

Documents

July-December 2013

I. Foreign Policy

A. CHINA

Joint statement on ‘Common Vision for Deepening Pakistan-China Strategic Cooperative Partnership in the New Era’

At the invitation of Premier Li Keqiang, the Prime Minister of Pakistan Muhammad Nawaz Sharif, paid an official visit to China from July 3 to July 8, 2013. This was Prime Minister Nawaz Sharif’s first overseas trip since taking oath of office and follows Chinese Premier’s visit to Pakistan in May 2013. These successive visits, in a short period of time, reflect the positive desire of both countries to further reinforce the existing brotherly and time-tested China-Pakistan relationship.

During the visit, Prime Minister Nawaz Sharif met with President Xi Jinping, held talks with Premier Li Keqiang, and met with Mr. Zhang Dejiang, Chairman of the Standing Committee of the National People’s Congress of China. Prime Minister Nawaz Sharif also met with corporate leaders and leading members of business community.

The Pakistani Prime Minister reaffirmed the strong commitment of his government to further promote and deepen the bilateral strategic cooperation between China and Pakistan. The Chinese leaders appreciated that Prime Minister Nawaz Sharif had chosen China as his first destination for his visit abroad.

Prime Minister Nawaz Sharif underscored that the recent political transition in Pakistan was a historic development which would create political cohesion, social stability, and internal growth. It will also improve governance and lead to sound macro-economic management thus creating an enabling environment for foreign investment in Pakistan.

The two sides reviewed with satisfaction the development of China-Pakistan relations, and were of the view that this relationship had acquired growing strategic significance in the emerging dynamics of 21st century. Both sides decided to continue to deepen the Sino-Pakistan strategic partnership in the new era.

Both leaders appreciated that Asia was the engine of global economic growth and more than forty percent of the global population resided in this vibrant and dynamic region. A major urbanization and technological

advancement was underway in this region which would unleash enormous potential for regional economic development.

Both Pakistan and China recognizing the existing opportunities and the challenges, vowed to promote policies that can advance the cause of peace, cooperation, and harmony thereby creating a win-win situation in the region.

Both leaders reaffirmed their commitment to pursue people-centric policies that could mitigate poverty, promote social and economic development and diminish the roots of conflict.

The two sides decided to further deepen practical cooperation in all sectors and strengthen coordination and cooperation on international and regional issues according to the guiding principles of the Treaty of Friendship, Cooperation and Good-Neighborly Relations between the People's Republic of China and the Islamic Republic of Pakistan signed in April 2005 and on the basis of the existing close cooperation.

China reaffirmed that its relationship with Pakistan was always a matter of highest priority in its foreign policy, and it would continue to strengthen this strategic partnership. China appreciated Pakistan's long-term, staunch support on issues concerning China's core interests. China would continue to extend its full support to Pakistan in the latter's efforts to uphold its independence, sovereignty and territorial integrity, while respecting the development path chosen by the people according to its national priority, and support Pakistan in maintaining social stability and economic development.

Pakistan reiterated that friendship with China was the cornerstone of its foreign policy, enjoying a national consensus. Pakistan appreciated the support and assistance of the Chinese government and people for Pakistan's sovereignty and socio-economic development.

Pakistan will continue to adhere to its one-China policy, oppose Taiwan and Tibet's independence and support China's efforts in combating the "Three Evils" of extremism, terrorism and separatism. We regard ETIM as our common threat and stand united in combating this menace.

The two sides believe that maintaining the tradition of frequent exchange of visits and meetings between their leadership, and fully leveraging arrangements such as annual meetings between their leaders, is of great importance in advancing bilateral relations. They also agreed to enhance the role of mechanisms such as Foreign Ministers' Dialogue, Strategic Dialogue and other consultative mechanisms between the relevant ministries and departments, so as to strengthen the strategic communication and coordination between the two countries.

Both sides reaffirmed that expanding bilateral economic relations was a matter of high priority. The two sides agreed that China is committed to realizing the Chinese dream of national rejuvenation by accelerating the transformation of the pattern of economic development and earnestly pursuing the strategy to develop its western region. Meanwhile, Pakistan is committed to reviving the national economy and realizing its "Asian Tiger dream". The development strategies of the two countries therefore coincide with each other.

Both sides decided to further strengthen the ties of pragmatic cooperation between them, with a view to translating their high-level political relationship into wider economic dividends. To this end, the two sides will strengthen cooperation in trade, investment, energy, agriculture, mining, food security, environment, finance and other fields.

The two sides agreed to fully implement the Additional Agreement to Extend the Five Year Development Programme on China – Pakistan Trade and Economic Cooperation and the China-Pakistan Free Trade Agreement; fast track work on the projects identified under the Five Year Development Program; hold the second phase of tax-reduction negotiations of China-Pakistan Free Trade Agreement on speedy basis; further liberalize trade, and advance economic integration between them.

Enhancing connectivity between China and Pakistan is of great importance to expanding economic and trade cooperation, promoting economic integration, and fostering economic development of the two countries.

To develop the Long-term Plan for China-Pakistan Economic Corridor, both sides agreed to set up the Joint Cooperation Committee on the Long-Term Plan for China-Pakistan Economic Corridor, with the National Development and Reform Commission of China and the Planning and Development Ministry of Pakistan as leading ministries, and secretariats established in both ministries. Ministerial officials of both countries held talks in Beijing recently. The Chinese side will dispatch a working group at an early date to Pakistan for further consultations.

Both sides agreed to start work on the Long-term Plan for China-Pakistan Economic Corridor on speedy basis. The plan will mainly include such areas of cooperation as connectivity construction, economic and technical cooperation, people-to-people and cultural exchanges, and exchanges between local governments and organizations.

Both sides agreed that they will focus on the following areas of cooperation in the near future under the framework of the Long-Term Plan for China-Pakistan Economic Corridor: start the China-Pakistan Cross-border Fiber Optic Cable project at an appropriate time, upgrade and realign the Karakoram Highway on fast-track basis, explore cooperation on solar energy and biomass energy, explore construction of industrial parks along the Pakistan-China Economic Corridor, launch at an early date inter-governmental consultations to implement the Digital Television Terrestrial Multimedia Broadcasting (DTMB) in Pakistan, coordinate the commercial operation of TD-LTE in Pakistan, and enhance cooperation in the wireless broadband area.

Both sides will support enterprises of the two countries in conducting cooperation on establishment of industrial zones in Gwadar.

The Chinese side agreed to support the efforts of the Government of Pakistan in addressing its urgent energy needs. The two sides agreed to hold the third meeting of the China-Pakistan Joint Energy Working Group at an early date and deepen cooperation in conventional energy, renewable energy and other sources of energy.

China stressed that it will continue to encourage and support Chinese enterprises' investment in Pakistan. The two sides agreed to speed up work on the China-Pakistan Agriculture Demonstration Zones.

Prime Minister Nawaz Sharif acknowledged that a great number of Chinese personnel working on various economic projects in Pakistan were contributing to Pakistan's economic development and were an asset both to Pakistan as well as the region. The Chinese side expressed its appreciation for the Pakistani side's efforts to safeguard the security of Chinese personnel and institutions in Pakistan, and create good environment for deepening pragmatic cooperation between the two countries.

The two sides agreed to jointly carry out economic and technical cooperation in agriculture, health, education and public transport and other projects that benefit the people.

The two sides agreed to deepen cooperation between their financial regulators and institutions, and support their financial institutions in setting-up representative offices, branches or subsidiaries, and carrying out business activities subject to relevant laws and regulations.

The two sides agreed to continue the implementation of the currency-swap agreement.

The two sides agreed to enhance exchanges between young entrepreneurs, which will strengthen communication on trade and investment cooperation.

The two sides believe that enlarging and deepening maritime cooperation between the two countries was of great importance. The two sides agreed to enhance bilateral cooperation in the fields of maritime security, search and rescue and disaster relief at sea, combating piracy, maritime scientific research, environmental protection, and blue economy.

Both sides renewed their commitment to implement the Agreement on Maritime Cooperation signed between the two countries during Premier Li Keqiang's visit to Pakistan in May 2013.

Both sides reiterated the desire to implement the 2012-2020 Space Cooperation Outline Between China National Space Administration and Pakistan Space and Upper Atmosphere Research Commission to further enhance bilateral exchanges and cooperation in this field. The two sides will take necessary measures to actively explore expanding air routes for passenger travel and cargo transportation, and increase the number of flights.

Both sides believe that infusing the narrative of Pakistan-China traditional friendship to coming generations would remain a priority. In this regard, both sides acknowledged the important role of parliamentary institutions and agreed on the need to further strengthen parliamentary exchanges. They will maintain the exchange of youth delegations, and strengthen cooperation in the training of young cadres. Both sides decided to celebrate 2015 as China-Pakistan Year of Friendly Exchanges in a befitting manner.

To promote cultural and social ties, the two sides agreed to encourage their cities/provinces to establish twinning relationships.

Recognizing the eternal and abiding significance of commonly held values, flowing from the rich cultural heritage of Pakistan and China, more Confucius Institutes will be established in Pakistan. Both sides will promote exchanges of scholars, academics and reinforce linkages in mass media.

The two sides believe that the exchanges and collaboration between the defense forces of China and Pakistan was an important pillar of their friendly relations. They highly commended the China-Pakistan Defense and Security Consultations Mechanism, and will maintain the momentum of high-level visits between the armed forces of the two countries, deepen cooperation in counter-terrorism personnel training, joint training, equipment and technology, and exchanges between military academies, and identify new areas for exchanges and cooperation. The two sides agreed to further enhance cooperation in defense technology and production.

China and Pakistan reaffirmed their commitment to promoting multilateral arms control, disarmament and non-proliferation measures. Both believe that global disarmament measures should not be discriminatory. They support universal and non-discriminatory prohibition and destruction of all nuclear weapons and reiterated their opposition to the weaponization of and an arms race in outer space.

The two sides support multilateral cooperation mechanisms in Asia, and take a positive view of each other's participation in regional and sub-regional cooperation processes.

The two sides recognize that holding identical views on many international and regional issues of mutual interest, they would enhance close communication, while extending mutual support and collaboration in various multilateral for a including the United Nations, the Asia-Europe Meeting, the ASEAN Regional Forum, the Shanghai Cooperation Organization and the Istanbul Process.

The two sides stressed that they will enhance communication and cooperation on important global issues such as climate change, food and energy security and UN reform. China and Pakistan are committed to strengthening the solidarity and cooperation between developing countries and safeguarding their common interests.

The two sides believe that the evolving situation in Afghanistan has great implications for the regional security and stability. They emphasized that inclusive political reconciliation is a key step towards unity, peace and stability in Afghanistan. The two sides reaffirmed their support for the "Afghan-owned and Afghan-led" peace and reconciliation process, and will work with the regional countries and the international community to help Afghanistan achieve peace, stability and security.

Prime Minister Nawaz Sharif expressed gratitude for the warm hospitality accorded to him and his delegation.

B. FOREIGN POLICY OF PAKISTAN**Prime Minister, Muhammad Nawaz Sharif's Address to the Nation**

My Dear Brothers, Sisters and respected Elders,
Aslam-u-Alaikum

While addressing you today, I am filled with the feelings of immense gratitude and indebtedness to Almighty Allah. I am thankful to you from the core of my heart for reposing your confidence in me and my party. To me your confidence means a great responsibility and a sacred trust. I assumed the office of the Prime Minister in June and I was eager to speak out my heart as soon as possible. I wanted to share with you my long cherished dreams and intentions about the prosperity and development of the country. But after taking over the office, I realized that the situation was far worse than what I expected it to be.

The gravity of the situation demanded that instead of making speeches, I must deeply analyze the wounds inflicted on Pakistan and explore the ways and means to heal them. Not a single moment has passed in the last two and a half months that I have not reflected on how to meet the present challenges. Not a single day has passed without brooding on how to eliminate the menace of terrorism, relieve the nation from load-shedding and other problems.

My Dear Brothers!

We should not close our eyes to the fact that presently Pakistan is facing very serious problems. On one hand the ever increasing terrorism has put the country at stake, on the other, the worst load-shedding has crippled our economy.

During the last 14 years, worst governance, widespread corruption, incompetence, nepotism and wrong policies have shattered the very foundations of the country.

