President's Statement

SCCI is playing a vital role in promoting economic cooperation among SAARC nations to make it the fastest growing regional bloc in the world. Since its inception, SCCI has contributed in substantial and substantive terms to deepen regional economic cooperation amongst the South Asian nations.

SCCI has gradually been taking steps towards regional integration; however, there still remains much to be done for SCCI to make a niche for itself as a leading regional organization in South Asia. SCCI has not been able to create adequate awareness on trade issues among the governments and the private sector – a vital step for regional cooperation. SCCI is also keen to enhance government-industry partnerships as regional cooperation cannot be achieved without the mutual efforts of the private as well as the public sector. A government-industry partnership is also significant for regional cooperation and thus enhanced awareness about trade issues need to be a top agenda item for SCCI. Policymakers and business leaders need to work together with a greater degree of urgency and direction.

Speaking about future prospects, particularly during my tenure as president, SCCI will keep its focus on trade liberalization and the promotion of business, investments and trade in the region for the economic development of South Asia. SCCI will also take steps to strengthen its global partnerships and linkages. Such efforts will benefit the region, the people, the private sector and the governments in South Asia. Integration is not only confined to the SAARC region, in fact, we would like to increase our global interaction with the rest of the world for SAARC economic integration into the global economy through strengthening intra-regional economic linkages.

We as a region need to attain sustainable economic growth. The first and the foremost step on our part is to overcome political differences that encompass the two leading players of the region. Through the SCCI platform, we hope to develop new mindsets and change attitude in the SAARC region to ensure economic and social stability & prosperity. With globalization at a fast pace, it is imperative that we now work towards creating a dynamic South Asia by harnessing the comparative advantage and utilizing a vast pool of our human capacity. SCCI is focusing on effective measures like promoting social responsibility amongst private enterprises within the region that will surely help in increasing employment opportunities in the member states.

Keeping in view these facts, I believe SCCI will help to build a network for both the governments and the private sector that will lead our region towards an era of prosperity.

Tariq Sayeed
President SCCI

Dear Readers,
We hope you will find our new issue of May 2008, productive and useful. This publication is mainly covering SAARC Chamber's events in the region held during the month of April-May 2008. It will also provide a brief overview of the energy sector in the region. Your comments and critical thinking would guide us towards perfection. Thank You.
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Call-on Secretary General SAARC, April 2, 2008, Nepal: Tariq Sayeed President SCCI, Iftikhar Ali Malik, Vice President SCCI, Shehzada Alam, Life member of SCCI & Former President of KCCI along with Surej Vaidya, Vice President SCCI and Kush Kumar Joshi, President FNCCI met with Shri kart Sharma newly appointed Secretary General of SAARC in Kathmandu on April 2, 2008, and discussed different matters and forthcoming activities of SAARC Chamber in the region.

Visit to SAARC Chamber Craft Village, April 5, 2008, Nepal: President and Vice Presidents of SCCI visited SAARC Chamber Craft Village on April 5, 2008, which is being run by the Federation of Women Entrepreneur Association of Nepal (FWEAN) and SAARC Chamber Women Entrepreneur Council (SCWEC), Nepal.

Call-on Prime Minister of Pakistan, April 12, 2008, Pakistan: Tariq Sayeed, President SCCI along with Iftikhar Ali Malik, Vice President SCCI and Tanvir Ahmad Sheikh, President FPCCI called-on the Hon’ble Syed Yousaif Raza Gillani, Prime Minister of Pakistan, at the PM Secretariat on April 12, 2008 in Islamabad, the objective to highlight the constraints being faced by businessmen of the region while engaging in trade between the SAARC Countries and pointed out that among these constraints Visa for businessmen remains a major bottleneck.

SCCI’s Building Committee Meeting, April 14, 2008, Pakistan: SCCI’s Building Committee Meeting was held on April 14, 2008 in Lahore, Pakistan. Three presentations were given by the leading architects of the country who presented their designs and proposals regarding the construction of official building of SCCI in Islamabad, Pakistan.

43rd Executive Committee Meeting of SCCI, April 16, 2008, Pakistan: The 43rd EC Meeting of SCCI was held on April 16, 2008 in Lahore, Pakistan under the chairmanship of Tariq Sayeed, President SCCI.


