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Cotton estimates revised downward

TAHIR AMIN

The Cotton Crop Assessment Committee (CCAC) Thursday revised cotton production estimates downward by over 12 percent to 12.6 million bales against the initial estimate of 14.04 million bales for the current season (2017-18), after missing the sowing target. Secretary Textile Industry Hassan Iqbal chaired the first meeting of the CCAC here to assess the cotton production estimates for the current season (2017-18).

Official sources told *Business Recorder* that cotton sowing target has been missed by a wide margin of 12 percent in the current crop season (2017-18), and as a result Pakistan would miss the production target of 14.04 million bales by around 1.5 million bales. They said that due to uncertainty of cotton prices, increased sugarcane cultivation in the cotton growing areas and shortage of water, cotton sowing registered a decline.

The government has revised downward the cotton production target and set it at 14.04 million bales for 2017-18, after missing the production target of 14.1 million bales for 2016-17 by around 25 percent. After thorough discussion, the CCAC unanimously agreed to assess the cotton crop size for the year 2017 as 12.6 million bales. Punjab is estimated to produce 8.8 million bales of cotton, Sindh to produce 3.7 million bales and Khyber Pakhtunkhwa and Balochistan have to produce 0.10 million bales of cotton.

The sources said that the decline in cotton sowing was recorded in Punjab which is the major cotton producing province. Punjab which produces about 70 percent of the total cotton has been hit hard as 5.3 million acres has been covered against the target of 5.97 million acres. It is 88 percent of the target set for current season but higher by 19 percent compared to 4.48 million acres during the previous season.

Cotton sowing normally starts in the first week of April in upper Sindh, which produces around 1.5-2 million bales every year. Due to water shortage, Indus River System Authority (IRSA) observed closure of water releases this year and resultantly the area suffered water shortage and missed the sowing target. Sindh has covered 1.5 million acres in the current season against the target of 1.606 million acres and missed the target by 6 percent.

Cotton Commissioner, Dr Khalid Abdullah apprised the meeting that cotton crop target for the year 2017 was set at 3.11 million hectares (7.68 million acres) with production of 14.04 million bales. However, 13.9 percent higher cotton sowing of 2.753 million hectares (6.803 million acres) was achieved during the current season with major increase of 20.5 percent in the Punjab province (5.3 million acres) compared to the previous year. He stated that the departments remained proactive in training of farmers for the management of pink bollworm as well as leaf burning syndrome. Moreover, cotton prices are also encouraging for the farmers.

The representative of Punjab province stated that the second cotton crop survey report will be released by 31st August and the accurate figures of area will be presented. However, he stated, that the parameters for production ie plant population, bolls per plant and boll weight are more than that of last year.

The representative from Sindh province stated that cotton crop condition is good and second picking has also been obtained in lower Sindh and it is expected that the targets for production will be achieved.

The representative from Khyber Pakhtunkhwa stated that around 1,800 acres of cotton crop have been cultivated in DI Khan. He stated that government should support the farmers for provision of quality seed, fertilizer and pesticide at subsidized rates and procurement arrangements may also be made.

Secretary Textile Industry Hassan Iqbal stated that the government is taking all efforts for boosting cotton production by providing equal support measures for all stakeholders. He stated that the Textile Industry Division has taken measures for the establishment of National Textile University in all the four provinces for technology up-gradation and skill development in the sector. Moreover, the ministry has also requested the government of Khyber Pakhtunkhwa for establishing a cotton ginning factory in DI Khan at the earliest for facilitating farmers in cotton procurement.

Representatives from provincial governments, Pakistan Central Cotton Committee, Pakistan Cotton Standards Institute, All Pakistan Textile Mills Association, Pakistan Cotton Ginners Associations, Karachi Cotton Association, Pakistan Oil Mills Association and Trading Corporation of Pakistan, and progressive cotton growers attended the meeting.

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Trade deficit widens

ZAHEER ABBASI

Pakistan"s trade deficit has increased to $3.204 billion in July 2017, up by 55.46 percent over $2.061 billion for the same month a year ago, according to Pakistan Bureau of Statistics (PBS). Provisional trade data released by the PBS for the month of July 2017 noted 10.58 percent increase in export and 36.74 percent in imports during the month under review. Exports have increased to $1.631 billion in July 2017 from $1.475 billion for the same month a year before and imports to $4.835 billion from $3.536 billion. There was a decline of 14.71 percent in exports in July 2017 over June 2017 after the country"s exports decreased to $1.631 billion in July from $1.912 billion in June while on the other hand imports have increased by 6.64 percent. The country imported goods worth $4.835 billion in July 2017 as opposed to $4.534 billion in June 2017. As a result trade deficit in July 2017 over previous month increased by 22.20 percent - $3.204 billion in July 2017 from $2.622 billion June 2017.

The country"s exports during the tenure of the present government have declined to around $20 billion from $25 billion in 2013 which necessitated Rs 180 billion incentives package by the government. However, exporters complained that the incentive package announced could not be implemented and the country"s exports continue to decline. The persistent decline in exports was being viewed a serious challenge to the balance of payment position, especially when the huge repayments on account of foreign borrowing are approaching.

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Bilateral trade:

China, Pakistan take step towards correcting BoP

RECORDER REPORT

Pakistan and China here on Thursday signed 38 agreements/MoUs, worth dollar 325 million to promote their bilateral trade. These signed documents paved the way of enhancing sale of Pakistani products in the Chinese market. The total value of agreements is the same to 17 percent of China''s gross import from Pakistan.

The products to be imported from Pakistan included seafood, leather, marble products, and coarse copper. This was a step forward, correcting balance of payment in bilateral trade between the two countries. The entrepreneurs of the two sides inked the trade''s arrangement in presence of Chinese ambassador to Pakistan Sun Weidong, Deputy Director General Chinese Ministry of Foreign Trade Wang Dongtang and Secretary Trade development Authority of Pakistan (TDAP) Inamullah Khan. Commercial Counsellor of the Chinese embassy Dr Wang Zhihua was also present on the occasion.

More than 100 enterprise representatives attended the signing ceremony. China''s Ministry of Commerce has organized a trade promotion group for economic and trading communication from August 9 to 11. The group comprised representatives of thirty companies, belonging to textile industry, pharmaceutical, agriculture products, petrochemical industry, commercial trading and other fields.

Addressing the signing ceremony, Ambassador Sun Weidong said China is Pakistan''s second largest export destination for the last couple of years. In 2016, Pakistan export to China stood at dollar 1.9 billion. There has been growing trend in the bilateral trade, since the signing of free trade agreement between the two countries, he added. He also referred to President Xi Jinping''s visit to Pakistan and said it raised the level of their strategic co-operative partnership to a new height. The Sino-Pak friendship has now turned into a role-model for the mutual respect and interest between the two nations.

In recent years, the Belt and Road''s initiative and the CPEC have provided historical opportunities to the two countries to further deepen their bilateral ties in trade and economic fields. Praising Pakistan''s export potential, the ambassador said Pakistan''s goods including textile, mineral and agriculture-based products are well-received in the Chinese market.

Citing the growing trade between the two countries, Sun Weidong said the export from Pakistan to China has increased from dollar 550 million to dollar 1.91 billion in the recent years. Net increase was by 248 percent. About the CPEC, he said it was bringing positive results improving the living conditions of the people. With the development of CPEC, Pakistan will be able improve its energy, transportation infrastructure.

Deputy Director Chinese Commerce Ministry Wang Dongtang and Secretary TDAP Inamul Khan also addressed the signing ceremony and elaborated the growing socio-economic partnership between the two countries. They were confident that their trade ties will get new momentum with the passage of time, meeting common aspirations of their people.