Whether it is PIA, Pakistan Railways, Pakistan Steel, WAPDA or any other institution, all are at the verge of collapse and total disaster. There was a time when we used to be proud these institutions. Supporting the national exchequer in the past, these institutions are now causing a loss of Rs. 500 billion to the country, i.e. these institutions have eaten up Rs. 2500 billion of national wealth during the last 5 years. All this amount is the return of your sweat and toil. Had this money not been wasted, we could built a new PIA and Railways with it. A new motorway could have been constructed from Karachi to Lahore and more than 2 million houses could have been built. We could have provided clean drinking water to all the villages of the country. Similarly, we could have established prestigious universities and hospitals. Not only this, but we could do away with the power crisis forever.

Dear Countrymen!

By June 1999, that was till the end of our last government, Pakistan's total debt liability was only Rs. 3000 billion. Just imagine that this amount has increased to Rs.14,500 billion during the past 14 years. Now the tragedy is that we have to borrow additional amount to pay heavy installments of these loans. God forbid,

if we fail to repay, the country may become insolvent.

I do not want to dwell into details of the past corruption in this address; but I do want to give you at least two examples of the insensitiveness and plunder which are directly related to power generation and load-shedding. An electricity generation project was initiated with Chinese assistance in 2007 at Nandipur. Billions of rupees were spent on the installation and import of machinery for this project. This was the time that the nation was facing the worst load-shedding and people were desperate for every single unit of electricity.

But the greediness of few people blocked the way of this project. Machinery worth billions of rupees kept rusting at Karachi Port, so much so that the copper inside the cables was also stolen. In this way, a project of 425 MW was destroyed.

After taking over the office, we resumed work on this project without wasting anytime. But the project cost has escalated from Rs. 23 billion to Rs. 59 billion during the elapsed time.

Resultantly, this project will now not only cost an additional amount of Rs. 36 billion but also face a delay of 6 years in its completion.

The story of Neelum Jhelum project is also not much different. Initiated a number of years ago, this project of 970 MW was to be completed in 6 years time. But the way this project of national importance was subjected to ill-administration and inaptitude is a cause of sorrowful concern.

This project will now cost Rs.274 billion instead of Rs. 85 billion. I have given necessary directions for completion of this project by 2016. You will hardly believe that the feasibility of this project did not include plan for transmission of the electricity generated to the consumers. When I visited the project, the concerned staff had no answer to the question as to how the electricity generated by this project would be supplied. A project of 3 years is needed for laying transmission lines only. I have directed that this aspect should be included in the main project and necessary work be started immediately. You can imagine that had we not taken this step, electricity could not be supplied to household and industries even after completion of the generation facility, thereby leading to wastage of billions of rupees investment.

Dear Countrymen!

Now I would like to inform you on steps that we have taken to control load-shedding. You are well aware of the problem of circular debt, due to which the power plants were unable to produce electricity to their full capacity.

Despite miserable financial situation of the exchequer, we have paid Rs. 480 billion to these units. These payments have resulted in an increase of 1700 MW in electricity generation. One of the main reasons of load-shedding is pilferage of gas and electricity, which according to experts amount to Rs. 150 to 250 billion annually. This is an open plunder of national resources.

We have undertaken a full fledged anti-theft drive against the culprits, which is still going on with firm determination. Insha Allah, the government will deal with such persons strictly. The culture of loot is over now.

Ladies and Gentlemen!

I would like to share that after thorough hard work and labour, and with the consensus of all the provincial governments, we were able to formulate mutually agreed energy policy.

The approval of this policy is a milestone in our efforts to control electricity crisis. Alhamdulillah, the Federal and Provincial governments are united and in agreement over the solution for overcoming power crisis.

My dear Brothers and Sisters!

I do not want to keep you in dark about the fact that despite payment of circular debt, controlling theft and other administrative measures, we shall not be able to do away with electricity emergency. For this purpose, we have upgraded the sources of power generation. The problem is that this is not possible right away. It would take a minimum of 3-4 years to install a coal based power producing unit, while 8-10 years for a hydel unit. Considering these facts, we have to take some basic decisions without further wasting time.

I will, Insha Allah, soon give you the good news of inaugurating a 6600 MW project at Gaddani. Similarly, development work will commence on electricity projects at Thar.

I am confident that with accelerated pace of work power crisis will continue to wither away and we shall, Insha Allah be able to do away with load-shedding completely.

This was just a summary of what we have done on the electricity front during the past 9 weeks. Though partly, but there has been certainly a marked improvement in the situation because of these measures.

Very truly, by the grace of God Almighty, had me and my team not worked day and night on this front, the situation would have improved earlier.

Ladies and Gentlemen!

Terrorism, like load-shedding, is also the outcome of wrong policies and ulterior motives. It is a pity that so far more than 40 thousand nationals including Pak Army, Police, Law enforcing agencies and innocent civilians have perished. The relic of our Quaid at Ziarat was destroyed with bombs. Our schools and worship places are bathed with blood. The worst of all is that we do not find ourselves capable enough to restrict the culprits or even identify them, to spot their hideouts and take them to task. What does this all mean? Shall we call it incompetence or insensitiveness? Whatever we name it, Pakistan can not tolerate this anymore.

Time has come that we should be brave enough to call a spade a spade. We should admit that our administrative and security agencies and the system of our punishment and reward has failed to come up to our expectation against the challenge of terrorism. Had this been not the case, today there would have been no bloodshed, bomb-blasts and fires in the country.

The nation has the genuine right to ask as to why tangible and meaningful steps were not taken in the past to stop the widespread killings in the country?

Who is not cognizant of the fact that the terrorists easily escape to this hideouts after playing with innocent lives on busy streets.

Even if some terrorists are held, those who hold them are overtaken by horror. Professional expertise, personal interest and devotion are not employed in the process of investigation even after apprehending the culprits. And when the cases go to the courts of law, the judiciary often seem to avoid hearing of such cases. The witnesses are also confronted with the same situation and appear terrified with fear. On the other hand, jails are broken and the terrorist succeed in fleeing away their companions.

I sincerely invited the political parties, after elections, to cooperate with the government in addressing the problems the country is facing. This offer of mutual consultation and reconciliation is not limited to political parties only. I am going even a step further to hold dialogue with those who have unfortunately adopted extremism. We have more than one option to deal with terrorists; but wisdom and mind-set demand such a way out as to avoid further loss of innocent lives.

Being the Prime Minister, every Pakistani is my kith and kin. I can not shoulder the funerals of my sons every day. Like every Pakistani, I want an early end to this bloodshed, whether it is through the process of dialogue or heavy use of the state force. All the institutions of the country are unanimously united on this national issue.

Dear Brothers and Sisters!

I am fully aware that the security threats and other national problems are related to our foreign policy in one or the other. We have to seriously consider, that so far what are our gains and losses due to foreign policy.

Undoubtedly, our foreign policy demands a brave revision without which we can not spend our national resources on the wellbeing and prosperity of the people and we could not become Asian Tigers. We must have become Asian Tigers if our momentum progress and development had not been stopped in 1999. Our economy was on the top in the region. Our currency was no. one in the region. We shall take time to be on the same track again, but I assure you that we will certainly achieve our goals.

Kashmir is the lifeline of Pakistan and is our national issue, and its solution is dear to me as it is to every Pakistani. We have to keep this fact always in mind that without making Pakistan economically strong, we can not achieve any of our targets.

In order to relieve the people of India and Pakistan from poverty and illiteracy, it is incumbent on the leadership of both the countries to sit together and ponder over these issues.

Wars in the past have pushed us back. The world history has proved that development and prosperity lie in the peaceful and friendly relations among neighbouring countries.

For this reason, we want to maintain friendly relations with India. I have always given high priority to good relations with India for the sake of

durable peace in the region and the nation has endorsed this standpoint during the recent elections. Both the countries should now realize that we should spend our energies to alleviate poverty, ignorance and diseases instead of fruitless wars. I also want to make it clear that the Pakistani nation is always ready to defend its mother land shoulder to shoulder with the Pak. Army.

We have to re-prioritize our policy with respect to Afghanistan. We have to devise such a strategy as to introduce Pakistan in the world with a bright new face.

I have very clearly expressed my viewpoint that the Drone attacks are an open violation of Pakistan's national sovereignty and independence. The attacks are also against international law and humanitarian principles. I also took up this issue with the US Secretary of State John Kerry and stated to him regarding immediate halting of Drone Attacks. The United Nations Secretary General also condemned the killing of innocent civilians in these attacks and unequivocally declared them as violative of international laws.

I have informed the American government about the gravity and importance of these attacks. I am ever confident that the independence and sovereignty of the Pakistan will be dully respected.

The present situation in Balochistan is matter of grave concern for every Pakistani. Whoever the ruthless killers may be, it is clear that the victims of their brutality are innocent Pakistanis. I can not reconcile with the idea as to how Balochistan was dragged into such a situation? How is it possible that Balochistan was burning with bloodshed and we were its mere witness? The soil of Balochistan demands answers to these questions. I want to tell you that the era of insensitiveness and indifference is now over. Gone are the days when Balochistan was ignored.

I want to make it clear at this moment that the Federal Government will provide all necessary resources and assistance to the elected political government of Balochistan to control the ongoing bloodshed and accelerate the pace of development work in the province. I must tell you that PML-N could easily form its government in Balochistan but we preferred not to do so. By doing so we did not do any favour to anyone. Balochistan and Pakistan are very dear to Nawaz Sharif. Governments come and go, the existence of the state is more important than the government. Though the C.M & Governor Balochisan are from other political parties but I own them and believe that they are our allies.

The present situation in Karachi is also a matter of concern for every Pakistani. I am sure that the provincial government will take meaningful steps to control lawlessness and killings on permanent footings. Pakistan's largest city and the hub of economic activity cannot be left at the mercy of criminals. Karachi was a city of peace and tranquility and this identity should be restored at all cost. The Federal government is ever ready to extend all possible help to the provincial government in this regard.

I consider the government of PPP in Sindh as my own government. I would be the happiest person when C.M. and Governor Sindh and I myself perform the ground breaking of underground metro train in Karachi.

The bright future of Pakistan and the prosperity of its people is not possible without strong and stable economy. As I have already mentioned that without putting an end to power crisis and terrorism, Pakistan can not progress.

For this purpose, an increase in domestic and foreign investment is a pre-requisite. After assuming the office, this was the purpose of my immediate visit to China. Apart from agreements in Power Sector various other agreements were also signed with Chinese leadership. The most important agreement among them is the construction of highway from Kashgar to Gawadar. A railway track will also be constructed alongside the highway in future. New industrial and economic zones will be constructed along this highway and it will usher Pakistan into a new era of progress and prosperity and will prove to be a game changer.

We also signed an agreement to construct Lahore-Karachi Motorway with Chinese. We shall be proud to have a motorway connecting the entire country from Karachi to Peshawar. I look forward and hope that this motorway connects Kabul, Central Asia and the entire SAARC countries with each other.

I assure you that the Kashgar-Gwadar economic Corridor will not only be beneficial to Pakistan but will bring a revolutionary change in the destinies of the people of the whole region.

Ladies and Gentlemen!

I want to clearly state that I am not satisfied with the performance of the administrative machinery. Whether it is the power crisis or any other area of national life, Pakistan can no more bear the menace of corruption and incompetence. I consider sluggishness as a cancer. Now only those officers will command respect who consider serving humanity and provision of justice to people as part of their belief in Allah. The administrative machinery in Pakistan will now have no room for lethargic and corrupt workers. I can not build a great Pakistan with this rusted machinery.

My Dear Countrymen!

I have openly disclosed my heart to you. We are one nation and one family. You know that when a calamity befalls on a family, all the members face it collectively. Today, Pakistan is passing through very difficult times. To face these difficult challenges, we have to take difficult decisions for the wellbeing and prosperity of the country. I assure you that my government will not play politics on the issues of power crisis and terrorism.

We have to take effective measures to save the national institutions from incurring losses worth billions of rupees. I am well aware of the obstacles ahead. But now every single penny of national exchequer will be spent as a sacred deposit. Insha Allah, our firm determination will never wither away. I will always need your cooperation to deal with the difficult challenges. It is not possible to stop the advancing flood of terrorism without your active support. Obviously we have to lay sacrifices and bear losses in this endeavor. I assure you that my government will not do any politics on economic policies, terrorism and energy issues.

My Dear Youth of the Country!