The seminar was also addressed by Tariq Sayeed, President SCCI, Tanvir A. Sheikh, President FPCCI, Peter Andreas Buchman, resident representative of FNSI in Pakistan. The technical session of the Seminar was addressed by Inaam ul Haq, Adjunct Prof. International Trade Law, Punjab University Law College & Formerly Executive Director, World Bank, Sabodh Kumar, Executive Program, Friedrich Naumann Foundation (FNSI). The seminar was attended by government officials, international experts, academia, economists, bankers, media personals, heads of leading business houses and representatives of chambers associations from the region.
SCCI Delegation at 4th World Islamic Economic Forum, April 29th to May 1st, 2008, Kuwait: Tariq Sayeed, President SCCI addressed the "Parallel Session on SMEs" at 4th World Islamic Economic Forum held in Kuwait during April 29 to May 01, 2008.

The session was chaired by Dr. Atef Obaid, Former Prime Minister of Egypt, and was also addressed by Tanri Abeng, Chairman and Founder, Executive Centre for Global Leadership and the Former State Minister of Indonesia and the inaugural session of the WIFE was opened with the key note address of H.H. Sheikh Sabah Al Ahmad Al-Jaber Al- Sabah, The Emir of the State of Kuwait. The inaugural session was attended and addressed by the dignitaries involved H.M. King Abdullah II of the Hashemite Kingdom of Jordan, H.E. Abdoulaye Wade, President of Senegal & Chairman, OIC, H.E. Hamid Karzai, President of the Islamic Republic of Afghanistan, H.E. Dr. Haris Silajdzic, President of Bosnia and Herzegovina Republic, Hon. Tun Musa Hitam, Chairman, WIEF & former Deputy Prime Minister of Malaysia.

The session was chaired by Dr. Atef Obaid, Former Prime Minister of Egypt, and was also addressed by Tanri Abeng, Chairman and Founder, Executive Centre for Global Leadership and the Former State Minister of Indonesia and the inaugural session of the WIFE was opened with the key note address of H.H. Sheikh Sabah Al Ahmad Al-Jaber Al- Sabah, The Emir of the State of Kuwait. The inaugural session was attended and addressed by the dignitaries involved H.M. King Abdullah II of the Hashemite Kingdom of Jordan, H.E. Abdoulaye Wade, President of Senegal & Chairman, OIC, H.E. Hamid Karzai, President of the Islamic Republic of Afghanistan, H.E. Dr. Haris Silajdzic, President of Bosnia and Herzegovina Republic, Hon. Tun Musa Hitam, Chairman, WIEF & former Deputy Prime Minister of Malaysia.

A dinner hosted in honor of President SCCI by PBC, May 5, 2008, Dubai: Pakistan Business Council, Dubai hosted a dinner meeting in the honor of Tariq Sayeed, President SCCI and his delegation who accompanied in 4th World Islamic Forum in Kuwait. The dinner meeting was attended by the Counselors Generals of Pakistan, Sri Lanka and Bangladesh. President SCCI also addressed the business community of UAE.

Seminar on "Quantification of Benefits from Regional Cooperation in South Asia", May 6, 2008, Pakistan: The seminar on "Quantification of Benefits from Regional Cooperation in South Asia" was organized by Foreign Trade Institute of Pakistan in collaboration with ADB-UNCTAD on May 6, 2008 in Islamabad.

The seminar was inaugurated by Shahid Bashir, Senior Joint Secretary, Ministry of Commerce. Dr. Saifdar A. Sohail, Director General, FTIP, Tariq Sayeed, President SCCI and Peter L. Fedon, Country Head, ADB also addressed the inaugural session. The other speakers present at the seminar included Dr. Ishrat Hussain, Chairman, National Commission for Government Reforms of Pakistan Government, Kavita Iyengar, Regional Cooperation Specialist, ADB, Rashmi Banga, Economist, UNCTAD, Dr. Abid Qasimy Sulker, Executive Director, SDPI, and Pratima Dayal, Principal Country Economist, ADB, India.

CCI hosted a lunch in honor of President SCCI, May 7, 2008, Pakistan: Rawalpindi Chamber of Commerce and Industry hosted a lunch in honor of President and Vice President SCCI on May 7, 2008 in Rawalpindi, Pakistan. After the address of Tariq Sayeed, President SCCI, Iftikhar Ali Malik, Vice President SCCI and Abdul Rafi Choudhry, President RCCI also shared their views.