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July Fiscal Year 2018:

Inflows of workers" remittances up 16 percent

RECORDER REPORT

Inflows of workers" remittances, sent by overseas Pakistanis, posted a healthy increase of 16 percent during the first month of this fiscal year. According to State Bank of Pakistan (SBP), overseas Pakistani workers remitted $ 1.542 billion in the first month (July) of FY18 as compared with $ 1.328 billion sent during the same period in FY17, depicting an increase of $ 214 million.

The inflows of workers" remittances arrived in July 2017 are 16 percent less than June 2017, while some 16 percent more than July 2016. The detailed analysis revealed that a major surge was observed from all major corridors, including Saudi Arabia, UAE, US and UK. Inflows of workers" remittances from US moved up by 14.16 percent to $ 194 million during the first month of this fiscal year compared to $ 169 million in the same period of last fiscal year.

Similarly, inflows from UK increased to $ 199 million in July 2017 against $ 144 million in July 2016, up by 38 percent. With 8 percent surge, inflows from Saudi Arabia stood at $ 408 million in July compared to $ 379 million in the same period of last fiscal year. The country-wise details for July 2017 show that inflows from UAE, GCC countries (including Bahrain, Kuwait, Qatar and Oman) and EU countries amounted to $ 334.63 million, $ 192.02 million and $ 52.08 million, respectively compared with the inflows of $ 293.72 million, $ 169.61 million and $ 35.74 million, respectively in July 2016.

Remittances received from Norway, Switzerland, Australia, Canada, Japan and other countries during July 2017 amounted to $161.22 million together against $137.13 million received in July 2016. The SBP is expecting that going forward this decline in inflows from Saudi Arabia is expected to be compensated by a gradual pick up in inflows from other GCC countries.

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THE RUPEE: Steadier trend

RECORDER REPORT

The rupee managed to hold overnight levels against the dollar on the money market on Thursday in process of trading, dealers said. The rupee was unmoved versus the dollar for buying and selling at Rs 105.39 and Rs 105.40, they said.

INTER-BANK MARKET RATES: OPEN MARKET RATES: The rupee was unchanged against the dollar for buying and selling at Rs 106.70 and Rs 106.90, they said.

The rupee picked up 20 paisas in terms of the euro for buying and selling at Rs 124.60 and Rs 125.60.

Open Bid	Rs. 106.70
Open Offer	Rs. 106.90

Interbank Closing Rates: Interbank Closing Rates for Dollar on Thursday.

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN LAHORE: The rupee-dollar parity stayed unchanged amidst sluggish trend in the local currency market on Thursday.

The demand and supply situation of the US remained

In the fourth Asian trade, the Swiss franc eased versus the dollar, but still held on to the bulk of hefty gains made the previous day as heightened tensions between the United States and North Korea sent investors looking for havens.

Against the greenback, the Swiss franc eased about 0.1 percent to 0.9645 per dollar, having surged about 1.1 percent on Wednesday.

The Swiss franc last stood at 1.1332 per euro, down slightly on the day.

The yen also eased slightly against the dollar, losing some steam after having risen on Wednesday to its intact throughout the trading session that kept the local currency stabilize. As a result, no change in its value took place on buying and selling side as it sustained its opening rates of Rs 106.60 and Rs 1206.85 respectively, local currency dealers said.

The local currency, however, remained strong for the second consecutive day versus the pound sterling. The pound's buying and selling rates further slid from Wednesday's closing rates of Rs 137.80 and Rs 138.80 to Rs 137.70 and Rs 138.60

highest level in nearly eight weeks.

The dollar edged up about 0.1 percent to 110.16 yen, up from Wednesday's low of 109.56 yen, which was the dollar's lowest level since June 15.

The dollar was trading against the Indian rupee at Rs 63.990, the greenback was at 4.292 versus the Malaysian ringgit and the US currency was at 6.671 in terms of the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Thursday. 80.70-80.70 (previous 80.70-80.70).

respectively, they added.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee remained firm against the dollar at the open currency markets of Islamabad and Rawalpindi here on Thursday.

The dollar opened at Rs 107.10 (buying) and Rs 107.20 (selling) against same last rate. It closed at Rs 107.10 (buying) and Rs 107.20 (selling) in evening session.

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Forex reserves plunge

RECORDER REPORT

The country"s total liquid foreign exchange reserves fell sharply by $ 279 million during the last week owing to external debt payment. According to State Bank of Pakistan (SBP), the country"s total foreign exchange reserves stood at $ 20 billion as on August 4, 2017 compared to $ 20.283 billion on July 28, 2017. The decrease in reserves was on account of external debt servicing and other official payments.

As the SBP is responsible for the external debt payments, the entire declined has been witnessed in the reserves held by the SBP. During the period under review, the SBP"s reserves declined by $ 299 million to $ 14.399 billion at the end of last week down from $ 14.698 billion. However, reserves held by banks posted an increase of $ 20 million to $ 5.605 billion at the end of last week compared to $ 5.585 billion a week earlier.

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Nandipur power plant:

PAC directs ministry to present inquiry report

ABDUL RASHEED AZAD

The Public Accounts Committee of the Parliament has directed the Ministry of Water and Power to present inquiry report on Nandipur power plant by October 10. The committee meeting held here under the chairmanship of Syed Khursheed Ahmad Shah was informed by Naseem Khokhar, Secretary Ministry of Water and Power, that Rs 246.90 billion are outstanding against various public and private sector entities of Power Distribution Companies (Discos).

Khokhar said that Quetta Electric Supply Company has to receive Rs 86 billion from various clients in Quetta region, while Sukkur Electric Supply Company has to receive Rs 60 billion from power consumers and Lahore Electric Supply Company has to receive Rs 40 billion from electricity consumers. The PAC discussed and review audit paras of different attached departments of the Ministry of Water and Power. Audit officials told the committee that speedy recovery of outstanding dues of various Discos is must to address the circular debt problems otherwise it will escalate to manifold.

The Ministry of Water and Power officials said that multibillion rupees cases have been pending in various courts since long, while Rs 10.20 billion cases are undertaken by the National Accountability Bureau (NAB). It was informed that billions of rupees are outstanding against the government of Azad Kashmir on account of power bills.

Chairman Water and Power Development Authority (Wapda) Lieutenant-General (retired) Muzammil Hussain informed the PAC that Neelum-Jhelum Hydro Power Plant would start operation by February 1, and by April next year it would be able to generate 969 megawatt electricity. He said that the plant would earn US $ 360 million per annum. The project was originally conceived in 2005 with an estimated cost of Rs 84 billion. However, the cost was gradually increased to Rs 500 billion. Hussain said that after devastating earthquake in October 2005, the project was redesigned and subsequently the cost increased manifolds.

He informed the committee that necessary infrastructure including installation of 425 towers and stringing for distribution of electricity has been completed and the filling of tunnels would start by October and the water would release for electricity generation by January 2018.

In order to clear 6 years backlog, PAC Chairman Syed Khursheed Ahmed Shah divided the audit reports to 4 sub-committees. He assigned audit reports of 2012-2013 to Shahida Akhtar Ali, 2013-2014 to Sardar Ashiq Hussain Gopang, 2014-2015 to Syed Naveed Qamar and 2015-2016 to Shafqat Mehmood"s committees. Shah then issued direction to the audit officials to produce the recent audit reports before the PAC as scrutiny of such an outdated audit paras is nothing but to digging out the graves.

As per NAB briefing to the committee, the cost of the project increased by billions of rupees because of a two-year delay in the project"s commencement. The bureau said that the Law Ministry did not give a post facto legal opinion on the agreement related to financing for the power project, and the file was stuck with the ministry from April 7, 2009, to August 24, 2011. Subsequently, the cost of the project escalated.