Today I especially want to address you as you are the precious asset of Pakistan. I will never forget the spirit that you demonstrated during the recent elections and the love that you expressed for me. I wish to provide full opportunities to the Pakistani youth to play its effective role in the development of the country. We have decided to adopt such strategies as to enable you to stand on your own feet and make your own living. I will Insha Allah, very soon announce the details of the programme devised for our youth. We have to relieve our people from the vicious circle of poverty and backwardness. I want the youth to play their active role in rebuilding the nation. I can see the vigour and energy in our youth to do so.

I want that more than one person should be an earning hand in every family of Pakistan.

I want to give you another good news at this occasion. We have prepared a scheme of low cost houses for the low income families. To provide a safe living abode to his family is the cherished dream of every individual. We have decided to make this dream a reality for every body. I gladly announce that during the next 5 years the low income and homeless people in all provinces of Pakistan would possess a house of their own equipped with all modern facilities. Insha Allah, I will announce the details of this scheme in October this year.

I want to state that our endeavours are not limited to curbing terrorism and eliminating load-shedding only, but I and my team are actively busy in working out ways and means to get rid of all other existing problems. These endeavours also include matters relating to minorities and woman empowerment.

I am also concerned about health, education, clean drinking water issues and other matters of daily life.

Although many of these issues fall under the purview of provincial governments, yet I will keep you informed about planning and progress on these issues. I would also need your suggestions and proposals in this respect.

I want to especially mention the flood affected countrymen. The Federal government is ever ready to extend all possible help to the affected people. The provincial governments are expected that they will leave no stone unturned in taking care of the accommodation, food, medical assistance and fulfilling other needs the affected population. I appeal to the whole nation to come forward and help their brethren adhering to the great Islamic and national traditions. We need to demonstrate national spirit and harmony in this hour of distress.

Dear Brothers and Sisters!

I spoke to you from the core of my heart. In the end, I want to stress that by mere dreaming we can not grow flowers in the desert. By mere wishing we can not achieve anything. The ways to prosperity and development are filled with thorns and need sacrifices. I am confident in my heart that despite immense difficulties and problems, we can build the Pakistan of our dreams. We have to

be resolute for this purpose. We have to overcome our shortcomings and weaknesses and lay sacrifices for our promising future.

The problems are not larger than our spirit and our faith in Allah. There are no doubt difficulties but not greater than our determination.

Our destination is far but we have the necessary resources to reach there. I have full confidence in our faith, your spirit and above all the help from Almighty Allah. I have the intuition that Pakistan of Allama Iqbal and Quaid-e-Azam Mohammad Ali Jinnah is entering a new era of prosperity. I can see the clouds of backwardness clearing away and an era of prosperity is about to dawn. I can feel that the sacrifices of our innocent people are bearing fruit.

Let us face the difficulties and move forward. We are under the shade of the blessing of Holy Prophet and the mercy of Allah. Insha Allah, every new day will dawn with a new hope and prosperity for us.

May Allah be our saviour. Ameen. Pakistan Zindabad

19 August 2013. *Source: www.mofa.gov.pk*

C. SOUTH AFRICA

1. **Message of Condolence from the President of the Islamic Republic of Pakistan to the President of the Republic of South Africa on the sad demise of Mr. Nelson Mandela, former President of South Africa**

Excellency,

I have received with heavy heart the news of the sad demise of a great leader and father of South Africa Mr. Nelson Rolihlahla Mandela. On behalf of the Government, people of the Islamic Republic of Pakistan and on my own behalf, I would like to convey our sincere condolences to the government, the family and the people of the Republic of South Africa on the passing away of the iconic figure.

Mr. Nelson Mandela was a staunch believer in human dignity, peace and democracy throughout his life. The people of Pakistan join the people of South Africa in their moment of sorrow. Mr. Mandela will long be remembered for his struggle against injustice, cruelty, discrimination and giving new hope to the oppressed world over.

Pakistan had been at the forefront of the international efforts to dismantle the apartheid. The people of Pakistan are proud to walk the last mile of democracy in South Africa. Nelson Mandela appreciated Pakistan's support and twice visited Islamabad, first in 1992 and then in May in 1999.

May his soul rest in eternal peace and May God give the members of the bereaved family and the people of South Africa courage and fortitude to bear this irreparable loss and the ability to continue to follow the path of Nelson Mandela.

Please accept, Excellency, the assurances of my highest consideration.

(Mamnoon Hussain)
President of the
Islamic Republic of Pakistan

H.E. Mr. Jacob ZUMA
President of the Republic of South Africa
Pretoria

Islamabad, 06 December 2013.

2. Message of Condolence from the Prime Minister of the Islamic Republic of Pakistan to the President of the Republic of South Africa on the sad demise of Mr. Nelson Mandela, former President of South Africa

Excellency,

I have received the shocking news of the demise of Mr. Nelson Rolihlaha Mandela with the deepest sorrow. I had the honour and privilege of hosting him in Islamabad in 1999. Mr. Nelson Mandela's personality has left a deep imprint on my heart.

On behalf of the Government and people of the Islamic Republic of Pakistan and on my own behalf, I extend to Your Excellency, the government, the family and the people of the Republic of South Africa, our heartfelt condolences.

The demise of Mr. Nelson Mandela has not only deprived South Africa of a great leader but the whole world. He has been a beacon of hope for the oppressed people the world over. Mr. Nelson Mandela will continue to live forever in the hearts and minds of the people of Pakistan who were deeply touched by his affection that he had shown during his two visits to Islamabad.

Pakistan had been at the forefront of the international efforts to dismantle the apartheid. The people of Pakistan are proud to walk the last mile of democracy in South Africa. Nelson Mandela appreciated Pakistan's support and twice visited Islamabad, first in 1992 and then in May in 1999. During his second visit Mr. Mandela had addressed the joint sitting of the Parliament in which he had stated "our nations are joined, not only by cultural and religious bonds, but also by common experiences and challenges, we have both struggled and sacrificed for the ideals of freedom and learned how valuable democracy is". Pakistan will always remember these golden words of Nelson Mandela.

May his soul rest in eternal peace. May God bless the members of the bereaved family as well as the people of South Africa with the courage and fortitude to bear this irreparable loss and the ability to continue to follow his footsteps to make this world a better place for everyone.

Please accept, Excellency, the assurances of my highest consideration.

(Muhammad Nawaz Sharif)
Prime Minister of the

Islamic Republic of Pakistan

H.E. Mr. Jacob ZUMA
President of the Republic of South Africa
Pretoria

Islamabad, 6 December 2013. *Source: www.mofa.gov.pk*

D. THAILAND

1. **Pakistan and Thailand Joint Statement issued at the conclusion of the visit of Prime Minister of Thailand**

1. Her Excellency Ms. Yingluck Shinawatra, Prime Minister of the Kingdom of Thailand, paid an official visit to Pakistan from 20 to 21 August 2013 at the invitation of His Excellency Mr. Muhammad Nawaz Sharif, Prime Minister of the Islamic Republic of Pakistan. During her visit, she was accompanied by Ministers and senior officials of the Government of Thailand, as well as a group of leading Thai business delegates.
2. The official talks between the two Prime Ministers were held on 20 August in a cordial, friendly and warm atmosphere, reflecting excellent bilateral ties that exist between the two countries. The Prime Minister of Thailand also called on His Excellency Mr. Asif Ali Zardari, President of Pakistan. Prime Minister Nawaz Sharif hosted a banquet in honour of Prime Minister Yingluck and her party.
3. The Prime Minister of Pakistan underscored the significance of smooth democratic transition in Pakistan as a landmark development that would lead to economic stability, political coherence and social transformation.
4. The two Prime Ministers discussed a vast array of issues of mutual interest at the bilateral, regional and international level. They noted with satisfaction the significant progress made in recent years in expansion of bilateral political, trade, economic, investment, security, defence, education, cultural and consular relations. They agreed that while substantial progress has been made, there existed a huge potential for further enhancement of mutually beneficial cooperation in diverse fields. They also noted that Pakistan's "Vision East Asia" and Thailand's "Look West" policies complement each other well.

Political Relations

5. The two Prime Ministers highlighted that Pakistan and Thailand were connected by a common cultural linkage through Gandhara civilisation that flourished in the city of Taxila in Pakistan. They noted with satisfaction that last year both countries celebrated the 60th anniversary of diplomatic relations in a befitting manner. In this context, the issuance of joint commemorative postal stamp and the replica of 'Fasting Buddha' presented by the Government of Pakistan as a gift to the Government of Thailand

were deeply appreciated. They also agreed to deepen political engagement through regular exchanges at the leadership level with a view to fostering continued development of a multifaceted relationship.

6. The two Prime Ministers expressed satisfaction with high level exchanges between the two countries in recent years. In 2012, Her Royal Highness Princess Maha Chakri Sirindhorn paid an official visit to Pakistan in connection with celebration for the 60th anniversary of Diplomatic Relations. The Royal visit also coincided with the 50th anniversary of the state visit of Their Majesties King Bhumibol Adulyadej and Queen Sirikit in March 1962. The Deputy Prime Minister and Foreign Minister of Thailand as well as the President of the Thai Senate visited Pakistan in January and April, 2013, respectively. Meanwhile, the Chief of Air Staff of Pakistan and the Minister for Planning and Development of Pakistan visited Thailand in June 2013. These visits contributed to deeper collaboration in political, parliamentary and defence fields.

Economic, Trade and Investment Cooperation

7. The two Prime Ministers underlined that expansion of bilateral trade and economic relations remained a high priority. They took note of the fact that bilateral trade had grown and crossed the USD 1 billion mark in 2011. They expressed their resolve to maintain and further enhance this increase. The two leaders agreed to double the volume of bilateral trade within five years and stressed the need to make it more balanced through appropriate measures to encourage more exports from Pakistan to Thailand. This may include diversification of trade between the two countries to include trade of other products and services such as processed food and food products, especially Halal products.
8. Both leaders welcomed the signing of the Memoranda of Understanding (MoUs) on the establishment of the Joint Trade Committee (JTC) and the Joint Business Council (JBC). The instruments are aimed at strengthening and expanding trade, commercial and investment ties, contributing to a strong economic partnership that both countries wish to build.
9. The two Prime Ministers reiterated that a Pakistan-Thailand Free Trade Agreement (FTA) would form the centre-piece of economic partnership between the two countries. In this context, they agreed to discuss on the possibility of bilateral FTA under the Joint Trade Committee.
10. The two leaders welcomed the initiation of the investment project in Pakistan by Thailand's Charoen Pokphand (CP) Group and were of the view that such ventures would help promote mutual investments. They also agreed to expedite the consideration and conclusion of a draft model agreement for investment promotion and protection.
11. Both Prime Ministers also agreed to enhance connectivity by land, sea and air in order to facilitate trade, investment and people-to-people contacts. They agreed connectivity would be beneficial to both countries as Thailand can be a gateway for Pakistan to South East Asia, while Pakistan can be a

gateway for Thailand to Central Asia, and the Middle East and the western region of China.

Cooperation in Science and Technology

12. The two Prime Ministers recognized the importance of cooperation in Science and Technology and agreed to hold the 2nd Meeting of the Joint Committee established under the MoU for Scientific and Technological Cooperation, in Islamabad before the end of this year.

Technical Cooperation

13. Both leaders value the importance of technical cooperation as a mechanism to strengthen bilateral relations. Thailand agreed to share its experiences with Pakistan by exchanging experts and offering training in sectors of mutual interests such as; gem stones cutting, tourism, and agriculture under the Technical Cooperation among Developing Countries (TCDC) framework.

Cultural and People-to-People contacts

14. Both Prime Ministers agreed to deepen their historical and cultural ties that go back more than two thousand years when the Buddhist civilisation in South Asia reached its pinnacle in the Gandhara period with Taxila as its centre. They agreed to continue cultural cooperation under the Cultural Exchange Programme signed in 2005. Pakistan will work with Thailand in planning a possible Gandhara Exhibition in Bangkok. Thailand will encourage tourism to Taxila and other Buddhist sites in Pakistan.
15. The two Prime Ministers reaffirmed that people-to-people contacts were one of the most important aspects of their relations. As Thailand is the medical hub in the region, the Thai Prime Minister encouraged Pakistanis to receive medical services in Thai private hospitals. They also expressed satisfaction with the growing number of Pakistani tourists travelling to Thailand in recent years, with a 28 percent increase in 2013. They noted that increasing number of flight frequency between the two countries would further enhance tourism and people-to-people contacts in the future.
16. Both leaders recognised that mutual exchange of visits between parliamentarians, academicians, intellectuals, artists, media persons, researchers and scientists would yield notable results in upgrading people-to-people contacts.
17. The two leaders expressed satisfaction with the increasing numbers of Thai students studying in Pakistan and Pakistani students studying at the Asian Institute of Technology (AIT) and other institutions of higher learning in Thailand. They welcomed the opening of the “Pakistan Corner” at Thammasat University in Bangkok in June 2013.