Director General, FTIP called on President SCCI, May 9, 2008, Pakistan: Dr. Saifdar A. Sohail, Director General, Foreign Trade Institute of Pakistan (FTIP) called on Tariq Sayeed, President SCCI at the permanent headquarters of SCCI in Islamabad. Dr. Saifdar made a presentation on objectives of FTIP and possible ways of professional cooperation between FTIP and SCCI in building capacity and enhancing awareness on issues related to regional economic cooperation.
Call on Commerce Minister, Government of Pakistan, May 9, 2008, Pakistan: Tariq Sayeed, President SCCI along with Zabair Ahmed Malik, Executive Committee member of SCCI called-on Shahid Khaqan Abbasi, Minister of Commerce, Government of Pakistan on May 9, 2008 in Islamabad, Pakistan, with the objective to highlight the role of SAARC business community particularly the engagements of the Private sector in Pakistan.

Pre-budget Seminar, May 12, 2008, Pakistan: Tariq Sayeed, President SCCI addressed the ‘Pre-Budget Seminar’ organized by the Federation of Pakistan Chambers of Commerce & Industry (FPCCI) in collaboration with Federal Board of Revenue (FBR) in Islamabad on May 12, 2008. At the seminar President SCCI proposed a slogan to FBR “Pay tax, Revive economy” and asked the Government to officially declare 2008-09 as the year of economic renaissance. The Chief Guest of the seminar was Horble Ishaq Dar, Federal Minister for finance, revenue economic affairs & statistics. Abdullah Youssuf, Chairman FBR, Tanvir Ahmad Sheikh, President FPCCI also addressed the seminar.

Delegation of PakTurk Businessmen Association called-on President SCCI, May 13, 2008, Pakistan: A. Cuneyt Zumrutpinar, President and Mehmet Necmettin Durmus, Managing Director of PakTurk Businessmen Association has called-on Tariq Sayeed, President SCCI in Islamabad, on May 13, 2008. During the meeting President SCCI discussed the prospects of the promotion of business between SAARC Countries and Turkey through increasing the Private Sector’s engagements. The delegates from PakTurk Businessmen Association have delightedly informed and invited President SCCI to lead a delegation to the TURKIYE-ASIA/PACIFIC, Foreign Trade Bridge-II which will take place in Istanbul, Turkey, from June 17-18, 2008 at Istanbul WOW Convention Center.

EU délégation met President SCCI, May 15, 2008, Pakistan: Tariq Sayeed, President, Ifthikhar Ali Malik, Vice President SCCI, SCCI officials along with Murtaza Hashwani, Chief Executive of Hashoo Group met with a high level delegation from the European Union involving Peter Berez, Counsellor, Deputy Head of Unit European Commission, Tomas Niklasson, Counsellor/Head of Political, Trade and Communication Section, Annette Grunberg, Pakistan Desk Director General Trade and Husmain Ifthikhar, Economist/Trade Officer of the European Union, Delegation of the European Commission to Pakistan on May 15, 2008 in Islamabad, with the purpose to get benefit of Europe experiences on areas such as Free trade and Economic Union and SCCI would like to focus on long term business partnership to improve EU-SAARC intra-regional trade and EU investments in South Asia.

Useful Websites
www.economywatch.com
www.amido.org
www.financialexpress.com
www.etsg.org
www.adb.org
www.apec.org
www.brecorder.com
www.ris.or.th
www.cuts-international.org
www.sawtec.org

Economy Watch
United Nation’s Industrial Development Organization
The Financial Express
European Trade Study Group
Asian Development Bank
Asia Pacific Economic Corporation
Business Recorder Pakistan
Research & Information System for Developing Countries
Consumer Unity & Trust Society (CUTS International)
South Asia Watch on Trade, Economy and Environment
President SCCI and Vice President SCCI from Pakistan visited Federation of Nepalese Chamber of Commerce & Industry and exchanged views with Suraj Vasaya, Vice President SCCI in Nepal, April 02, 2008, Kathmandu.

President and Vice President of SCCI on 43rd Executive Committee Meeting of SCCI, April 15, 2008, Lahore.


President and Vice President SCCI along with Bob Hawke, Former Prime Minister of Australia at the 4th World Islamic Forum, April 29-May 01, 2008, Kuwait.

President SCCI addressing a Seminar on Quantification of Benefits from Regional Cooperation in South Asia organized by Foreign Trade Institute of Pakistan-FTIP in collaboration with ADB-UNCTAD, May 06, 2008, Islamabad.