As per audit report, Nandipur power project was scheduled to be completed on April 16, 2011 with a cost of Rs 22.334.7 billion. The audit estimated that escalation of cost of the project caused loss of Rs 35.04 billion, blockage of Rs 7.32 billion revenue and additional demurrage charges caused over Rs 1 billion and total estimated loss to national kitty crossed Rs 43.37 billion.

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Sindh Accountability Repeal Act, 2017 challenged in SC

KHUDAYAR MOHLA

Sindh National Accountability Repeal Act, 2017 has been challenged in the Supreme Court on Thursday, seeking directives to declare it unlawful and orders to restrain the provincial government from implementing the Act. The Act which came into effect on Thursday has been criticized for curtailing the National Accountability Bureau's (NAB) powers to act against employees of the provincial government.

Challenging the Repeal Act, 2017 before the Supreme Court under Article 184 (3) of the Constitution, petitioner Nisar Ahmed of Khairpur, Sindh, made federation through secretary Ministry of Law, Sindh government through chief secretary, speaker Sindh Assembly and secretary Law & Parliament Affairs Sindh as respondents. Nisar Ahmed urged the court to declare the Sindh Accountability Repeal Act 2017 unconstitutional, unlawful, illegal and ultra vires to the Constitution.

The petitioner requested the apex court to decide a question of law whether provisions of Sindh National Accountability Repeal Act, 2017 passed as Act by the Provincial Assembly of Sindh are ultra vires of the Articles 4, 7, 8, 9, 25, 137, 142(b) and 143 of the Constitution. "Whether provincial legislature has the legislative competence to repeal a federal law falling within the concurrent legislative field under Article 142(b) of the constitution?," said the petitioner.

He further raised questions of law: whether has Sindh Assembly exceeded its jurisdiction in law and constitution by repealing a federal law competently promulgated and subsequently protected by Parliament?; whether do the offences related to corruption and corrupt practices and measures to combat corruption not form part of criminal law for the purpose of Article 142(b) of the constitution?; whether is the Act 2017 a product of colorable exercise of powers aiming at a protecting specific strata of populace?; whether is the Act 2017 in its present form sustainable being a valid piece of legislation?

Raising more questions of law, the petitioner prayed the apex court to decide whether Sindh Assembly has exceeded its jurisdiction in law and constitution by repealing a federal law competently promulgated and subsequently protected by the Parliament. The petitioner submitted that the Act 2017 is illegal, unconstitutional, violative of fundamental rights and aims at benefiting a group of people.

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Sindh government issues notification

RECORDER REPORT

Sindh government has issued the notification revoking the applicability of the National Accountability Ordinance (NAO) 1999 in the province. With NAO revoked the relevant powers are now being accorded to Sindh Accountability Agency. Minister Law Sindh Zia Lanjar says that NAB could take any action in any provincial department anymore.

It may be mentioned here that on July 3 the PPP-led provincial government in Sindh had passed a bill to repeal the applicability of the National Accountability Ordinance (NAO) 1999 to the province. The National Accountability Ordinance 1999 Repeal Bill 2017 was introduced by the ruling PPP. It aimed to repeal the applicability of the NAO in departments and autonomous bodies controlled by the provincial government.

The bill drew a strong reaction from a well-prepared opposition, resulting in ruckus on the floor of the Sindh Assembly. However, PPP legislators terming the NAB law a 'black law' argued that they were acting within their constitutional right to revoke it and give greater powers to the provincial anti-corruption department.

Leader of the Opposition in Sindh Assembly Khawaja Izharul Hassan had opposed the Bill saying it was a violation of Articles 248, 143, 8 and 31 of the Constitution. Critics allege that the new law is aimed at shielding several powerful individuals from proceedings against corruption.

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Customs cases:

FBR legal wing to process cases of time limit extension

SOHAIL SARFRAZ

The Board-in-Council of the Federal Board of Revenue (FBR) took a policy decision that cases of time limit extension for adjudication of customs cases under section 179(4) of the Customs Act, 1969 received from Customs Wing shall be processed by the Legal Wing, FBR. Sources said that the FBR's Board-in-Council legally clarified that such cases would be processed by the Legal Wing, FBR and not FBR Customs Wing regarding time limit extension under section 179(4) of the Customs Act, 1969. The policy decision has been communicated to the FBR Customs Wing as well as FBR Legal Wing.

The Board-in-Council was informed that FBR vide notification No. 6(96)S(BIC)/2014-15, dated 11.3.2016, had delegated the powers for extension in time limit for adjudication of cases under subsection 2 & 4 of section 179 of the Customs Act, 1969 to Member (Legal), FBR. On the said date, a few cases were pending with Customs Wing FBR for granting extension in time limit and the period of adjudication had expired in those cases. After issuance of the said notification, Customs Wing FBR and Collector, Collectorate of Customs (Adjudication), Islamabad, forwarded the said cases to the Legal Wing FBR for granting extension in terms of board's above referred notification.

Since the issue of disposal of legacy cases, which were pending for grant of extension, was not addressed in the above said notification, Board-in-Council was requested for a specific clarification as to who shall dispose of the legacy cases which were pending when the powers under subsection 2 & 4 of section 179 of Customs Act, 1969 were transferred from Customs wing to Legal wing on 11.3.2016.

After thorough discussion, the Board-in-Council unanimously decided that cases of time limit extension under section 179(4) of the Customs Act, 1969 received from Customs Wing shall be processed by the Legal Wing, FBR.

The 1st Board-in-Council meeting for the current financial year was held at FBR House, Islamabad. The meeting was chaired by Tariq Mahmood Pasha, Secretary Revenue Division/ Chairman, FBR and attended by the participants including members.

Tasneem Rehman, Member (Admn), welcomed the new secretary Revenue Division/ chairman FBR, on behalf of members of the Board-in-Council. She assured the chairman of complete support and reiterated that the members would work as a cohesive team under his leadership and leave no stone unturned to achieve the assigned targets of revenue collection for the current financial year.

Speaking on the occasion, Nasir Masroor Ahmad, Member (HRM), Khawaja Tanveer Ahmad, Member (IR Operations), Rehmatullah Khan Wazir, Member (TPA), Nausheen Javaid Amjad, Member (FATE), Khawaja Adnan Zahir, Member (IT), Muhammad Zahid Member (Customs) and Dr Muhammad Iqbal, Member (IR Policy), also congratulated the chairman. While highlighting various strengths of the chairman, the speakers hailed the competence and professionalism of the chairman while he was posted as secretary Finance, Auqaf & Religious Affairs, government of Punjab and Special Assistant to the federal finance minister, it was reiterated that his presence as head of Federal Board of Revenue would benefit both the service groups.

The chairman thanked the members for their welcoming remarks and resolved that they would work as a team in order to synergize the efforts for achieving the assigned targets. Speaking on the occasion he reiterated that each member was the team leader of his/her wing and expected that under the supervision of the respective members, all wings would achieve the best results during the current year. The FBR chairman also assured the members of his complete confidence in the entire team and resolved to extend his full support whenever it was required.

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FCCI hails new system of sales tax refund claims

KHALID ABBAS SAIF

Payment of sales tax refund claims to the tune of Rs 26.43 billion is a long awaited but positive and bold step which will help textile exporters to come out of the liquidity crunch, said Vice President Faisalabad Chamber of Commerce & Industry (FCCI) Engr Ahmed Hassan.

He was talking to the media persons after participating in a special function of FBR in Islamabad in which Federal Finance Minister Ishaq Dar pushed button to pay electronically refund claim of sales tax without any human interaction. The claims of refund will be automatically transferred to the bank accounts of the claimants through electronic transfer by the State Bank of Pakistan.