Consular and Visa Matters

18. The two Prime Ministers welcomed the signing of the Agreement on

Mutual Exemption of Visa Requirements for Diplomatic Passports and agreed to discuss the scope of expansion by including official passport holders as well as taking further steps towards visa facilitation for businessmen and tourists.

Mutual support during natural disasters

19. The two leaders noted that both nations stood by each other in the wake of natural disasters and extended support and solidarity when massive floods hit Pakistan and Thailand in 2010 and 2011, respectively. They agreed to learn from each other on disaster preparedness and management and to make this a regular part of the bilateral interaction. They also encouraged both countries to support and utilise the existing regional frameworks and institutions in the areas of disaster risk reduction such as ESCAP Multi-Donor Trust Fund for Tsunami, Disaster and Climate Preparedness in the Indian Ocean and Southeast Asian Countries and Asian Disaster Preparedness Center (ADPC). The Thai side will host the 6th Asian Ministerial Conference on Disaster Risk Reduction in June 2014 and invited Pakistan side to attend the Conference.

Security and Defence

20. Both leaders acknowledged the need to enhance security collaboration by encouraging more cooperation on combating terrorism, transnational crimes including drug trafficking and human smuggling through exchange of information and intelligence. They agreed to hold the next meeting under the MoU on Combating Terrorism and Certain Other Crimes in Bangkok at both sides' earliest convenience.
21. The two leaders noted the increased interaction at the leadership level between the armed forces as part of expanding bilateral defence cooperation. They agreed to give full boost through; promotion of high level exchanges between the three services; cooperation in military training and exercises and academic linkages and collaboration in defence industry.

Cooperation at the Regional / Multilateral for a

22. The two sides noted that Pakistan and Thailand had convergent views on vast range of regional and international issues of common interest and had collaborated closely in relevant fora. They affirmed their commitment to enhance and deepen cooperation at the regional and multilateral frameworks such as Association of Southeast Asian Nations (ASEAN), ASEAN Regional Forum (ARF), Asia Cooperation Dialogue (ACD), Asia-Europe Meeting (ASEM) and Organization of Islamic Cooperation (OIC).
23. The Prime Minister of Pakistan thanked the Prime Minister of Thailand for Thailand's consistent support for Pakistan's enhanced partnership with ASEAN. It was underscored by the Pakistan side that the full dialogue partnership would be of mutual benefit and also promote Pakistan-ASEAN ties in all areas of cooperation.

24. The Thai Prime Minister expressed satisfaction for Pakistan's understanding and support for Thailand's position in the OIC. The Pakistan Prime Minister welcomed positive developments in the Southern Border Provinces of Thailand and expressed full support to the Government of Thailand in its endeavors to peacefully resolve the situation there.
25. The two leaders reaffirmed their mutual support for each other's candidatures in the UN Human Rights Council.
26. The following agreements were signed during the visit:
 - (i) Agreement on Mutual Exemption of Visa Requirements for Holders of Diplomatic Passports;
 - (ii) MoU on the Establishment of Joint Trade Committee;
 - (iii) MoU on the Establishment of Joint Business Council.
27. The Prime Minister of Thailand extended an invitation to the Prime Minister of Pakistan to visit Thailand at a mutually convenient time.
28. The Prime Minister of Thailand expressed her gratitude to Prime Minister, the government and the people of Pakistan for the warm and gracious hospitality extended during the visit.

Islamabad, 21 August 2013. *Source: www.mofa.gov.pk*

E. TURKEY

Joint Statement issued after Prime Minister of the Republic of Turkey, H.E Recep Tayyip Erdogan's visit to Pakistan

1. His Excellency Recep Tayyip Erdogan, Prime Minister of the Republic of Turkey paid an official visit to Pakistan from 23-24 December, 2013, at the invitation of Prime Minister Muhammad Nawaz Sharif. He was accompanied by a high level delegation including Minister of Economy and the Minister of Transport, Maritime Affairs and Communication. A large number of prominent entrepreneurs and industrialists from leading Turkish companies in the sectors of energy, construction, urban development and municipal services, public transport etc. accompanied Prime Minister Erdogan for participation in the Business Forum.
2. On the first leg of his tour, Prime Minister Erdogan visited Lahore where he addressed a well-attended Business Forum. Leading business community from Turkey and all across Pakistan participated in the Forum. The same evening, Prime Minister Muhammad Nawaz Sharif hosted a reception for the visiting Prime Minister and his delegation.
3. In Islamabad, Prime Minister Erdogan called on President Mamnoon Hussain. Prime Minister Erdogan held tete-a-tete with Prime Minister Muhammad Nawaz Sharif. The exclusive talks were followed by in-depth delegation level talks.
4. Pakistan and Turkey enjoy unique relations which are unparalleled in the world. Our bilateral ties are characterized by time-tested bonds of affinity,

mutual respect and solidarity and draw their strength from shared love of our two peoples.

5. The two Prime Ministers exchanged views across the whole gamut of bilateral, regional and international issues in a warm and friendly manner. During talks, both the Prime Ministers;
Expressed their satisfaction at the progress in our strategic partnership;
Reiterated their resolve to comprehensively upgrade bilateral relations across all areas of mutual interest, especially economic and commercial;
Emphasised their firm belief in the strength of democracy and expressed determination to cooperate to achieve democratic ideals to the benefit of the brotherly people of the two countries;
Reaffirmed their abiding commitment for the socio-economic development of the people and to follow policies that bring qualitative improvement in the quality of life of people and prosperity to their respective countries;
Condemned terrorism and *renewed* their resolve to increase bilateral cooperation against terrorism and organized crime; and
Expressed their desire to enhance cooperation in social sectors especially culture, education and tourism. Improved cooperation in social sector fields will also serve as a vehicle for greater people to people relations between the two countries.
6. During the visit, three MoUs and one Cooperation Protocol were signed between Pakistan and Turkey.
7. During the visit, it was also agreed to;
Maintain active political consultative process as well as regular exchange of high level visits alongside visits of parliamentarians, businessmen, civil society and media representatives;
Follow up implementation of decisions taken at the High Level Strategic Cooperation Council Forum;
Conclude Pakistan-Turkey Preferential Trade Agreement (PTA) by the first half of 2014;
Facilitate investments by the private sector in both countries. Pakistan would especially encourage Turkish private sector for investments in the key sectors of energy, especially coal, hydroelectric and wind, infrastructure including motorways, roads and airports, low-cost housing and urban development & municipal services like public transport and solid waste management;
Encourage their respective state and private banks to open branches in Pakistan and Turkey;
Ensure regular operations of Istanbul-Islamabad Container train for enhanced on-land connectivity between Pakistan and Turkey;
Further strengthen our existing cooperation and partnership in security and counter-terrorism related issues;
Further deepen our defence cooperation through exploring the possibility of joint defence production and allied Research and Development;

Learn from each other's best practices in skill development and vocational training programs;

Enhance cooperation between educational institutions of the two countries. The two countries agreed to increase the number of scholarships to students to pursue undergraduate, graduate and post graduate level studies in both countries in the fields of engineering, technology, medicine and management sciences;

Promote cooperation in the field of tourism and preservation and restoration of historical and archaeological sites; and

Closely coordinate and consult each other bilaterally as well as multilaterally to promote regional peace and security.

8. Prime Minister Recep Tayyip Erdogan invited Prime Minister Muhammad Nawaz Sharif to visit Turkey which the latter graciously accepted.

Islamabad, 24 December 2013. *Source: www.mofa.gov.pk*

F. UNITED NATIONS

Transcript of the Prime Minister Muhammad Nawaz Sharif's Address at the General Debate of the Sixty-eighth Session of the UN General Assembly

(As Delivered)

Mr. President,

I stand here today before this Assembly, soon after my country has seen a new dawn.

I come before this house in all humility, as the elected Prime Minister of Pakistan, for the third time. I feel exonerated, as my supporters and I stood firm in our struggle and resolve for democracy.

I am happy to inform the distinguished delegates that we now have a strong Parliament, an independent judiciary, a free media and a vibrant civil society.

But there is no room for complacency. We cannot lower our guard. Democracy needs constant vigilance and strong institutions. It needs careful nurturing. More importantly, it is not promises, but good governance that sustains democracy.

My Government has put people at the centre. We will work to give them peace and security, an environment of growth and development. I am pursuing an inclusive approach for the entire nation.

Mr. President,

Pakistan is an ardent supporter of the United Nations, which is an anchor of peace and a beacon of hope for all nations.

The United Nations' universal character provides a forum to discuss, evolve and implement global responses to pressing problems of our times.

Pakistan upholds international law and promotes international consensus.

The security of our world is assured and reinforced by friendly relations between nations and respect for sovereignty and territorial integrity of states.

The United Nations needs reform. But it should be a reform that reflects the interests of all; not the ambitions of a few.

We believe that the Security Council's composition should be made more representative, democratic and equitable; and its work more effective, transparent and accountable. The intended reforms must however plan for a dynamic future, not entrench or replicate outdated historical patterns, based on privileges.

The role and authority of the General Assembly must be fully restored and revitalized. In the past few years, the General Assembly has regained influence in responding to challenges in regard to peace and security, development and climate change. It is becoming a platform of choice. Yet, it has to go a long way to acquire its full authority.

Mr. President,

To save the world from the scourge of war, we have to continue to strive for a fair and just international order, based on rule of law. Festering disputes must be resolved. In this regard, the United Nations has to play a critical role.

The United Nations must continue to remain attentive to the issue of Jammu and Kashmir and the full realization of the right to self-determination of its people. The suffering of the people cannot be brushed under the carpet, because of power politics.

As in the past, Pakistan calls upon the international community to give an opportunity to the Kashmiris to decide their future peacefully, in accordance with the United Nations Security Council resolutions. The issue of Jammu and Kashmir was presented to the Security Council in January 1948; and yet the issue remains unresolved after nearly seven decades.

I have an aspiration for regional peace and stability. I have shared this vision with leaders in our neighborhood. Shortly after assuming office, I received a message of goodwill from the Prime Minister of India, Dr. Manmohan Singh. I extended an invitation to him to engage with us to address all outstanding issues between our two countries and Prime Minister Singh's response was positive.

Our two countries have wasted massive resources in an arms race. We could have used those resources for the economic well-being of our people. We still have that opportunity. Pakistan and India can prosper together; and the entire region would benefit from our cooperation.

We stand ready to re-engage with India in a substantive and purposeful dialogue.

I am looking forward to meeting Prime Minister Manmohan Singh here in New York to make a new beginning. We have a solid basis to do that. We can

build on the Lahore Accord signed in 1999, which contained a road map for the resolution of our differences through peaceful negotiations. I am committed to working for a peaceful and economically prosperous region. This is what our people want and this is what I have long aspired for.

Mr. President

It gave me great pleasure to welcome President Karzai in Islamabad last month. We reaffirmed our shared goal of a peaceful, stable and united Afghanistan.

The people of Afghanistan are and should remain masters of their own destiny. We support an inclusive, Afghan-led and Afghan-owned peace process, leading to national reconciliation.

I assured President Karzai that we do not wish to interfere in Afghanistan's internal affairs; nor do we have any favorites in that country. In fact, we have an earnest hope that the Afghans themselves will unite for peace, prosperity and development of their great country.

Pakistan encourages United Nations' efforts for the stabilization of Afghanistan. We will work together with Afghanistan for regional and economic cooperation that would establish and reinforce regional trade, energy and communication corridors.

A manifestation of our solidarity with the Afghan people has been our willingness to host millions of Afghan refugees in Pakistan for many decades. International support for their repatriation as well as reintegration in Afghanistan is indispensable.

We also look forward to UN support in addressing other trans-regional challenges, including the flow of narcotics.

