

Pakistan pre-pays \$1b this month: Shaukat

Says foreign exchange reserves to exceed \$11 billion

FROM SHABBIR AHMAD

KARACHI—Pakistan will pre-pay \$1 billion out of the debt to donors this month, expecting it would further reduce debt burden as well as its cost. The total debt cost of Pakistan has come down from 66 to 36 per cent of GDP during last about three years.

'We will be pre-paying \$1 billion of the debt to World Bank, Asian Development Bank (ADB) and International Monetary Fund (IMF) this month', Finance Minister Shaukat Aziz told a selected businessmen gathering at luncheon meeting of American Business Council (ABC) of Pakistan here on Friday. 'This will reduce the debt burden on Pakistan further and also debt cost, which has gone down from 66 to 36 per cent'.

The payment of the debt earlier than schedule would, however not result in the fall of foreign exchange reserves of Pakistan, already reached to \$10.7 billion, which according to Shaukat Aziz would cross the \$11 billion by end of this month.

Addressing American Business Council members, Shaukat Aziz urged them for seeking expansion in investment as economic fundamentals offer them with an opportunity to look for expansion in their investment in Pakistan. In this regard, he asked them to look for expanding their

portfolios to export-orientated products and services.

Referring to the 5.1 per cent GDP growth, substantial recovery in Large Scale Manufacturing sector, over \$ 3 billion current account surplus, reserves crossing \$ 11 billion this month, he said Pakistan was now in position to leverage the reforms it has executed during last four years. He said the lowest capital cost offers an opportunity to bring in new investments.

He while referring to the bottlenecks in the way, admitted Pakistan's image abroad was among the problems that has checked inflow of investment. He, however, said there was difference in 'perception' and 'reality' and the multinationals should convince their principals while sending their reports that the present government was committed to the consistent policies and conducive environment for the business. Prime Minister and President have repeated reiterated their commitment towards the continuation of sustainable policies, he said the key to attract investment in Pakistan.

Shaukat Aziz expressed optimism that Pakistan would achieve 5.3 per cent GDP growth this year with sustainable growth in the manufacturing sector, foreseeing agriculture sector indicators were showing 'exciting growth' this year.

To achieve sustainable growth, the finance minister however admitted that Pakistan will have to make a real dent in the poverty, with major focus on the poverty concentrated rural areas. And to reduce poverty in rural areas, it was necessary that steps should be taken for development of agriculture sector.

To maintain this growth, he said the investment level would have to be increased from current 15 and half per cent to about 18 per cent of GDP, for which, he urged for increase in foreign as well as local investment. Foreign investment is driven from the local investment, he said asking local as well as foreign companies to expand their level of investment in Pakistan.

To question, he said efforts were being made to reduce power tariff and cut down the duties to make exportable products more competitive. Generally tariffs are going down to zero regime in view of the upcoming trade-free regime, while Pakistan was negotiating duties tariffs with ECO, Iran, SAARC and other countries.

He mentioned Pakistan during recent visit of President Pervez Musharraf has signed 'TIFA' agreement with United States. Though it would take about two years to negotiate tariffs with US, but would it be base of the free-trade with the country, he said.