Ahmad Hassan mentioned that government had taken a positive step to exempt five export sectors including textile from refundable taxes including sales tax from July 01, 2016. But despite this policy decision, the sales tax has been charged on electricity, gas and other raw materials consumed by the export sector. He said that the exporters have to run from "pillar to post" to get back their refund claim. "It is surprising that some time the amount of refund claims cross the limit of Rs 400 billion", he said adding that the major investment of exporter is stuck up with the FBR and they have to get fresh bank loans at high markup to meet their daily expenditures. He further said that the additional amount of markup has also played an instrumental role in increasing the cost of production that is main cause of decline in our textile exports. He also mentioned the status of GSP Plus allowed to Pakistan by EU, adding that despite having the facility, our export is still dip nosed.

However, he expressed satisfaction on the recent step taken by the federal government to pay the refund claim in two phases. In first phase, the claims up to Rs 1 million up to July 15 were paid and now the payments of refund claims above Rs 1 million have been started.

He told that 10439 Refund Payment Orders (RPO) are being paid through electronic payment system and this amount will be directly transferred to their bank accounts. Appreciating the payment of refund claim, he urged upon the government to carve out a well designed system in which the refund claims are automatically paid without any undue delay. He also mentioned Rs 180 billion textile package and said that this was announced to facilitate the textile sector which was passing through deep crises. He was also critical of the fact that out of this huge package, only Rs 3.5 billion has so far been released and thus, this package failed to pass on requisite relief to the textile sector. He said that government should also expedite payment under this package so that the declining trend in textile export could be checked.

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Bed-wear textile export witnesses 6 percent rise

RECORDER REPORT

Pakistan's export of bed-wear textile surged by six percent to $2.133 billion in the last fiscal year 2017, according to official figures. The bed-wear textile exports witnessed an increase amounting $114.056 million during last fiscal year as the total of said export stood at $2.019 billion in the fiscal year 2016, Pakistan Bureau of Statistics says.

The volume of bed-wear textile export mounted by 7.37 percent or 32,251 metric tons to 353,108 metric tons during last fiscal year from the earlier total volume 320,857 metric tons in the fiscal year 2016. Bed-wear textile export hiked to $209.258 million also in June 2017, up by 33.10 percent or $52.044 million, as compared to June 2016 amount $157.214 million. In term of quantity, bed-wear textile export also grew by 32.04 percent or 8,266 metric tons to 34,069 metric tons in June 2017 from 25,803 metric tons in June 2016.

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Easy tone on cotton market

DR ZAFAR HASSAN

After remaining relatively firm since the last several weeks, an easy tone has appeared on the market where both seed cotton (Kapas/Phutti) and lint prices have declined with increased arrivals. Moreover, coming Monday business will remain closed on 14th August 2017 being the Independence Day of Pakistan.

Seed cotton (Kapas/Phutti) prices have declined by about Rs 100 to Rs 125 per 40 Kgs, while lint prices are reported to have gone down by Rs 50 to Rs 75 per maund (37.32 Kgs). Traders said in Karachi on Thursday that arrivals of seed cotton and lint from both Sindh and Punjab have increased which have pressurised the prices. Thus on Thursday seed cotton prices ranged lower from Rs 2,900 to Rs 3,100 per 40 Kgs in Sindh, while in the Punjab they are reported to have ranged from Rs 2,900 to Rs 3,200 per 40 Kgs, according to the quality.

The prices of lint cotton in Sindh were said to have ranged from Rs 6,400 to Rs 6,475 per maund (37.32 Kgs), while in the Punjab they are also reported to have ranged from Rs 6,650 to Rs 6,675 per maund, according to the quality. While the global cotton prices are on the tighter side, domestic cotton prices have eased on Thursday. On the International market, besides America and China, Indian cotton prices are also well held and have reportedly increased by Rs 200 per candy.

Ready cotton sales of the new crop (August 2017/July 2018) were said to be about 12,000 bales on Thursday with cotton from Sindh stations such as Tando Adam, Shahdadpur, Kotri, Hyderabad, Sanghar and Jhol having been reportedly sold from Rs 6,400 to Rs 6,475 per maund. In the Punjab, 200 bales of cotton from Burewalla reportedly sold at Rs 6,650 per maund (37.32 Kgs), 400 bales from Vihari sold at Rs 6,675 per maund, while 200 bales from Gojra sold at Rs 6690 per maund.

In the evening, the tone of the cotton market reportedly remained on the quiet side. With an extended weekend, cotton business will resume properly on next Tuesday and thereafter. In the meantime, textile business continues to remain in problem, including the weaving sector.

On the global economic and financial front, business and equity markets had been improving in the aggregate since the beginning of this year after a particularly dismal decade following the Great Recession beginning in 2008. Even if the investors carry the hope that the upward economic drive will keep its pace, but willy nilly their hopes are starting to falter due to their increasing concerns about the political tension building up in the Korean peninsula.

The growing tensions between North Korea and the United States are having negative effects on various markets around the world and business sectors remain notably apprehensive lest a full-blown conflict erupt leading to a full scale war in the region. Confidence has been shaken in various markets around the world, be they commodity markets or equities.

Earlier, most economies around the world were striving to extricate themselves from the Great Recession and some countries even managed to push up their economies with reasonable success. However, besides their pending problems, the North Korean threat to Guam has dampened business sentiment around the world.

Besides the North Korean conundrum, other remaining economic problems around the world continue to plague the global economy. Chinese stocks were pulled down because of fears that banking regulators could continue to clamp down on risky accounts of debtors where lax financing and speculation could jeopardize the loan from payback to the lending banks. In the United Kingdom, former chancellor Lord Darling has warned the authorities that consumer debt in the British economy is a "growing concern".

Reports have been received from the Middle East where markets were depressed earlier in the week reportedly due to low oil prices, austerity programmes of the government and also due to the escalating tensions between North Korea and the United States. Sentiments in many markets were also low when a car rammed into soldiers in a Paris suburb which injured six of them on Wednesday.

In conclusion, it is now observed that while United States President Donald Trump has warned that North Korean threats to America will be met with "fire and fury like world has never seen", North Korea has retorted that it will bomb Guam where the U.S. has a large military base. No wonder that the equity prices dropped in many parts of the world.

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Hectic buying by spinners, mills

RECORDER REPORT

Prices firmly held the present levels on sustained buying by mills and spinners, dealers said on cotton market on Thursday. The official spot rate was unchanged at Rs 6450, they said. In the ready session over 16,000 bales of cotton changed hands between Rs 6500-6700, they said. In Sindh, seed cotton rates were at Rs 2900-3100 per 40 kg, they said. In the Punjab, phutti prices were at Rs 2900-3200, they said.

According to the market sources, Cotton Crop Assessment Committee (CCAC) in it's meeting revised cotton crop production for 2017-18 downward to 12.6 million bales (170 kg per bale) from 14.4 million bales earlier. Cotton analyst, Naseem Usman said that reports from the cotton field indicating that there are some signs of pest attack but not so severe. They also said that farmers and growers should continue spray according to need.

They, however, observed that in the evening session, prices turned lower as a result of pressure selling by ginners. The ginners came under pressure due to rise in arrivals but it seems that selling pressure could be short-lived, they added. The ginners could not get profits last year owing to fall in demand by mills, they said.

Adds Reuters: ICE cotton futures ended almost flat in low volume trading on Wednesday as markets waited for the key supply and demand estimates report on Thursday. Cotton contracts for December settled down 0.02 cent, or 0.03 percent, at 71.11 cents per lb. The contract touched a high of 71.20 cents, a peak since June 14.