Mr. President,

Last year, Palestine was given the status of non-member observer state by this Assembly. We hope that soon Palestine will join this body as a full member state. We are glad that the stalled peace process has started again. It should lead to the consolidation of an independent, viable and contiguous state of Palestine, based on the pre-1967 borders, with Al Quds Al Sharif as its capital. Pakistan will continue to demonstrate its solidarity with the people of Palestine.

Mr. President,

Even as we meet here, Syria is in turmoil, with Syrians killing Syrians. We appeal to the Syrian Government and opposition groups to move to the negotiating table in Geneva to prepare a road map for national reconciliation and the necessary political transitions. More war will lead to more killings that need to be stopped.

As party to the Chemical Weapons Convention, Pakistan remains opposed to the use of chemical weapons. We condemn its use in the strongest terms.

We welcome the agreement reached between the United States and Russia and supported by the other permanent members of the Security Council

to secure and destroy chemical weapons in Syria. This crucial step has facilitated consensus within the Council to adopt a resolution which will not only address the issue of chemical weapons but start the stalled political process in Syria that would lead to national reconciliation and solutions that are acceptable to the people of Syria. Pakistan will support that resolution. Acceptance of the Geneva – I document and a decision on the dates for the convening of the Geneva – II documents will be a big step in ending the crisis in Syria. I call on all forces to invest their political will and capital in diplomacy to bring peace to Syria.

Mr. President,

As a responsible nuclear weapon state, we will continue to pursue the goals of disarmament and non-proliferation and adhere to the policy of Credible Minimum Deterrence, without entering into any arms race. We would not, however, remain oblivious to the evolving security dynamics in South Asia, nor would we agree to arrangement that is detrimental to our security and strategic interests. Our position on the proposed Fissile Material Treaty is determined by our national security interests and the objective of strategic stability in South Asia.

Safe, secure and peaceful use of nuclear energy, without discrimination, is essential for economic development. Pakistan qualifies for full access to civil nuclear technology for peaceful purposes, to meet its growing energy needs, for continued economic growth.

By the same token, as a mainstream partner in the global non-proliferation regime, Pakistan has impeccable credentials to join the multilateral export control regime, including the Nuclear Suppliers Group.

Pakistan will continue to participate constructively in the Nuclear Security Summit (NSS), which is a laudable initiative.

Mr. President,

As a country that has suffered grievously for the past many years, we condemn terrorism, in all its forms and manifestations.

In the past twelve years, we have given huge sacrifices, in blood and resources. We have lost 40,000 precious lives of men, women and children, which include 8,000 defense and security personnel. There have been colossal damages to social and physical infrastructure as well. Our economy has been denied the opportunity to grow fully.

This must change now. I have tried to forge national consensus on a cohesive policy to eliminate terrorism from our soil. For that purpose, I convened an all Parties Conference, which spoke unanimously against terrorism.

We are resolved to oppose the forces of terrorism, by all means at our disposal. At the same time, we have offered dialogue to end violence, wean young extremists off extremism, and integrate all segments of our society into the national mainstream.

Winning hearts and minds, of the youth, is as important as using guns to deter terrorism. But dialogue should not be seen as a sign of weakness or a tool of appeasement.

Mr. President,

The war against terrorism must be waged within the framework of international law. The use of armed drones in the border areas of Pakistan is a continued violation of our territorial integrity. It results in casualties of innocent civilians and is detrimental to our resolve and efforts to eliminate extremism and terrorism from Pakistan. I have urged the United States of America to cease these strikes, so that we could avert further casualties and suffering.

Mr. President,

Terrorism knows no borders. It has no religion or creed, which is why maligning a whole people or a religion on this account, is unfair and unwise.

Islam is a religion of peace, compassion and brotherhood.

And yet most insidious form of contemporary racism in the name of religion is on the rise. Peaceful Muslim communities are profiled and subjected to discriminatory practices. Their faith, culture, Holy personalities and scriptures are under attack.

Stereotyping of Muslims as extremists and terrorists must stop. We must all use the influence and reach of the United Nations to avert a clash of civilizations and promote harmony among followers of diverse religions, all around the world.

Terrorism negates Islam's humanistic outlook and noble values. Those who perpetrate terrorism are enemies of Muslims and Islam itself.

Mr. President,

Pakistan is the largest troop contributor to UN peacekeeping. Since 1960, we have contributed 150,000 troops. One hundred and thirty five of our peacekeepers have lost their lives in service of peace. This is our most tangible assistance to the United Nations efforts to maintain international peace and security.

We fully support the United Nations' effort to finalize and implement a single, coherent post-2015 Development Agenda that identifies benchmarks for poverty alleviation, sustainable development and social inclusion. More importantly, we should prepare ourselves to respond effectively to save our planet from the ravages of climate change.

Mr. President,

Our Government has undertaken an economic revolution in Pakistan so that it too, can become part of the emerging markets. We have all the fundamentals and human and natural resources for such a transformation. In the immediate future, our challenge is to overcome a volatile security environment, correct structural imbalances in the economy and bring an end to energy shortages. We

are building a new Pakistan with a robust economy. From the international community, we do not seek aid, but enhanced trade, market access, investment and strong economic partnerships.

We are creating a new framework for change to provide equal opportunities and social justice for everyone, eliminate exploitation of the poor, harness our human resources and restore the dignity of our citizens.

We intend to use education as a key driver of socio-economic development of Pakistan. We are introducing a National Health Service across Pakistan with the participation of private sector. We have also made eradication of polio in Pakistan a matter of great importance for my Government, as we are determined to make Pakistan a polio free country.

It is our strong resolve to promote full participation of women in national development, while protecting their political, social and cultural rights as agents of change. More than 63 percent of our population is under the age of 25. By investing in their education and skills, we aim to tap into this demographic dividend.

Minorities are equal citizens of Pakistan. They not only have complete freedom to worship, but have full protection of their rights to education, employment and full political participation.

We are deeply saddened by the recent terrorist attack on the members of a minority community in Peshawar. This heinous attack has united the entire Pakistani nation in support of our brothers and sisters of all faiths in Pakistan. We share their grief and declared three days of mourning. This attack has been carried out by the same elements who have attacked mosques, shrines, innocent citizens, and members of our security forces. However, this attack has further strengthened my Government's resolve to deal with terrorism and extremism in a resolute and comprehensive manner, as I had reiterated in my very first speech at the National Assembly of Pakistan.

Mr. President,

In conclusion, I wish to emphasize to this august Assembly that Pakistan is a strong supporter of multilateral diplomacy, convinced that it is the most legitimate, ultimate guarantor of peace and security, economic and social development, and respect for universal human rights.

As a non-permanent member of the Security Council, Pakistan has been making every effort to strengthen the role of diplomacy to resolve conflicts and to help build states in post-conflict situations. In all instances, we have upheld the primacy of the Charter.

We need multilateral diplomacy so that we continue to respect diversity while reaching decisions that impact our fate as members of the international community. Towards this end, the United Nations – the virtual world parliament – is our best hope.

I thank you, Mr. President.

G. USA

Joint Statement issued on the occasion of Prime Minister Nawaz Sharif's Visit to the US

At the invitation of President Obama, Prime Minister Sharif paid an official visit to Washington from October 20 to 23, 2013, marking the commitment of both Leaders to strengthen U.S.-Pakistan relations and advance shared interests in a stable, secure, and prosperous Pakistan and region.

President Obama and Prime Minister Sharif held wide-ranging discussions at the White House today about the importance of a U.S.-Pakistan partnership built on a foundation of mutual interest and respect. They acknowledged the substantial progress in the bilateral relationship over the last year and noted its resilient nature. The President and the Prime Minister affirmed U.S.-Pakistan friendship and close cooperation and recalled our positive contributions to international peace and security at crucial junctures during the Cold War and in the post-9/11 period. Reaffirming the strong relationship between the two countries, they stressed that our enduring partnership is based on the principles of respect for sovereignty and territorial integrity. They expressed their conviction that an enduring U.S.-Pakistan partnership is vital to regional and international security and recognized their shared interest in Pakistan's economic growth and development, regional stability, and mutually determined measures to counterterrorism. President Obama conveyed appreciation for Pakistan's internal and regional security challenges and affirmed that a peaceful, prosperous, and democratic Pakistan was an essential partner for the United States in the advancement of shared goals of peace, security, and socio-economic development in South Asia.

Shared Democratic Values

President Obama congratulated Prime Minister Sharif on being elected to office in the historic May elections, observing that the smooth democratic transition between two elected governments was a milestone for the democratic institutions in Pakistan. Affirming that both the United States and Pakistan are committed to democracy, human rights, freedom, and respect for international law, President Obama and Prime Minister Sharif dedicated themselves to deepening and enhancing the relationship between the peoples of the United States and Pakistan.

An Enduring Partnership

Both leaders welcomed the resumption of the U.S.-Pakistan Strategic Dialogue and reaffirmed its importance as the suitable framework for guiding the bilateral relationship. They emphasized that the dialogue should focus on people-centered initiatives and on results-oriented outcomes in support of the long-term stability, prosperity, and security of both the United States and Pakistan. They discussed the forthcoming Ministerial-level Strategic Dialogue, which Secretary Kerry would be hosting in Washington by March 2014. They also decided on the strategic

priorities for the five working groups including: 1) Law Enforcement and Counterterrorism; 2) Economics and Finance; 3) Energy; 4) Security, Strategic Stability, and Non-Proliferation; and 5) the Defense Consultative Group.

The Leaders underscored the importance of further reinforcing the positive momentum in the bilateral relationship by promoting people-to-people contacts, including parliamentary exchanges. In this context, they also lauded the valuable role played by the Pakistani Diaspora in the United States in bringing the two countries together.

Economic Growth, Energy, and Social Sector Cooperation

Prime Minister Sharif highlighted his government's efforts for economic growth, energy security, social development, and good governance. He thanked President Obama for the important contribution the United States has made in supporting Pakistan's development efforts, including through the Enhanced Partnership with Pakistan Act of 2009. The Leaders discussed the Prime Minister's deep commitment to increasing economic growth in Pakistan and to taking the steps necessary to put Pakistan on a path of long-term economic growth and stability. The President gave the assurance that the United States would strongly support efforts to enlarge and strengthen Pakistan's economy, particularly in the energy sector, as this sector could play a critical role in ensuring the well-being and prosperity of the people of Pakistan.

President Obama reiterated U.S. support for ongoing programs to strengthen Pakistan's economy and increased agricultural productivity. He also pledged continued support to help Pakistan address its energy shortfall, a key focus of U.S. assistance to Pakistan. Noting that resolving Pakistan's energy crisis is a top priority for his government, Prime Minister Sharif expressed his commitment to expand power generation capacity, promote the efficient use of energy resources, and better utilize Pakistan's domestic natural gas, hydroelectric, and renewable resources.

The Leaders emphasized that both sides should work together on a range of options to enable Pakistan to overcome its energy deficiencies and that both sides will hold further discussions in the working groups on Energy and Security, Strategic Stability, and Non-Proliferation. President Obama noted that U.S. assistance in the energy sector has added over 1,000 megawatts of power to Pakistan's national grid, helping over 16 million Pakistanis. Prime Minister Sharif expressed appreciation for U.S. assistance toward the construction and rehabilitation of Gomal Zam, Satpara, Mangla, and Tarbela dams and the modernization of Guddu, Jamshoro, and Muzaffargarh power plants, and the Leaders highlighted the recent Overseas Private Investment Corporation (OPIC) loan for private sector wind development in Sindh. Prime Minister Sharif also thanked President Obama for U.S. support toward the Diamer-Bhasha and Dasu dams, which are critical to meeting Pakistan's long-term energy and water needs. He also welcomed the announcement of funding for the Kaitu Weir Hydroelectric and Irrigation Project, which will increase Pakistan's overall energy production, expand the amount of irrigated land, and provide livelihood

options for residents of North Waziristan. The two Leaders looked forward to the meeting of the Working Group on Energy in November 2013, followed by a U.S.-organized Pakistani trade mission to Houston, Texas, to meet with major U.S. energy companies. In preparation for this working group, the two Leaders instructed their teams to develop a U.S. technical assistance program to support the development of Pakistan's domestic natural gas reserves.

President Obama also reaffirmed U.S. support in key areas such as economic growth, agriculture, health, and education. The President highlighted that the United States remains Pakistan's largest export market and one of the largest sources of foreign direct investment in Pakistan. The Prime Minister welcomed U.S. support to private sector-led growth and job creation in Pakistan, including through the Pakistan Private Investment Initiative (PPII) launched at the jointly sponsored Pakistan Business Opportunities Conference in Dubai in June 2013, which would make a matching investment of \$100 million in the development and expansion of small and medium size businesses in Pakistan.