President SCCI with Zubair Malik, EC Member SCCI met Hon'ble Shahid Khaqan Abbasi, Minister for Commerce, Govt. of Pakistan, May 9, 2008, Islamabad.

President SCCI receiving souvenir from Hon'ble Muhammad Ishaq dar, Minister of Finance, Revenue, Economic Affairs & Statistics, Govt. of Pakistan and M. Abdullah Yousuf, Secretary General Revenue Division/Chairman FBR at Pre-Budget Seminar, May 12, 2008, Islamabad.

President SCCI and Vice President SCCI from Pakistan along with the delegates from the European Union, Delegation of the European Commission to Pakistan on May 15, 2008, Islamabad.
South Asia, which accounts for one-fifth of the world's population, is marked by rapid economic and population growth. However, even with an average total growth rate close to 6%, the region has one of the lowest per capita incomes in the world and has intra-regional trade less than 2% of GDP, as compared to 20% for East Asia. However, the region is one of tremendous economic potential but enormous challenges exist. In many cases, badly needed infrastructure advances of all types with energy being at the forefront have not kept pace with rapid economic expansion. And throughout the region, extreme poverty persists which is exacerbated by a lack of access to electricity. Despite apparent synergies and opportunities existing for cross border energy cooperation, the energy and power trade in the region is extremely low.

Table 1: Key Macroeconomic Indicators of South Asian Countries, 2007

<table>
<thead>
<tr>
<th>Key Macroeconomic Indicators</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>India</th>
<th>Maldives</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
<th>SAARC Aggregate</th>
<th>ASEAN Aggregate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population - million</td>
<td>137.00</td>
<td>0.760</td>
<td>1,107.00</td>
<td>0.29</td>
<td>25.30</td>
<td>153.96</td>
<td>19.67</td>
<td>1,443.99</td>
<td>558.81</td>
</tr>
<tr>
<td>GDP - billion US$</td>
<td>57.28</td>
<td>0.82</td>
<td>727.75</td>
<td>0.75</td>
<td>7.47</td>
<td>110.02</td>
<td>23.54</td>
<td>927.63</td>
<td>884.35</td>
</tr>
<tr>
<td>YoY GDP growth percentage</td>
<td>5.00%</td>
<td>5.80%</td>
<td>8.40%</td>
<td>-2.90%</td>
<td>2.80%</td>
<td>7.80%</td>
<td>6.00%</td>
<td>4.70%</td>
<td>5.50%</td>
</tr>
<tr>
<td>GDP per capita - US$</td>
<td>418.11</td>
<td>1107.98</td>
<td>723.38</td>
<td>29.60%</td>
<td>295.36</td>
<td>314.48</td>
<td>119.86</td>
<td>1,008.39</td>
<td>1,582.60</td>
</tr>
<tr>
<td>Foreign Exchange Reserves - million US$**</td>
<td>2,825.30</td>
<td>398.60</td>
<td>136,025.72</td>
<td>186.30</td>
<td>1,504.40</td>
<td>10,948.00</td>
<td>2,736.50</td>
<td>154,624.82</td>
<td>154,624.82</td>
</tr>
<tr>
<td>Imports - million US$</td>
<td>12,575.49</td>
<td>422.66</td>
<td>140,771.10</td>
<td>58.19</td>
<td>1,852.19</td>
<td>20,630.40</td>
<td>8,869.50</td>
<td>158,185.53</td>
<td>576,742.37</td>
</tr>
<tr>
<td>Exports - million US$</td>
<td>7,902.53</td>
<td>187.56</td>
<td>101,056.24</td>
<td>8.11</td>
<td>816.00</td>
<td>14,453.06</td>
<td>6,351.13</td>
<td>130,774.62</td>
<td>648,147.02</td>
</tr>
<tr>
<td>Aggregate FDI*** - million US$</td>
<td>740.00</td>
<td>8.99</td>
<td>5,733.00</td>
<td>9.70</td>
<td>1.90</td>
<td>2,832.00</td>
<td>1.00</td>
<td>9,560.59</td>
<td>38,082.93</td>
</tr>
<tr>
<td>Total External Debt - million US$</td>
<td>20,344.10</td>
<td>593.30</td>
<td>122,722.70</td>
<td>344.80</td>
<td>3,354.20</td>
<td>35,687.20</td>
<td>10,886.50</td>
<td>193,932.80</td>
<td>-</td>
</tr>
</tbody>
</table>