Total futures market volume fell by 1,448 to 17,608 lots. Data showed total open interest gained 2,129 to 219,092 contracts in the previous session. The following deals reported: 2000 bales from Sanghar sold at Rs 6450/6500, 1000 bales from Mirpurkhas at Rs 6475/6500, 1600 bales from Hyderabad at Rs 6475/6500, 1000 bales from Kotri at Rs 6500, 3000 bales from Shahdadpur, 2000 bales from Tando Adam, 200 bales from Sinjoro, 200 bales from Khadro, 200 bales from Moro all done at the same rate, 400 bales from Burewala at Rs 6675/6700, 800 bales from Mianchano at Rs 6675/6700, 400 bales from Haroonabad, 500 bales from Vehari, 400 bales from Gojra, 200 bales from Sahiwal, 400 bales from Chichawatni and 600 bales from Khanewal all were sold at Rs 6700, they said.

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THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL					
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**	**Spot Rate Ex-Karachi As on 09.08.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,450	145	**6,595**	**6,595**	NIL
40 Kgs	6,912	155	**7,067**	**7,067**	NIL

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ICE cotton falls over 4 percent

RECORDER REPORT

ICE cotton futures fell over 4 percent on Thursday to a two-week low after markets were surprised by supply estimates from the US Department of Agriculture, which raised its projections for US and global production for the 2017/18 crop year. Cotton contracts for December closed limit down, or 3 cents at 68.11 cents per lb, a two-week low. It traded within a range of 68.11 and 71.19 cents a lb. The contract also registered its worst intraday decline of 4.22 percent.

"The first survey of US 2017 crop production indicates a crop of 20.5 million bales, 1.5 million above last month and the largest production in 11 years," the USDA said in its monthly World Agricultural Supply and Demand Estimates report released on Thursday. World 2017/18 ending stocks are now projected at 90.1 million bales, an increase of 1.4 million from the July forecast, and 100,000 above 2016/17, the report showed.

"It is a big surprise on the US production side and I don't agree personally that the crop will be that big," said Anestis Arampatzis, risk management consultant with INTL FCStone. Total futures market volume rose by 25,386 to 43,241 lots. Data showed total open interest gained 2,454 to 221,546 contracts in the previous session.

The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 1.46 percent. "Numbers are bearish, but production estimate will likely prove to be too high ... They look a bit inflated," said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group.

"We were expecting numbers somewhere around 18.6 million bales and now it looks somewhere around 19.2 million bales, but definitely not 20.5 million." Meanwhile, the USDA reported net upland sales of 75,800 running bales for 2017/2018, which began on August 1. A total of 745,300 running bales in sales were carried over from the 2016/2017 marketing year, which ended July 31.

Certificated cotton stocks deliverable as of August 9 totalled 19,523 480-lb bales, down from 20,135 in the previous session. China will produce 5.28 million tonnes of cotton in 2017/18, up 9.5 percent from last year due to rising acreage and yield, the agriculture ministry said on Thursday.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	71.61	71.61	68.85	69.26	14:45 Aug 10	69.26	-2.56	10	71.82
Dec'17	71.04	71.19	68.11	68.11	14:45 Aug 10	68.11	-3.00	12164	71.11
Mar'18	70.76	70.81	67.77	67.83	14:45 Aug 10	67.83	-2.93	4810	70.76

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A balanced energy mix is essential

RECORDER REPORT

Prime Minister Shahid Khaqan Abbasi while chairing his first Cabinet Committee on Energy (CCoE) meeting stated that "our government is striving to achieve a balanced energy mix for the country's energy requirements." This statement is extremely critical as it acknowledges that Pakistan's existing energy mix disables the sector from providing the cheapest electricity possible that, in turn, has hindered the capacity of our productive sectors to compete in the international marketplace. Industry stakeholders told *Business Recorder* that electricity tariffs in Pakistan are 50 percent higher than other regional countries - a fact which accounts for their failure to compete internationally. Shahid Khaqan Abbasi holds the portfolio of the two ministries that he consolidated after taking oath as the prime minister notably the Ministry of Water and Power and the Ministry of Petroleum and Natural Resources; this was a long standing recommendation of international donor agencies as well as part of the PML-N 2013 election manifesto which, one may argue, uniquely places him in a position of not only being able to fully understand specific sectoral issues (premised on his holding the portfolio of the Ministry of Petroleum and Natural Resources for the past four years) but in his capacity as the chief executive also enable him to take appropriate timely decisions. The key question in this context therefore is: Can Prime Minister Abbasi revisit the energy mix?

There is absolutely no possible way that a prime minister for only the next 10 months at best would be able to revisit the ongoing energy projects (with gestation period of years not months) that have already been approved by the CCoE when it was headed by Nawaz Sharif of which he was, at the time, a member. The Prime Minister may have some flexibility in those projects that have not yet had a financial close or those where construction work has not yet begun but if the deals for those projects have already been struck with Chinese companies then too he is unlikely to be able to change these projects.

In addition, Shahbaz Sharif, Chief Minister Punjab, as a long standing member of the CCoE has remained visibly engaged in the sector that may further compromise the Prime Minister's ability to undertake a revisit of the energy mix. First and foremost, Shahbaz Sharif has naturally been focused on enhancing the generation capacity of Punjab and has taken some essentially technically flawed decisions that include setting up coal-fired plants in the Punjab which would require transporting coal from either Sindh (if indigenous coal is used) or the ports (if imported coal is used) which would play havoc with the environment. Coal-powered plants are established at or near a coal source globally precisely because of the difficulties involved in their transport long distance and the health and well being of those along the transport route. And secondly, Shahbaz Sharif has been focused on completion time of projects without taking account of a particular project's technical constraints - an example being the Nandipur Power Project.

With the elections scheduled for less than 10 months away there is a general consensus that Shahid Khaqan Abbasi's focus would be on ending load shedding and not quite on tariffs. Load shedding in Lahore, the heartland of the PML-N support, has risen in recent weeks due to, what Lesco officials maintain, is ongoing construction work including the Green Line. Unless the Punjab government agrees to arrest these projects, Lahore would continue to be subjected to heavy load shedding.

To conclude, Shahid Khaqan Abbasi's objective to balance the energy mix is commendable, however, he would not have the time or the resources to make a significant difference in this regard. His focus therefore would remain on ending load shedding to meet the one major PML-N 2013 election commitment.

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Agenda for tax reforms – I

HUZAIMA BUKHARI AND DR IKRAMUL HAQ

For the last many decades, fiscal (mis)management in Pakistan has been a serious cause for concern for all, except for the government and donors. More and more taxes have been the slogan of the donors and governments alike. The sane voices have been underscoring need for structural reforms to end rent-seeking structures. The major issues like non-availability of impersonal market relationships, lack of competitiveness, violation of the rule of law, non-acceptance of the norms of fair play and coupled with reckless borrowing and ruthless wasteful spending have been side tracked or underplayed harpooning the mantra of achieving higher (sic) tax-to-GDP ratio as if it would have solved all the issues faced by the country. The real malady-an outdated, inefficient and non-productive tax system-remains untreated or even unnoticed by those who claim to know everything.

All efforts in the name of tax reforms (so-called) failed miserably as these were patchworks. Re-engineering and redesigning of tax system has not been given any serious thought till today. The Sisyphean task of improving and reforming incorrigible tax machinery, mainly through donors' money, is still on the agenda of our policymakers.

Since Pakistan tax system is shrouded in masteries through myths and mystifications, in this series an effort is made to unveil all these and present what the reality is. Starting from reforms to misleading claims about narrowed (sic) tax base all myths are discussed and busted. In the end some viable and pragmatic solutions are suggested for public debate-it can be adopted as part of Election Manifesto by any party-to evolve a system that best suits our peculiar culture, socio-economic milieu, and business environment. If adopted this can accelerate the growth, provide jobs and ensure funds for rapid infrastructure development and public services.