Prime Minister Sharif highlighted his keen interest in expanding bilateral trade and investment, and the two Leaders reaffirmed their commitment to this end. The two Leaders pledged to continue this discussion through the Strategic Dialogue process and noted that the United States-Pakistan Trade and Investment Framework Agreement (TIFA) is the key vehicle to promote U.S. investments in Pakistan. The President announced that United States Trade Representative Michael Froman would invite his counterpart to Washington for a TIFA Council meeting, at which these issues could be discussed in greater depth. The two Leaders directed their senior officials to develop a joint action plan to expand trade and investment flows between the United States and Pakistan over the next five years and expressed their intention to hold the third U.S.-Pakistan Economic Opportunities Conference in the next year. Both leaders affirmed their commitment to the multilateral trading system and to a successful 9th Ministerial Conference of the World Trade Organization in Bali.

Expressing satisfaction at the implementation of the 2003 Agreement on Science and Technology Cooperation between the United States and Pakistan and acknowledging its significance in promoting a decade of intensified cooperation between the two countries, the two Leaders decided to extend the agreement through 2018. They also discussed the importance of investing in Pakistan's growing youth population through high-quality education programs. President Obama reiterated that U.S. assistance for education in Pakistan has built or rehabilitated over 600 schools, provided 12,000 university scholarships to Pakistani students, trained more than 10,000 teachers and school administrators, and provided more U.S.-funded scholarships under the prestigious Fulbright program in Pakistan than anywhere else in the world. These investments help prepare Pakistan's younger generation to enter the job market and become leaders in their country and communities, and the two Leaders expressed their shared intent to further promote educational and research opportunities for Pakistani students, scholars, and researchers in U.S. institutions. President Obama also highlighted the announcement of the USAID

Reading Initiative, which is aimed at helping over 3.2 million Pakistani school children learn to read.

Defense Cooperation

Taking note of the robust bilateral defense cooperation between their two countries — including recent military engagements, exercises, and consultations on regional security — President Obama and Prime Minister Sharif expressed satisfaction with the positive momentum achieved in defense relations and reaffirmed that this partnership should continue to grow and endure. The two Leaders noted with satisfaction that the Ground Lines of Communication (GLOCs) are facilitating the movement of U.S. and International Security Assistance Force (ISAF) cargo through Pakistan.

Prime Minister Sharif conveyed appreciation for U.S. security assistance in support of Pakistan's counterterrorism, counterinsurgency, counter narcotics, and maritime security operations and expressed hope of broadening bilateral defense cooperation in areas that serve mutual interest. To bolster these efforts, the United States plans to continue providing assistance and support, including training and equipment to Pakistan's military and security services. The two Leaders decided to strengthen their cooperation, including in regional maritime security. President Obama noted Pakistan's positive efforts to counter improvised explosive devices (IEDs) and both leaders resolved to continue working together to disrupt the threat posed by these devices. President Obama commended the resolve of the government and people of Pakistan, armed forces, and law enforcement agencies to defeat terrorists and praised Pakistan for its military campaign. They shared their mutual conviction that a stable and peaceful Pakistan-Afghanistan border was important for the success of counterterrorism, counterinsurgency, and counter-IED efforts, and they underscored the critical significance of effective border coordination mechanisms between Pakistan and Afghanistan in achieving these objectives.

Counterterrorism

Both President Obama and Prime Minister Sharif condemned terrorism in all its forms and manifestations. The Prime Minister shared his perspective on effective counterterrorism cooperation to achieve the mutual objective of defeating terrorism. President Obama thanked Prime Minister Sharif for Pakistan's efforts to help defeat al-Qa'ida, and both Leaders expressed their deep appreciation for the sacrifices of military personnel and civilians in the fight against terrorism and extremism. The two Leaders emphasized that no country's territory should be used to destabilize its neighbors. Further, the Leaders noted that extremism and terrorism represent a common challenge for humanity and that the solution lies in collaboration and joint efforts by the international community.

Nonproliferation, Nuclear Security and Strategic Stability

President Obama and Prime Minister Sharif emphasized that nuclear terrorism is one of the most challenging threats to international security. President Obama

appreciated Pakistan's constructive engagement with the Nuclear Security Summit process and its cooperation with the International Atomic Energy Agency and other international forums, while acknowledging Pakistan's efforts to improve its strategic trade controls and enhance its engagement with multilateral export regimes. Looking ahead to the 2014 Nuclear Security Summit at the Hague, the two Leaders reaffirmed the commitments of the 2012 Nuclear Security Summit in Seoul, strengthening nuclear security; reducing the threat of nuclear terrorism; preventing terrorists, criminals, or other unauthorized actors from acquiring nuclear materials; and working closely for the objectives of the Summit. They acknowledged the importance of regional balance and stability in South Asia and pursuing increased transparency and uninterrupted dialogue in support of peaceful resolutions of all outstanding issues. Prime Minister Sharif affirmed Pakistan's support for the universal objectives of non-proliferation and disarmament. The two Leaders underscored that all sides should continuously act with maximum restraint and work jointly toward strengthening strategic stability in South Asia. Prime Minister Sharif expressed Pakistan's desire to join the multilateral export regimes. President Obama reiterated his confidence in Pakistan's commitment and dedication to nuclear security and recognized that Pakistan is fully engaged with the international community on nuclear safety and security issues.

Regional Cooperation

President Obama and Prime Minister Sharif renewed their determination to promote peace, stability, and transparency throughout the region. They committed to work together to combat international terrorism and extremism and to promote peace and prosperity.

The two leaders welcomed progress on the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project, and tasked the Energy Working Group to explore possible further U.S. support for the Central Asia-South Asia electricity line, CASA-1000, in close collaboration with the World Bank. Prime Minister Sharif expressed appreciation for the development and rehabilitation by the U.S. government of roads in Pakistan's border areas, including the four major transit routes between Afghanistan and Pakistan. Both sides emphasized the need to maintain and enhance the GLOCs' relevant infrastructure, and Prime Minister Sharif welcomed the recently signed agreement between Pakistan's National Highway Authority and USAID to rehabilitate 247 kilometers of the Kalat-Chaman road, which will help pave the way for regional trade by linking Kandahar to Quetta and to the port of Karachi.

The President and Prime Minister reaffirmed that a peaceful, stable, independent, and united Afghanistan is in the interest of the region. They welcomed the ongoing security transition in Afghanistan and Afghan-led preparations for next April's presidential elections. The two Leaders recognized the important role of countries in the region in supporting Afghanistan's progress toward stability and prosperity and stressed that continued engagement by the international community in Afghanistan's economic and social

development and reconstruction would be essential in ensuring the long-term security and prosperity of the Afghan people. Prime Minister Sharif also underlined that the support of the international community in the repatriation of Afghan refugees from Pakistan and their reintegration in Afghanistan was of critical importance to Pakistan. The two Leaders emphasized their support for a policy of non-interference in Afghanistan.

The Leaders affirmed their commitment to the Afghan-led and Afghan-owned peace and reconciliation process as the surest way to end violence and bring lasting stability to Afghanistan and the region. Acknowledging Pakistan's efforts to support an inclusive reconciliation process in which Afghans determine the future of their country, both Leaders called on the Taliban to join the political process and enter into dialogue with the Afghan government.

The two Leaders stressed that improvement in Pakistan-India bilateral relations would greatly enhance prospects for lasting regional peace, stability, and prosperity, as it would significantly benefit the lives of citizens on both sides of the border. In this context, President Obama welcomed recent engagements between Prime Minister Sharif and Prime Minister Singh and expressed hope that this would mark the beginning of a sustained dialogue process between the two neighbors, aimed at building lasting peace in South Asia and resolving all outstanding territorial and other disputes through peaceful means. President Obama welcomed steps taken by Pakistan and India to improve their economic relations, including by exploring electricity and gas supply agreements, developing a reciprocal visa regime, and expanding bilateral trade.

Conclusion

President Obama thanked the Prime Minister for visiting the United States, and both Leaders committed themselves to remaining in close contact and to continuing their efforts to build a strong, broad-based, long-term, and enduring relationship between the United States and Pakistan that should serve as a foundation for the stability and prosperity of the region and around the globe.

Islamabad, 24 October 2013. *Source: www.mofa.gov.pk*

II: Economy

Pakistan Economic Survey's Economic Outlook

1.1 Introduction

1. While economic activity remained subdued for yet another year in Pakistan, headline inflation fell to single-digits for the first time since FY07. Soft global commodity prices, downward revision in key energy prices (e.g., tariffs on household gas and CNG), and a relatively stable exchange rate, allowed the average inflation rate to fall to 7.4 percent in FY13 (from 11.0

percent in FY12), which was much lower than the 9.5 percent target for the year. The fall in inflation let the State Bank of Pakistan (SBP) cut its policy rate by 300 bps since August 2012 to 9.0 percent, which was last seen in FY07.

2. Robust growth in construction activity and capacity enhancement in a few sub-sectors, supported the industrial sector during FY13, but this growth was slightly below target (Table 1.1). Global prices helped contain Pakistan's import bill, and there was some improvement in exports. Furthermore, higher than anticipated Coalition Support Fund (CSF) inflows, and modest growth in worker remittances, reduced the current account deficit to 1.0 percent of GDP in FY13, from 2.4 percent in the previous year.
3. Despite these favorable developments, growing security concerns and persistent structural weaknesses continue to hamper economic growth. While CSF is essentially a reimbursement for services provided to NATO countries in Afghanistan (by our armed forces), the actual economic cost of this war on Pakistan is significantly higher than CSF inflows. In addition to the loss of human lives, this war has further deteriorated law & order in the country, which in turn has adversely impacted the investment climate; caused production losses due to frequent interruption in economic activities; diverted resources to enhance security; encouraged manpower and some businesses to migrate out of the country; and adversely impacted revenue collection by the fiscal authorities.
4. At the same time, challenges in managing public sector enterprises; the need to expand the tax net to untaxed or under-taxed areas; to contain untargeted subsidies; to tackle theft and leakages in the energy sector; to revitalize the private sector; and to increase documentation, were largely unaddressed during FY13. As a result, the country's fiscal performance did not improve during the year.
5. In a repeat from the previous year, the budget deficit exceeded the target for FY13 by a wide margin, as the realized deficit was 8.0 percent of GDP, against a target of 4.7 percent. The resulting pressure to secure financing, dominated policymaking throughout the year. As in previous years, poor tax collection and overruns in discretionary spending featured prominently. For the third consecutive year, the authorities had to bailout the energy sector by paying off the circular debt, which pushed the fiscal deficits way above the respective targets for these years.
6. With inadequate external funding, the onus of financing the fiscal deficit fell entirely on domestic sources – specifically the banking system. During the course of the year, the government borrowed Rs 939.6 billion from commercial banks, and an additional Rs 506.9 billion from SBP. In effect, Pakistan's domestic debt increased by Rs 1.9 trillion, a 24.6 percent increase from the end of FY12.
7. The lack of external inflows also created challenges in financing the relatively small current account deficit. More specifically, the financial

account (which is the primary source of funding the current account in Pakistan) recorded a net inflow of only US\$ 0.3 billion during the year, compared to US\$ 1.3 billion last year, and US\$ 5.1 billion in FY10 – see Table 1.3. This, along with significant repayments to the IMF, pulled down SBP's liquid FX reserves to a 55-month low of US\$ 6.0 billion by end-June 2013. Not surprisingly, the Pak Rupee faced some pressure in June 2013.

1.2 Assessment of FY13

Real Sector

8. Real GDP growth was 3.6 percent, compared with 4.4 percent in FY12. This was disappointing, given the accommodating monetary policy and the expansionary impact of fiscal spending during the year. While all three sectors contributed to economic growth, the improvement in the industrial sector was more than offset by the slowdown in agriculture and services (Table 1.1). Agriculture, which accounts for more than one-fifth of GDP, posted below-target growth of 3.3 percent in FY13. The sharp recovery in minor crops and consistent growth in livestock was overshadowed by the marked slowdown in major crops.