**Foreign Exchange Reserves excluding gold
***Foreign Direct Investment - Expect to be in excess of US$6 billion in 2007

Power and energy are major inputs that determine the speed and the nature of economic activities and growth in energy and power use is closely related to growth in industry. The fast growing South Asian region is well established on a high growth path, which has led to a rapid increase in energy consumption. In 2003, South Asia accounted for about 4% of the total world energy use up from 3.1% in 1993 (World Development Indicators, 2006). However, despite rapid growth in energy demand, the South Asian energy scenario is marked by low levels of per capita energy consumption, high energy intensity, and high levels of energy consumption per unit of GDP. The Energy Information Administration (EIA) estimates that South Asia's primary energy consumption showed an increase of 52% between 1993 and 2003.

Coal and petroleum are the predominant sources of energy in the region (Figure 2), however there are variations among the countries. Bangladesh is dominated by natural gas (86% in 2005), India by coal (55% in 2006), Maldives on petroleum (100%), Sri Lanka on hydroelectric power and petroleum (50% and 46% respectively in 2005). Pakistan is diversified with petroleum (33%), natural gas (30%) and hydroelectric power (33%) whereas Bhutan and Nepal rely heavily on hydroelectric power (99% and 92%, respectively in 2004). The variation in the energy mix in the individual South Asian countries provides a unique opportunity to enhance energy security in the region through mutual cooperation.

The countries of South Asia share similar conditions and the energy sector is no exception. South Asian countries are faced with rapidly rising energy demand coupled with increasingly insufficient energy supplies. Because of the economic and political ramifications arising from energy and power shortfalls, improving the supply of energy, particularly the supply of electricity, is an important priority of the South Asian economies. Only 59% of the population is connected to the electricity grid and most of the rural population relies on biomass to meet its energy needs. The demand-supply situation is bound to get worse as the proportion of population with no excess to electricity increases in the region with economic development.
There exists great potential in the region for energy cooperation and mutually profitable opportunities which will thereby increase regional energy security and give the region greater resilience against energy shortages. Currently, only India, Bhutan and Nepal trade electricity and that too at a minuscule scale compared to the need and potential for energy cooperation. Pakistan’s government is considering projects that would tap its neighbors’ resources, such as importing natural gas from the Middle East and power from Central Asia. There is a strong need for energy cooperation amongst the electricity markets of the South Asian countries to mitigate their energy security risks which can be done through the development of a regional electricity grid as well as gas and oil pipelines. The economic and technical advantages of a network of electricity grid and regional gas pipeline are numerous. Such networks increase the reliability and security of energy in the region, reduce the required reserves capacity to meet peak demand, reduce cost through large economies of scale, reduce cost of fuel transportation, and allow regional resources to be harnessed more efficiently. In addition, such a system will bring substantial benefits in terms of environmental protection through reduced consumption of fuel wood and low quality coal.

The South Asian countries are faced with the challenge of energy security which may be achieved by diversifying traditional energy supplies, promoting additional foreign investment for energy infrastructure development, improving energy efficiency, reforming and privatizing energy sectors, building cross-border linkages and promoting and expanding regional energy trade and investment.

The creation of a South Asian energy market and cooperative development of the available diverse energy sources in the region can also help increase the level of energy security in the region and thus can subsequently contribute to achieving a sustained higher economic growth. This could lead to a South Asian regional power and gas market and competition among power and gas producers both public and private that ensure economic and efficient delivery of services to the consumers in the region. At the same time, the power system networks of Bangladesh, Bhutan, India, Nepal, Pakistan and even Sri Lanka can be interconnected to achieve greater efficiency and economy in the overall system.

Regional cooperation by itself is not a sufficient condition for harnessing resources more efficiently; a necessary precondition is market reforms in individual countries, which would remove existing bottlenecks and create a more conducive climate for attracting investment into the energy and power sector. All South Asian governments need to continue embracing market reforms and policies supporting cross border energy trade and power sector investments as a necessary step in meeting the energy demand. These reforms and policies, if properly implemented, can have a snowballing effect on the investment climate and pave the way for harnessing hitherto unexploited resources.
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In addition to his responsibilities as Director of ICPL, he is also

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- Life Member of SAARC Chamber of Commerce and Industry
- Life Member of Karachi Council on Foreign Relations, Economic Affairs & Law
- Life Member of Confederation of Asia Pacific Chambers of Commerce & Industry
- Honorary Member of The Islamic Chambers of Commerce & Industry
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Economic Freedom Index

The highest form of economic freedom provides an absolute right of property ownership, fully realized freedoms of movement for labor, capital, and goods, and an absolute absence of coercion or constraint of economic liberty beyond the extent necessary for citizens to protect and maintain liberty itself. In other words, individuals are free to work, produce, consume, and invest in any way they please, and that freedom is both protected by the state and unconstrained by the state.