Existing tax structure & fiscal restraints: Presently, all broad-based and buoyant sources of revenue are with the federal government and contribution of provinces in total tax revenues is 6 percent-in overall national revenue base (tax and non-tax revenue) it is around eight percent. This has made them totally dependent on the federal government for transfers from divisible pool-the National Finance Commission Award as envisaged in Article 160 of the Constitution. What makes the situation more disturbing is the fact that right of provinces to levy sales tax on services is encroached by federal government through levy of presumptive taxes on services under the Income Tax Ordinance, 2001, sales tax on gas, electricity and telephone services and excise duty on a number of services.

Before the independence, the provinces had the exclusive right to levy sales tax on goods and services within their respective physical boundaries. This was snatched from them in 1948 and was never restored. In the given circumstances when a federation like Canada and a union like India are moving towards harmonised sales tax on goods and services, there is a need to debate the issue in public and Parliament for reaching a consensus.

It is an established fact that federal government even after levying all kinds of irrational and expropriatory taxes has miserably failed to reduce the burgeoning fiscal deficit. It reached the figure of Rs 1.8 trillion in fiscal year 2015-14 and since then every attempt to bring it down to 4 percent of GDP has not succeeded.

The Federal Board of Revenue (FBR), the apex revenue authority at the federal level, has persistently failed to tap the actual tax potential and bridge the tax gap. For the last many years, it could not meet even the budgetary targets what to speak of realising the real revenue potential, which at federal level alone is not less than Rs 8 trillion.

Tax gap of a country is measured by the amount of tax that remains uncollected due to non-compliance with tax laws. Pakistan Tax Gaps: Estimates by Tax Calculation and Methodology, a joint study of FBR, Andrew Young School of Policy Studies at Georgia State University and World Bank, provides in detail, tax gaps by type of tax and describes the methodologies and data used for such estimates. The report prepared in December 2008 by Rubina Ather Ahmad (FBR) and Mark Rider (Andrew School) says that views expressed "are of the authors and not of the Government of Pakistan". For fiscal year 2004-2005, according to this report, Pakistan's federal tax gap was Rs 409.5 billion or approximately 69% of actual tax receipts of Rs 590.4 billion. Terming this as "conservative estimate", the report claims direct tax gap at Rs 262.8 billion (around 143% of actual collection of Rs 183.1 billion) and indirect tax gap at 146.7 billion (36% of actual tax collection of Rs 407 billion). In 2008, the data selected was for fiscal year 2004-2005 and tax gap was estimated at 45%. Since then tax gap has increased and according to FBR's own admission it is not less that 70% of actual tax potential.

Tackling twin menaces of underground economy and tax evasion has always been a failure in Pakistan. In fiscal year 2015-16, FBR collected Rs 3.3 trillion against documented GDP of around US$ 300 billion. The underground economy is driven by many aspects of poor fiscal policy, and as highlighted by Dr Arthur B. Laffer: "it isn't just high tax rates that indicate whether illicit trade activity will be a problem, but rather high tax rates coupled with other factors such as affordability, level of corruption, effectiveness of enforcement, and cultural and societal reasons."

The collection of taxes at federal level is much below the actual potential and the way it is collected creates doubts and suspicion. In 2014-15, as in the past, FBR failed to meet the third revised target. The original target of Rs 2810 billion was first reduced to Rs 2691 billion and then to Rs 2605 billion. The claim by Finance Minister that FBR exceeded the target for fiscal year 2015-16 was also contested by many. In a report, it was alleged that Rs 195 billion collection on account of non-tax revenue "is shown as 'other taxes' to claim higher tax collection". It is further alleged that "Rs 30 billion on account of Natural Gas Development Surcharge (GDS) is accounted for as 'other taxes' whereas it was placed under non-tax revenue till 2013-14".

Tax collection figures for 2014-15 & 2015-16: Income tax collection in fiscal year 2014-15 was Rs 1033.7 billion and projection for 2015-16 was Rs 1307 billion. The actual collection, reported by FBR, is Rs 1220 billion-showing shortfall of Rs 87 billion. Collection of sales tax in 2014-15 was Rs 1088 billion and projection for 2015-16 was Rs 1230.3 billion. By raising sales tax on POL products from 17% to 30-50%, the government managed to collect Rs 1329 billion in 2015-16. Customs collection in 2014-15 was Rs 306 billion and projection for 2015-16 was Rs 348.5 billion. After levying regulatory duty on over 300 items, it was increased to Rs 404 billion in 2015-16. Federal Excise collection in 2014-15 was Rs 162 billion. Against projection of Rs 200.9 billion, actual collection for 2015-16 was Rs 177 billion.

In another report, it is observed that "after withholding all the tax refunds during the last fiscal year and forcing companies to pay advance income tax, the Federal Board of Revenue (FBR) announced on Friday that it had achieved the tax revenue collection target of Rs 3.1 trillion set for Fiscal Year 2015-16." It further says that "FBR was holding more than Rs 250 billion in tax refunds during the last fiscal year. The tax refunds were kept to maintain the tax revenue target agreed with the IMF."

The meeting of target by FBR through "undesirable means" was also highlighted in yet another report as under:

"...that the overall collection of Rs 3.1 trillion was a result of one of the largest clandestine operations, as the FBR took over Rs 150 billion in advance taxes from oil and gas, telecommunications and banking companies. The government also blocked payment of over Rs 250 billion genuine refunds of the taxpayers".

It is obvious that on the one hand FBR is facing the challenge of bridging tax gap and on the other collection figures are not reliable. The way forward is suggested in a study published by Prime Institute. This study, available on http://primeinstitute.org, can be considered by policymakers and all the stakeholders. The study gives a detailed roadmap for low-rate, predictable taxes that can accelerate economic growth and yield substantial revenues for the government-much more than what is being presently collected.

The failure to tap real tax potential poses a tough challenge to both the federal and provincial governments. Poor performance of FBR

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adversely affects the provinces as they are overwhelmingly dependent on what the Centre collects and transfers to them from the divisible pool. Provinces are not ready to collect taxes wherever due and generate their own resources after establishment of local governments as envisaged under Article 140A of the Constitution. Centre is unwilling to grant the provinces their legitimate taxation rights while it collects too little to meet their overall financial demands. The size of the cake-divisible pool-is so small that nothing substantial can be done to come out of debt enslavement and to spend adequately for the welfare of the people, no matter to which part of the country they belong.

The track record of FBR shows remote possibility of collecting even Rs 6 trillion in the next three years to give enough fiscal space both to the Centre and the provinces to come out of the present economic mess, thus providing some relief to the poor as well as trade and industry. Under the given scenario, federation-provinces tax tangle will continue unchecked and further taxation through local governments, when elected, would not serve any useful purpose-there will be no relief to the people, rather tax burden will increase manifold. Thus, Pakistan will remain in debt enslavement and more and more people will be pushed below the poverty line. If we want to come out of this crisis, the parliament will have to reconsider the prevailing social contract between federation and the provinces. Provincial autonomy and local self-governance without taxation rights and equitable distribution of income and wealth is meaningless. We cannot overcome perpetual economic crises unless the provinces are given true autonomy; ownership of all resources; generation of own revenue and exclusive right to utilise it for the welfare of their denizens.

Distorted tax base & fiscal consolidation: Fiscal consolidation should be as growth-friendly as possible. In general, tax base-broadening reforms are identified as growth-oriented reforms. To the extent that they reduce distortions to economic decisions on work, saving, investment and consumption, they should increase output and improve social welfare-Choosing a Broad Base-Low Rate Approach to Taxation, OECD Tax Policy Studies No. 19

The policymakers (sic) sitting in the Ministry of Finance and FBR always make a totally fallacious assertion that "only 0.9 percent of the population of the country pays income tax". It is shocking that even the top men of FBR do not know the difference between a "taxpayer" and "return filer". Secondly, they are keen to retain higher rate of taxes (both under income tax and sales tax laws) on narrowed tax base rather than imposing lower taxes on broader base. It has been mentioned many times ['Of taxpayers & non-filers', Business Recorder, October 27, 2016, 'The tax base', Business Recorder, November 2, 2012, 'Ailing tax system', Business Recorder, August 21, 2015 and 'Improving tax compliance', Business Recorder, November 16, 2012] that there are 90 million unique mobile users who pay advance income tax payers in Pakistan but returns filers are pathetically low (merely 1.3 million by end of May 2017).