Table 1.1: Macroeconomic Indicators			
	FY12	FY13 Target	FY13
<i>growth in percent</i>			
Real GDP	4.4	4.3	3.6
Agriculture	3.5	4.0	3.3
Industry	2.7	3.8	3.5
Services	5.3	4.6	3.7
Consumption	6.0	-	4.6
Investment	1.7	-	1.3
CPI inflation	11.0	9.5	7.4
<i>as percent of GDP</i>			
Current account balance	-2.1	-1.9	-1.0
Fiscal balance ¹	-8.5	-4.7	-8.0
Public debt	64.3	-	63.3
¹ : This includes one-off payments made in FY12 and FY13 to settle circular debt in the power sector.			
<i>Source: State Bank of Pakistan and Pakistan Bureau of Statistics</i>			

9. With the exception of sugarcane, all other major crops (wheat, rice and cotton) fell short of their annual targets – in fact, rice and cotton posted a YoY decline. It is important to highlight that the agriculture sector in Pakistan is facing multiple challenges: (1) increasingly uncertain weather patterns (as evident from recurrent flooding) are damaging staple crops; (2) average yields are either stagnant or declining; (3) Pakistan has been identified as a water scarce country, yet little has been done to enhance

- storage and improve the effective distribution (and use) of canal water fed by the River Indus; (4) the increasing cost of inputs has reduced the farmer's ability to use optimal levels of fertilizer; and (5) agricultural practices remain too traditional, as farmers have not adopted modern soil preparation and sowing techniques or mechanization.
10. Within the industrial sector, the most notable development was the pickup in manufacturing, which grew at 4.4 percent in FY13 – the highest rate in the past five years. The revival in manufacturing was broad-based as a large number of industries contributed to this recovery. Capacity enhancement in *iron & steel, rubber & plastic, and paper & paperboard* was refreshing, while better margins due to lower prices of imported raw material (palm oil, rubber, coal, etc.) and the investment in alternate energy (especially by large-scale manufacturing), also contributed to this growth.
 11. This sector also gained from the strong spillovers from a vibrant construction sector. In its role as the backstop to the economy, a portion of worker remittances continue to support construction activities, while the rest adds to disposable income.
 12. The service sector did not perform too well, primarily because of the telecom sector. Strong competition amongst service providers, the increasing use of grey channels, and regulatory issues like the interruption of mobile services, the drive to regularize SIM cards, and additional taxes, reduced value addition by an otherwise vibrant telecom sector. While *finance & insurance* posted higher growth compared to the previous year, this mainly reflects government borrowing from commercial banks. The momentum of this growth would be interrupted if government borrowing were to be contained during FY14.
 13. Despite the improvement in manufacturing, overall investment remained sluggish. The investment-to-GDP ratio was 14.2 percent in FY13, which is lower than the 14.9 percent realized in FY12. More importantly, private investment fell to 8.7 percent of GDP in FY13, which is far below the level required to meet the country's needs. With a young population that is still growing at 2.0 percent per annum, job creation in the private sector must be prioritized to absorb the number of people who are entering the workplace every year. Given the need to generate private sector jobs to absorb this growth in the working population, sustained economic growth of 7 percent is required to improve social indicators and reduce poverty levels.¹
 14. The sharp reduction in the investment rate in recent years can be attributed to a familiar set of factors: energy shortages; heightened security concerns; weak contract enforcement; and persistent fiscal slippages. Not surprisingly, in a recent report about the *Ease of Doing Business*, Pakistan was ranked 107 among 185 countries, which is three notches below its ranking in 2012.

¹ The Economic Growth Framework prepared by the Planning Commission points out that Pakistan must grow by 7 percent GDP growth to absorb the growing population.

In terms of ‘getting electricity’, Pakistan’s ranking slipped 5 notches to 171.²

Energy Sector

15. The energy shortage appears to be the government’s policy priority. This is required, since around Rs 1.0 trillion has been utilized to pay-off power sector circular debts and untargeted power subsidies in the last two years (FY12 & FY13); nevertheless, a few policy measures have been taken to reduce the hemorrhaging in power-related PSEs. As discussed in, reforms in the energy sector had stalled: limited headway was made to restructure power-related PSEs; to tackle line-losses in distribution and overcome inefficiencies at the generation level; or rationalize end-user tariffs. In fact, despite the ill-advised shifting of natural gas away from power to less productive uses (e.g., CNG), the resulting increase in thermal generation costs was not passed onto end-users. In effect, all household users of electricity (especially the heavier, more affluent users) have been subsidized by the government. This unproductive use of power (compared to industrial and commercial users) has hampered GDP growth, specifically impacting small and medium size manufacturing units that sustain the bulk of employment in the industrial sector.³
16. As promised, the new government took immediate steps to pay off the circular debt at the end of June 2013, and has committed to reduce power subsidies to most end-users in a phased manner. This step to rationalize tariffs must be commended, as opposed to the criticism that has been leveled at the government. Having said this, judicial proceedings temporarily interrupted the tariff increase on households, while the actual restructuring of power-related PSEs was also delayed. Since the power regulator (Nepra) has stated that power shortages in Pakistan are likely to persist till mid-2018, we think more proactive steps are required not just in terms of the inefficiencies of state-owned Gencos and Discos, but also to redirect energy (i.e., electricity, gas, and oil) to more productive users.
17. In our view, the misallocation of natural gas must be urgently addressed. This is likely to be facilitated by a single *Ministry of Energy*, instead of the Ministry of Petroleum and Natural Resources (which allocates gas) and the Ministry of Water & Power (which has shifted power generation to furnace oil, as it was unable to secure adequate gas allocations).⁴

² For details, please visit <http://www.doingbusiness.org/data/exploreeconomies/pakistan/>

³ In an effort to quantify the productivity of power usage, we can divide GDP by power used during the year. Crudely, this quantifies how effectively power usage ‘creates’ economic activity. Figure 3.4 in the Chapter on Energy shows that while Pakistan’s productivity of power usage has plateaued, its neighbors in South Asia have recently become much more efficient in how they use power.

⁴ The recommendation to have a unified Ministry of Energy was put forward by the Prime Minister’s Task Force for Energy in 2008, and subsequently endorsed by the ADB in 2013. It is also part of the Manifesto of the PML-N.

Inflation

18. As discussed earlier, there were positive developments on the inflationary front. Single-digit inflation in FY13 was well below expectations at the beginning of the year. Declining administered prices and soft global commodity prices were primarily responsible for this positive outcome, which in turn helped ease inflationary expectations. Surveys done by SBP show that while households anchor their inflationary outlook to retail fuel prices, commercial enterprises also focus on the current and expected value of the Pak Rupee. Since both POL and the PKR were relatively stable during FY13, inflationary expectations remained soft during the year. This has been verified by SBP's *Consumer Confidence Survey*, conducted after every two months, which shows that softening inflationary expectations were seen right across the country. Having said this, the recent increase in POL prices and the weakness in the PKR, has impacted the September 2013 CCS, which shows a reversal in inflationary expectations for the current year.

Fiscal Policy

19. With declining private investment, the government did not have the fiscal space to boost public investment to *crowd-in* private investment. In our view, the growing fiscal weakness continues to exacerbate Pakistan's structural problems. The policy focus on financing the increasing fiscal gap, leaves little time (and resources) to address problems in the energy sector; build and maintain the country's physical infrastructure; implement a focused debt management strategy; enhance substandard social services; improve law enforcement; curb corruption; and remove other impediments to long-term private investment.
20. The fiscal consolidation envisaged at the beginning of the year, was undermined by the shortfall in revenues and expenditure overruns. As stated earlier, the budget deficit for FY13 was 8.0 percent of GDP, against a target of 4.7 percent. This includes an impressive performance by provinces as they posted a combined *surplus* of Rs 52.7 billion in FY13 (compared to a Rs 39.1 billion *deficit* in FY12).
21. Revenues were initially projected to grow at 31.7 percent in FY13 compared with an average increase of 14.9 percent in the preceding five years (FY08-12). During the course of the year, the government could only realize 88.3 percent of the projected revenue, with revenues growing at only 16.2 percent. This shortfall was entirely due to lower growth in tax collection, as non-tax revenues surpassed the annual target because of CSF inflows (Table 1.2).

Table 1.2: Fiscal Performance

billion Rs

	FY13			
	FY12	Initial Target	Actual	Excess/ Shortfall
Total revenue	2,566.5	3,376.0	2,982.4	-393.6
Tax revenue	2,052.9	2,626.0	2,199.2	-426.8
CBR Tax	1,881.5	2,381.0	1,936.1	-444.9
Non tax revenue	513.6	750.0	783.2	33.2
Total expenditure	3,936.2	4,480.0	4,816.3	336.3
Current expend.	3,122.5	3,430.0	3,660.4	230.4
Interest payments	889	925.8	991.0	65.2
Subsidies	512.3	208.6	367.5	158.9
Defence	507.2	545.4	540.6	-4.8
PSDP	664.8	873.0	695.1	-177.9
Net lending	12.0	0	362.8 ¹	362.8

¹. This includes the cash impact of circular debt settlement made in June 2013.

Source: Ministry of Finance

22. Tax revenues could not gain momentum as the government was unable to implement tax measures proposed in the FY13 budget. Furthermore, frequent changes in FBR management along with the perennial issue of leakages, impaired the efficiency of the organization. Although weak economic activity could also be blamed, the fall in tax-to-GDP ratio from 10.2 percent in FY12, to 9.6 percent in FY13, suggests this is not the case – in effect, tax revenue collection could not even keep pace with the subdued growth in nominal GDP. In our view, the stagnant tax-to-GDP ratio (one of the lowest in the world) is the biggest impediment to a stable macro economy, which is required to deliver higher economic growth. Without the political will to increase tax collection in a more equitable manner, fiscal consolidation is likely to remain elusive, as was the case in FY13.
23. Like revenues, slippages on the expenditure side are challenging the fiscal authorities. Total expenditures (including the one-off payment to settle the circular debt in June 2013) grew by 22.4 percent during the year, against the targeted increase of 13.8 percent. Over 2/3rd of this deviation was due to higher current expenditures (e.g., debt servicing and energy subsidies), which overshadowed the restrained administrative costs posted by many government ministries.
24. With a revenue squeeze and overruns in current expenditures, there was no fiscal space to support weak economic activity. As a result, the share of development expenditures in total spending declined to 16.1 percent in FY13, compared to 18.6 percent in the previous year.
25. While expenditure rigidities in interest payments, defense, and civil administration should be acknowledged, overruns in discretionary spending

like untargeted subsidies and net lending to PSEs, are somewhat disappointing.⁵ In fact, loss-making PSEs and untargeted subsidies have become such a major drain on fiscal resources, that the recently signed Extended Fund Facility (EFF) with the IMF has prioritized urgent reforms in these interlinked sectors. To put this issue into perspective, the revenue deficit (the gap between total revenues and current expenditures) reached 3.0 percent of GDP in FY13, which implies that the federal government is not only borrowing to finance all its development expenditures, but is also borrowing to finance 10.4 percent of its current expenditures.

Debt management

26. As mentioned earlier, financing the growing fiscal gap and balancing competing expenditure needs, has dominated policymaking in the country. Government borrowing from domestic sources in FY13, was *actually* higher than the overall fiscal deficit in the year, as net external debt payments had to be paid despite insufficient fresh external inflows. Other than the drain on domestic resources, this resulted in a sharp fall in SBP's FX reserves during the year.
27. More specifically, the stock of external debt & liabilities (EDL) recorded a decline of US\$ 5.7 billion during FY13, reaching US\$ 59.8 billion as of end-Jun 2013. This was the sharpest drop in a single year, driven primarily by the US\$ 2.9 billion servicing of IMF debt, and a US\$ 2.7 billion valuation gain with a depreciating Japanese Yen.⁶
28. Looking at domestic debt, the government relied heavily on short-term borrowing from the banking system, despite the doubling in net mobilization via national saving schemes (the predominant source of non-bank financing). This issue, and the following bullet-points, complicated the government's debt management; the conduct of monetary policy; and increased commercial bank exposure to the dominant borrower (i.e., GoP):
 - The country's public debt, which is an accumulation of past budget deficits, reached Rs 14.5 trillion by end FY13. In terms of GDP, it stood at 63.3 percent against the statutory limit of 60 percent under the Fiscal Responsibility and Debt Limitation Act of 2005 (**Chapter 6**). Moreover, the government was unable to meet the quarterly commitment of zero net budgetary borrowing from SBP, in three of the four quarters of the year. In addition to breaching these limits, the real challenge is the sustainability of this debt. Although the public debt-to-

⁵ The tariff differential subsidy on power, being a part of overall subsidy, comes under current spending, whereas government compensation against transmission losses are categorized as net lending.