In SAARC region Bhutan and Maldives are not included in the Economic Index study. India’s economy is 54.2 percent free, which makes it the world’s 115th freest economy. India is ranked 21st out of 30 countries in the AsiaPacific region, and its overall score is lower than the regional average. India has no notably strong economic institutions, and the few areas that score better than the world average are limited government size, labor freedom, and property rights. The average tariff rate is high, foreign investment is overly regulated, and the judicial system is erratic and clogged by a significant backlog of cases. Though the country has a large financial sector, the government interferes extensively with foreign capital.

Pakistan’s economy is 56.8 percent free, which makes it the world’s 93rd freest economy. Pakistan is ranked 16th out of 30 countries in the AsiaPacific region. Pakistan scores moderately well in fiscal freedom, business freedom, and labor freedom, but its only exceptionally high score is for limited government size. The corporate tax rate is high, but tax revenue and government spending are low relative to GDP. Pakistan has weak trade freedom, investment freedom, financial freedom, property rights, and freedom from corruption. The judicial system does not protect property rights effectively because of a serious case backlog, understaffed facilities, and poor security. Serious corruption taints the judiciary and civil service. Pakistan’s financial market, though advanced for the region, is constrained by regulation and bureaucracy.

Bangladesh’s economy is 44.9 percent free, which makes it the world’s 149th freest economy. Bangladesh is ranked 27th out of 30 countries in the AsiaPacific region. Bangladesh’s fiscal freedom and government size score relatively well, which probably reflects severe underdevelopment and black market activity more than genuine freedom. The country also suffers from weak investment freedom, property rights, and financial freedom. Corruption is common. Chaotic regulations and restricted market sectors impede greater foreign investment, as does a haphazard and politicized approach to the rule of law. The banking sector is plagued by similar problems.

Sri Lanka’s economy is 58.3 percent free, which makes it the world’s 90th freest economy. Sri Lanka is ranked 14th out of 30 countries in the AsiaPacific region. Sri Lanka scores poorly in investment freedom, financial freedom, monetary freedom, and freedom from corruption. The government generally welcomes foreign capital, but formal restrictions and the security situation are deterrents. The financial system is small but growing and would benefit from greater transparency. Inflation is high, and the government directly subsidizes a wide array of goods. The judicial system is not free of political interference and is subject to corruption as well as excessive delays.

Nepal’s economy is 54.7 percent free, which makes it the world’s 112th freest economy. Nepal is ranked 19th out of 30 countries in the AsiaPacific region. The government is working to eliminate price controls. As a developing nation with widespread civil unrest, Nepal faces significant challenges. Investment freedom, financial freedom, trade freedom, property rights, and freedom from corruption are weak. There are many restrictions on foreign investment that put much of Nepal’s economy off-limits to foreign capital. These regulations are enforced by an inefficient and corrupt bureaucracy. Property rights are not secured by the judiciary, which is also subject to substantial corruption and political influence.

Moreover, governments shielded their economies from the full impact of rising prices with subsidies, which are unsustainable. South Asia needs to develop an energy policy aimed at reducing demand, supporting the expansion of local energy supplies, and developing regional distribution networks that allow cost-effective transfers of power and gas among countries.

Growing global payments imbalances pose a risk to South Asia as a disruptive correction could abruptly check capital flows, increasing the cost of funds, and possibly deflating the ballooning asset prices in the subregion. To buffer such an eventuality, reforms of the sub-region’s financial systems, which started in the early 1990s, must continue apace, especially in the inefficient public sector banks that still predominate in several countries.

Moreover, the structural policy reforms that have spurred recent private sector-led growth should continue with emphasis on reducing barriers to employment growth that would alleviate poverty. In South Asia, the agriculture sector provides the most employment, but falling levels of public investment, deterioration in support services and inappropriate output pricing, marketing and subsidy policies in several countries have led to erratic performance.

Economic Freedom Index

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