In fiscal year 2015-16, exporters paid income tax at source of Rs 24.8 billion and salaried persons paid tax of Rs 92.3 billion. Importers paid at source Rs 179.7 billion and contractors Rs 220. Out of gross collection of Rs 1270 billion under the head income tax (refunds issued were of Rs 47.5 billion only), collection after raising demand was just Rs 10.4 billion (0.8% of total collection). Collection through withholding taxes was Rs 919.5 billion, advance tax was Rs 302.3 billion and tax paid with returns was Rs 38.4 billion.

The poor collection under income tax head testifies to the fact that it is not tax on total income base, but indirect tax on many items that include many others, consumption, expenditure, investment, and in many cases just transactions that are devoid of any income-yielding activity. For example, a person sells a house of his brother who lives abroad and on withdrawing cash on his instruction has to pay tax under section 236P of the Income Tax Ordinance, 2001. A salaried person, after paying tax under section 149, is compelled to pay tax on cash withdrawal (section 231A). In 2015-16, collection under section 231A (cash withdrawal) was Rs 28.6 billion and under section 236P (non-filers) was Rs 21.6 billion. On commercial/industrial electricity bills advance tax collection was Rs 25.5 billion and from mobile users it was Rs 47.6 billion.

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It is an irrefutable fact that about 7.5 percent of the country's workforce, approximately 4.5 million, earns taxable income of Rs 400,000 or above. However, tax returns received by FBR for tax year 2015 were only 1,064,108. Out of these, 90% filers paid income tax less than Rs 10,000! The issue is not only that of low return filers but also total gross under or non-reporting.

Tax base under indirect taxes (sales tax and excise) is also extremely narrow. About 82 percent of entire sales tax and federal excise duty comes from the top 100 companies. In fiscal year 2015-16, total collection of sales tax (import) was Rs 683.6 billion out of which share of POL was Rs 209 billion (30.5%). In sales tax (domestic) total collection was Rs 668.9 billion out of which share of POL was Rs 349 billion (52.17%).

Failure to harness the real tax potential ('Oppressive taxes & unabated outflows', Business Recorder, February 20, 2015) is the real dilemma of our policymakers. The existing tax structure is not only detrimental for economic growth but also not yielding required revenues for the State. The economic managers have failed to realise that excessive taxation on savings does not increase government revenues. Once income has been taxed then savings and transactions should not be taxed. Is there any country in the world where banking transactions and withdrawal of cash are being taxed like it is done in Pakistan?

The donors and lenders (IMF, ADB, World Bank and DFID etc) never mention the oppressive side of our tax system and non-availability of public services. They are fond of discussing "low-tax-to-GDP ratio" in isolation. Initiatives like Research and Advocacy for the Advancement of Allied Reforms (Raftaar), funded by Britain's Department for International Development (DFID), keep on emphasising need for more revenues, without pointing out where the taxpayers' money goes to.

Raftaar has pointed out that "more than 53% of federal government's expenditure is incurred on interest payments, defence, and the wage bills". But then why does it still want to support the incorrigible FBR. Paying proper taxes or filing returns, people say, is meaningless and unjustified when the State is indifferent towards public welfare and elites blatantly show apathy towards their fundamental needs.

Our rulers live lavishly while Pakistan ranks at 146 out of 187 countries in the latest Human Development Index (HDI). Not less than 25 million children out of school in Pakistan in gross violation of Article 25A of the Constitution-see detailed judgement of Supreme Court 2014 SCMR 396 re Petition regarding miserable conditions of schools. Raftaar and other initiatives like, Make Tax Fair, Pakistan Tax Justice Network, Tax Justice Coalition etc, must campaign for a just tax system.

Our successive governments have been taxing the poor and giving extraordinary benefits to the rich. Abuse of taxpayers' money for personal comforts and luxuries of the ruling elite is the main malady. The government's yearning for "more and more taxes" has become a source of irritation for the citizens who plausibly argue that they get nothing in return and their plight is worsening every day.

Irrational taxes have failed to solve any problem-debts, both internal and external, are rising and high inflation is crushing the poor. We need all-out reforms and complete overhauling of the system. Voicing this concern, Nadeem Ul Haque, ex-Deputy Chairman of Planning Commission, in Reform or face fundamental ascendency, emphasised:

"The State must first provide the social contract ie good law and order and security of life. It must dismantle the rent seeking that protects the rich. Rent seeking relies on three main components: state subsidies, licensing and regulation; special perks and privileges for ministers and army and civil service employees and land distribution system that allows the poor man's land to be acquired for the elite especially the army and civil service."

Political economy of tax reforms: The debates and discourse concerning political economy of tax reforms in Pakistan lack objective analyses and rational approach as evident from the latest book, published by Oxford University Press, The Role of Taxation in Pakistan's Revival, edited by Jorge Martinez-Vazquez & Musharraf Rasool Cyan. The book contains nine chapters, which are in fact, studies conducted for 7-year-long [December 7, 2004 to December 31, 2011] Pakistan

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Tax Administration Reform Programme (TARP), carried out with total cost of US$149 million, out of which US$ 102.90 million came as loan from World Bank. The book confirms why TARP was a great failure-on its conclusion not only did tax-to-GDP ratio fall substantially, there was a tremendous decrease in the number of return filers. After reading the book, an irresistible conclusion which can be drawn is that prescription of the World Bank (WB) and the International Monetary Fund (IMF) suggesting "more taxes" without growth, equity and delivery of social services to the citizens is a lethal pill, based on a diagnosis by a quack rather than by a qualified physician.

Imposition of regressive, high rate taxes, especially sales tax on essential items, in an underdeveloped, informal and struggling economy has been the tax policy of Pakistan, on the dictates of the IMF and the WB and the disastrous results are before us-see detailed analysis in Illogical Taxes, Business Recorder, September 18, 2015.

None of the studies in the book has highlighted the most painful aspect of Pakistan's oppressive and unjust tax system. On the one hand, the State is least pushed to provide free education and health facilities and on the other, individual income taxation is insensitive to family circumstances to determine ability to pay, in utter violation of Article 3 of the Constitution of Pakistan.

In civilized, democratic countries income tax laws recognise the cost of living alone or with family-expenses to nurture children are always taken into account. The laws, thus, allow deductions/allowances according to the size of a family. In Pakistan, FBR not only denies any such allowance or deduction, but extorts advance income tax even from the lower-income earners and their family members having no income on facilities like mobiles. Adding insult to injury, FBR expects them to file tax returns to get the money withheld as refund, whereas the cost to get it is much more than the amount due and chances of harassment after filing return are obnoxiously high.

The so-called "experts" on Pakistan's taxation system, at home and abroad, do not try to comprehend the basic elements of a repressive system, let alone suggesting ways to reform it. Their popular slogan is more taxes to improve tax-to-GDP ratio, but no concern for utilisation of money collected as taxes and its ruthless abuse for providing extraordinary perks and perquisites to the ruling elites. They want what is prevalent in the West without studying and considering the mundane realities of Pakistan where the State is not providing even security of life and property, what to speak of taking care of fundamental needs of all citizens-the denial of fundamental right of free education to children under Article 25A is the most glaring example of State's apathy.