⁶ As of end-June 2013, around 25 percent of the country's public & publicly guaranteed external debt was denominated in Japanese Yen. During FY13, the Yen depreciated by 19.8 percent vis-à-vis US\$, which reduced the country's external debt stock by US\$ 2.7 billion.

GDP ratio has fallen by 100 bps during the year, the ratio of public debt-to-tax-revenue (which gauges the government's ability to repay its debt) has weakened to 659 percent by end FY13, compared with 630 percent last year.

- The heavy reliance on short-term bank borrowing has increased the government's exposure to *interest rate* and *rollover* risks. The outstanding volume of floating debt (T-Bills) reached Rs 5.2 trillion by end FY13, which now accounts for 35.8 percent of total public debt – by end-FY08, this ratio was only 26.3 percent. Given the short-term nature of T-bills (maximum maturity of up to one year), the government is required to rollover this debt at least once a year. Hence, any disruption in short-term liquidity or a change in commercial bank lending patterns, could force the government to rely on central bank financing, which could complicate the existing IMF program. As seen in the 4th quarter of FY13, this rollover risk did materialize as the government was unable to rollover its maturing T-bills with commercial banks; this meant it had to borrow the difference from SBP. Along with the settlement of the circular debt, government borrowing from SBP increased by Rs 530.7 billion during the 4th quarter. In this setting, the need to rebalance the maturity profile of Pakistan's domestic public debt can hardly be over emphasized.
- The government's reliance on short term borrowing is also impairing the yield curve in terms of pricing long term private sector borrowing. More specifically, the yield curve serves as a benchmark for pricing project and infrastructure financing. A steep increase in short term debt (less than one year maturity) coupled with a thin market for PIB trading, has weakened the information content of the long end of the yield curve.
- The quantum of government borrowing from commercial banks has significantly impacted their balance sheets. More specifically, commercial bank investment in federal government securities reached Rs 3.7 trillion by end-FY13, compared to Rs 2.0 trillion (outstanding) as of end-FY11 – an increase of 84.5 percent in just two years. Over the same period, outstanding bank loans increased by only 10.1 percent to Rs 3.6 trillion.⁷ The resulting change in the composition of commercial bank balance sheets, implies that at an aggregate level, government securities now account for 37.2 percent of their total assets, compared to only 26.5 percent at the end of FY11. Although this increase in banks' exposure to government securities has allowed them to improve their financial health (government securities carry zero risk

⁷ This includes all private sector lending; commodity financing; lending to NBFIs; and loans to PSEs. This data is taken from the aggregate balance sheets of commercial banks, and may not match with data from the Monetary Survey.

of default), this has not only marginalized the private sector, but also entails systemic risks to financial stability, albeit with a low probability.⁸

Monetary policy

29. As mentioned earlier, the sharp fall in headline inflation allowed SBP to cut the policy rate to support investment and growth during FY13. In terms of monetary aggregates, government borrowing remained dominant, with central bank financing driving the 15.8 percent increase in reserve money (this happened despite a 66.3 percent contraction in the central bank's net foreign assets). As a result, 87.3 percent of reserve money is now backed by treasury bills, compared with 77.9 percent at the end of FY12. Following this trend, the growth in broad money supply (M2) was also dominated by the government, with government borrowing increasing by Rs 1.5 *trillion* during the year; this may be compared to an increase of only Rs 11.7 billion in credit to the non-government sector. These developments in the banking sector, kept market liquidity under pressure throughout the year. SBP's efforts to ensure the smooth functioning of both the FX and the money markets (and to facilitate the transmission of monetary policy decisions to retail interest rates), required large injections of liquidity through open market operations. As a result, the average volume of OMOs more than doubled in FY13, compared to the previous year.
30. Despite an accommodating monetary policy and SBP efforts to ensure adequate market liquidity, credit to the private sector witnessed a net contraction of Rs 19.0 billion in FY13, which was in sharp contrast to the net expansion of Rs 235.2 billion in FY12. However, a larger part of this sharp reversal can be traced to the change in tax incentives on mutual fund investments, and the settlement of the circular debt in June 2013. Looking specifically at credit to private businesses, loans to the manufacturing sector increased by Rs 58.9 billion during the year, compared to Rs 4.5 billion in FY12. Furthermore, trade financing also picked up during the year, concurrent with the rise in exports.

External Sector

31. Pakistan's exports grew by 3.5 percent in FY13 (based on PBS data), compared to negative growth of 4.8 percent last year. In our view, this was largely because of duty free access of certain items (mainly textiles) to the EU market; and the increased demand for cotton yarn and fabric from both China and Hong Kong. This, along with an almost stagnant import bill,

⁸ For example, in the event that the country realizes heavy external inflows (e.g. bilateral, multilateral or foreign investment) that sharply reduce the government's need for commercial bank borrowing, this would not only reduce market interest rates, but could push banks into aggressive lending to the private sector, as seen in 2003-04.

helped narrow the trade deficit. The services account also posted a notable improvement on account of CSF inflows (worth US\$ 1.8 billion) during the year. However, the real positive in the country's BoP was worker remittances, which has become the most critical source of foreign exchange receipts. In absolute terms, worker remittances reached US\$ 13.9 billion in FY13, which effectively financed one-third of the country's import bill. Both the realization of CSF and increase in remittances narrowed the current account deficit to US\$ 2.5 billion in FY13, against a US\$ 4.7 billion deficit in the previous year (Table 1.3).

Table 1.3: Summary Balance of Payments					
billion US\$					
	FY09	FY10	FY11	FY12	FY13
Current account balance	-9.3	-3.9	0.2	-4.7	-2.5
Capital account (net)	0.5	0.2	0.2	0.2	0.3
Financial account (net)	5.6	5.1	2.1	1.3	0.3
Overall balance	-3.1	1.3	2.5	-3.3	-2.0

Source: State Bank of Pakistan

32. Despite this improvement in the external sector, financing the smaller current account deficit proved to be a major challenge due to dwindling financial inflows. Although foreign direct investment (FDI) increased to US\$ 1.3 billion in FY13 (compared with US\$ 0.7 billion last year), it could not compensate for the sharp fall in other financial inflows during the year. The declining trend in net financial inflows seen in the past three years has increased the vulnerability of the external sector. As a direct result, SBP has been drawing down its FX reserves not just to finance the current account deficit, but also to meet lumpy repayments to the IFIs (especially the IMF). This pushed the country's foreign exchange reserves down to cover 14.3 weeks of imports by end-June 2013, which is still adequate by international standards.

1.3 Outlook for FY14

33. The Annual Plan for FY14 sets a GDP growth target of 4.4 percent. Broadly speaking, this outlook is based on the assumption that energy supplies would improve; that weather conditions would not impact the agriculture sector; and the positive sentiments created by the smooth political transition in May 2013, would continue into FY14. While the payment of the circular debt appears to have improved energy availability this year (FY14), we believe GDP growth will remain below target (Table 1.4).

Table 1.4: Key Macroeconomic Targets and Projections

FY14			
	FY13	Target	SBP projection
<i>percent growth</i>			
Real GDP	3.6	4.4	3.0 – 4.0
CPI	7.4	8.0	10.5 – 11.5
M2	15.9	-	13.0 – 14.0
<i>billion US\$</i>			
Remittances	13.9	15.1	14.0 - 15.0
Exports (fob)	24.8	26.6	26.0 - 26.5
Imports (fob)	40.2	43.3	43.0 – 44.0
<i>percent of GDP</i>			
Fiscal deficit	8.0	6.3	6.0 - 7.0
Current account deficit	1.0	1.1	1.0 – 1.8
<i>Source: State Bank of Pakistan</i>			

34. On the supply side, the factors that supported the recovery in large scale manufacturing should continue to sustain industrial growth in FY14. In addition, the expected launch of 3G services is likely to boost value addition in telecom services. However, growth in agriculture is likely to remain below its target of 3.8 percent, as recent rains have damaged the upcoming rice and cotton crop in Punjab; furthermore, we do not expect minor crops to repeat the strong 6.7 percent growth seen in FY13. In overall terms, SBP projects GDP growth in the range of 3.0 - 4.0 percent for FY14, which is higher than the IMF's growth forecast of 2.5 - 3.0 percent.
35. In our view, the degree of fiscal contraction via the phasing out of energy subsidies and the rise in tax collection that underpins the IMF program, could explain the differing growth projections for the year. The FY14 budget envisages a fiscal deficit at 6.3 percent of GDP, which assumes: (1) a Rs 120 billion inflow under 3G licenses; (2) a 27.8 percent growth in FBR tax revenues; (3) a Rs 127.1 billion reduction in subsidies (to Rs 240.4 billion against Rs 367.5 billion incurred in FY13); and (4) a combined provincial surplus of Rs 23.1 billion. While the government appears determined to cut power subsidies quite aggressively, the FBR revenue target seems less credible. The task ahead for FBR is likely to be more challenging with subdued growth and a slowdown in imports. Furthermore, the prospect of achieving provincial surpluses is also a little suspect, as only Balochistan has shown a budget surplus for the current fiscal year in its budget documents. This suggests the need to improve coordination between the federal government and the provinces, especially during the budget making process.

36. Staying with the fiscal side, we also expect some pressure from interest payments this year, owing to the steep increase in short-term domestic debt incurred during FY13. According to in-house estimates, repayments on T-bills and PIBs issued in FY13 *alone*, would increase interest payments by Rs 277.5 billion in FY14, which is almost a third of the entire interest expense on domestic debt during FY13.
37. In terms of inflation, encouraged by the steep decline in headline CPI growth in FY13, the government has set an inflation target of 8.0 percent for FY14. However, we believe a more realistic inflation outlook would be in the range of 10.5 - 11.5 percent due to the following factors: (1) the recent sharp increase in power tariffs (and likely increase in gas tariffs in January 2014); (2) the weakening of the Pak Rupee and resulting increase in POL prices; (3) the upward revision in the GST rate from 16 to 17 percent; (4) below target production of cotton this season; and (5) lower wheat stocks in the country.
38. Weakness in the PKR and the increase in retail POL prices, will strongly impact inflation expectations, which will be reflected in price-setting behavior at the retail level. Hence, the developments in the first quarter of FY14 do not bode well for inflationary expectations, and what is likely to be realized during the year.
39. In terms of the external sector, the approval of a 3-year (US\$ 6.64 billion) Extended Fund Facility from the IMF, and expected financial support from other IFIs, should bring stability to the domestic FX market in FY14.⁹ However, the detailed Letter of Intent (LoI) temporarily unhinged the FX market in late September 2013, and resulted in some speculative pressures on the PKR. Furthermore, the market is focusing on several risk factors like: (1) the current account deficit in the first quarter of FY14, is not consistent with the annual target; (2) international oil prices (Brent) have risen by 4.8 percent by end-November 2013; (3) exports may not perform well because of the continuing global slowdown and energy shortages at home; (4) remittances may suffer if the country experiences future bouts of PKR volatility; (5) CSF inflows may not be as high as in FY13; and (6) the quarterly targets to build unencumbered FX reserves in the second half of FY14, appear to be challenging.
40. However, we believe this outlook is misplaced, as it does not account for the following factors: (a) inflows from other IFIs (WB & ADB) come with a short lag, and the resulting structural reforms could solicit foreign investment; (b) a sovereign bond issue is quite likely during the course of the year; (c) although there is some market fatigue concerning the inflows from the 3G licenses and Etisalaat, these inflows will significantly narrow the external gap; (d) subsequent quarterly targets could be revised as the IMF program plays out; (e) the government has prepared a detailed

⁹ Pakistan has already received US\$ 1.1 billion from the Fund as of end-December 2013.

disinvestment and privatization list; and (f) CSF inflows during the drawdown of NATO troops from Afghanistan in 2014, could be stronger than expected.

41. While managing expectations in the external sector will remain a pressing challenge for policymakers, the government must push ahead with fiscal reforms. More specifically, a concerted effort must be made to increase revenue collection in a more equitable manner, and to restructure loss-making PSEs to reduce the subsidy burden on the federal government. Only then will domestic investors secure a sounder footing to put the country on a much needed growth trajectory.

Source: www.sbp.org.pk