devaluation that has made Pakistani products more competitive, have fired an export boom.

Pakistan suffers from a profound electricity crisis that restricts production to around 80 percent of its needs -- a situation that will only worsen as the temperatures crawl higher in the coming months.

The budget deficit has grown to 5.5 percent of GDP, above a 4.9 percent target for the current fiscal year to June 30.

To fund the shortfall, the government borrowed \$4.4 billion from the central bank from July 1 to February 28, a move that worsened inflation, rather than raise taxes and cut spending as the IMF and World Bank would like.

British Prime Minister David Cameron last week joined a chorus of pleas from the United States on Pakistan to tax its wealthy, pointing to

one of the lowest tax-to-GDP ratios in the world.

In November 2008, an increasingly bomb-torn Pakistan was rescued from the brink of bankruptcy thanks only to a rescue package from the IMF that hauled the nation back from inflation at a 30-year high and fast-depleting reserves.

Mohammad Sohail, head of the Karachi-based Topline Securities research and brokerage house, said the export boom would contribute to economic recovery, yet warned the gains were minimal.

"It is very fragile because the fiscal deficit is much higher than the target of 5.3 percent because of the government's heavy borrowing from the central bank," he said.

"The overall economic dynamics suggest that

our growth rate may not be more than two-and-a-half percent this fiscal year.

"Furthermore, the overall security situation in Pakistan is very uncertain, which is making the foreigners and local investors wary all the time."

Independent economist A.B. Shahid said rising international oil prices had hit the country's economy hard, adding \$4 billion to the oil bill.

Pakistan could have benefited more from 8-9 percent export growth, he said, by exporting cloth in its value-added forms rather than raw cotton and yarn.

While Ali is content with life, he is also wary of uncertainties ahead.

"Life has become too insecure. Everyone is ill at ease. Let's just wait and see."

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Energy crisis leaves Nepal in the dark

AFP, Kathmandu

By the light of a single candle Shankar Prasad Bhandari strains his eyes as he tries to count out the correct change for a customer in his blacked out shop on the outskirts of Kathmandu.

Rolling 14-hour power cuts, triggered by a growing energy crisis, mean that much of life in the Nepalese capital and across the Himalayan nation functions by candlelight these days.

The impact can be seen -- or squinted at -- everywhere. Television stations broadcast evening news programmes from studios in semi-darkness, while schoolchildren face a daily race with the sunset to complete their homework.

The economic cost has been enormous, with industries forced to reduce operations and small businessmen such as Bhandari closing their shops before what used to be the profitable evening shopping rush.

"I'm losing business and that's making it hard to support my family," the 42-year-old told AFP.

Nepal generates a measly 643 megawatts of electricity a year -- most of it from antiquated hydroelectric plants.

That is barely half of the national requirement and imports from India fail miserably to make up the shortfall.

Compounding the sense of public frustration is the fact that Nepal should, according to most experts, be an energy-producing powerhouse.

Feasibility studies suggest the country's vast mountain river system has the potential to generate up to 83,000 megawatts of hydropower.

But investment in infrastructure has been almost non-existent, largely due to a 10-year civil war between the government and Maoist rebels that only ended in 2006.

Chronic political instability in the wake of the Maoist victory exacerbated the problem, and it is only since the election of a new prime minister in February -- after a seven-month leadership vacuum -- that the issue has started to be addressed.

Last month, the government declared an energy emergency and announced a \$275 million initiative to expand power generation capacity by an extra 2,500 megawatts over the next five years.

The plan envisages the construction of several hydroelectric projects and offers sweeping tax incentives to investors in the energy sector.

"If we don't immediately address the energy

crisis, the country will be pushed into a horrible situation," said Finance Minister Bharat Mohan Adhikari.

Nepal suffers from a double-bind in that the winter season -- when demand for power is highest -- is also the dry season when rivers run lower and hydro generation is reduced by up to 30 percent.

The government's current load-shedding policy -- shutting off power to certain areas at designated times to conserve electricity -- is likely to remain in force at least until June when the monsoon rains arrive.

Water resource expert Ratna Sansar Shrestha said he was sceptical of the government's ambitious energy creation plan.

"This is in line with the same lofty pronouncements of previous governments, who have promised 10,000 megawatts in 10 years or 25,000 megawatts in 20 years," Shrestha said.

"Load-shedding is not a new phenomenon. We knew 10 years ago that we would face this. But nobody is serious about implementing the policies.

"I think this so-called plan will be no different from the others," he said.

All crises provide opportunities and Nepal's energy drought is no exception, offering a windfall for companies such as Techno Trade, which distributes diesel generators in Kathmandu.

Sales executive Saroj Rai said the firm had seen a 30 percent sales surge this winter season compared with last year, with buyers including individual households, small businesses like Internet cafes and larger institutions such as banks.

"You must install a generator if you want to run a business," Rai said.

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News reader Bijaya Poudel from national television channel Kantipur Television reads the news by the light of a lantern at a studio in Kathmandu.

AFP