The real issue of taxation in Pakistan is lack of a judicious balance between direct and indirect taxes. Appeasing the rich and mighty and lavish spending on comforts of elites is the main cause of the huge budgetary gap. Such wrong policies are continuously increasing miseries of the people, 12.7 percent of Pakistan's population now lives below $1.25 per day, which is categorised as extreme poverty-World Development Indicators (WDI) 2015. Non-collection of taxes from the rich and generously extending exemptions/concessions is the root cause of our unjust tax system.

In the book, edited by Jorge Martinez-Vazquez & Musharraf Rasool Cyan, even the internationally-acclaimed writers have failed to dislodge the claim of FBR that share of direct taxes is about 40% in total tax collection. They have blindly adopted the figures of FBR without examining their authenticity. They could not discern that under Pakistan's Income Tax Law, overwhelming collection is through indirect taxes that are camouflaged as direct taxes. These presumptive and transactional taxes have nothing to do with the income of a person-the incidence of these is passed on to the clients/customers.

In FBR Year Book 2013-14: concealing the truth, Business Recorder, November 7, 2014, it is established with facts and figures that share of direct taxes in GDP is continuously shrinking-during the last 20 years, it was never more than 4% of GDP. If the experts engaged by the IMF or the WB to suggest tax reforms could not analyse the data properly, what can one expect from the commentators talking about taxation system in different TV talk shows or writing columns/articles in the vernacular Press. No expert hired by the WB or the IMF as

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the book shows is aware of the reality, or has not intentionally highlighted it, that the main incidence of the taxes in Pakistan is on the middle-low-income groups, while the beneficiaries of taxpayers' money are rich members of the militro-judicial-civil complex and public office holders who get enormous tax-free perquisites and benefits. The State, captive in the hands of a few, is facing enormous challenges on fiscal front as parasitic elites have failed to deliver.

In our fiscal woes, there is also criminal culpability of IMF "bosses", who dictate our economic managers to follow their ill-prescriptions. They plead for more regressive taxes and do not care even if the federal government raises sales tax rate to the extent of 50% on high speed diesel oil, 30% on kerosene, 29.5% on light diesel oil, 26% on motor spirit excluding HOBC and 24% on HOBC through statutory regulatory orders (SROs)-see detailed comments in Constitutional violations in taxation, Business Recorder, October 9, 2015. They know that such actions not only burden the poor but also constitute open violation of Articles 77 and 162 of the Constitution of Pakistan. In their countries, they talk about "rule of law" and in Pakistan they ignore our rulers' blatant violations of the supreme law of land with impunity.

The Supreme Court in Engineer Iqbal Zafar Jhagra and Senator Rukhsana Zuberi v. Federation of Pakistan and Others (2013) 108 TAX 1 (S.C.Pak.) held that:

"Parliament/Legislature alone and not the Government/Executive is empowered to levy tax. As far as delegation of such powers to the Government/Executive is concerned, the same is for the purpose of implementation of such laws, which is to be done by framing rules, or issuing notifications or guidelines, depending upon case to case, as we have come across some of the cases noted hereinabove. But in no case, authority to levy tax for the Federation is to be delegated to the Government/Executive. Therefore, arguments so raised by learned counsel have no force and the same are repelled hereby."

The IMF in its parleys with the Pakistani team in Dubai had never raised the issue of violation of constitutional provisions and burdening the poor with unprecedented taxes on petroleum products. Why should they? They are mainly concerned with getting their own money back, no matter if it means sucking blood of the poor. The fault of course, mainly lies with our ruling elites, who beg before them, thrive on borrowed funds and taxes paid by the masses.

We should set our house in order and stop blaming lenders. An undeniable reality is that the Pakistani nation is the most heavily taxed in the entire region and the citizens get neither education nor health facilities from the State, what to speak of social protections like pension for all, out of taxes paid over the period of time. There is overwhelming reliance on indirect taxation [even under the garb of direct income taxation through presumptive tax regime on a number of transactions] without evaluating its impact on the economy and life of the less privileged sections of society.

In the face of declining income tax contribution (after excluding indirect ones levied under Income Tax Ordinance, 2001) to GDP, our Finance Minister and FBR officials have been making tall claims about "impressive" (sic) increase in taxes. The reality of this "impressive" performance was exposed in various columns, but the IMF and the WB remained mum as they were party to portraying all-good "projection saga"-FBR reforms-II, Business Recorder, August 3, 2015.

The existing tax system is not taxing the rich 15 million and main collection is from indirect taxes. Resultantly, income and wealth distribution disparities are rapidly widening in the country leading to social and political unrests. Under the given scenario, efforts are needed both at federal and provincial levels to enlarge the size of the pie by shifting to growth-oriented taxation-see details in Chapter 16 of Return to Prosperity by Arthur B. Laffer & Stephen Moore.

(To be continued tomorrow)

(The writers, lawyers and partners in Huzaima, Ikram & Ijaz, are Adjunct Faculty at Lahore University of Management Sciences)

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Cotton production estimated at 12.6m bales

APP

ISLAMABAD: The Cotton Crop Assessment Committee (CCAC) on Thursday estimated cotton production at 12.6 million bales during 2017-18 against the target of 14.04 million bales.

Chairing the first meeting of the committee for this season Ministry of Textile Industry Secretary Hassan Iqbal said that based on all available information from field formations of the provinces and better crop outlook, it was expected that production target of 14.4m bales may be achieved.

He said the current estimate of 12.6m bales was expected to further improve in the next meeting as per acre plant population and per plant balls has witnessed significant increase as compared to the last year.

He said the government would establish textile universities in cotton growing areas and set up ginning units in order to promote cotton crop cultivation and production in the country.

He directed the relevant authorities to activate the field extension departments of the provinces to address issues faced by the farmers.

Meanwhile, Cotton Commissioner Dr Khalid Abdullah informed the meeting that in Punjab cotton crop production was estimated at 8.9m bales, where as for Sindh there is a forecast of 3.7m bales.

Cotton production for Balochistan and Khyber Pakhtunkhwa is estimated at 0.01m bales, respectively, he added.

He said the plant population has witnessed about 5.7 per cent increase where as average balls per plant grew 40pc, a positive sign for the crop.

Besides, fertiliser intake and pesticides spray has also increased and no major pest attacks have been reported from the field units so far, he added.

Dr Abdullah also apprised the meeting about the different steps being taken by the Ministry of Textile Industry to promote cotton crop in the country.

Addressing the meeting, President Pakistan Cotton Ginners Association said the crop outlook was encouraging due to timely sowing of cotton.

DAWN
Friday, 11th August, 2017

Trade deficit widens by 56pc

Mubarak Zeb Khan

Continuing their rebound that began in early 2017, exports recorded an annual increase of 10.58pc in July to $1.63bn. Foreign sales of Pakistani goods fell 1.63pc to $20.45bn in 2016-17.

ISLAMABAD: Merchandise trade deficit soared by almost 56 per cent in July, the Pakistan Bureau of Statistics said on Thursday.

It rose to $3.2 billion as the new fiscal year opened on the back of higher growth in imports and a lower export bill.

The rising trade deficit poses one of the most serious challenges for the government in the last year of its current term.

Imports increased 37pc to $4.84bn in July

The last fiscal year saw the trade deficit rise to an all-time high of $32.58bn, representing year-on-year growth of 37pc.

When the PML-N came to power in 2013, the country's annual trade deficit was $20.44bn. It has been continuously on the rise since then.

Imports recorded a growth of 37pc to $4.84bn in July from $3.54bn a year ago. The import bill is rising due to an increase in the arrival of capital goods, petroleum products and food products. The overall import bill rose 18.7pc to $53bn for 2016-17.

Exports continued to show a rebound that began early in 2017, recording a growth of 10.58pc in July. Export proceeds went up to $1.63bn from $1.47bn a year ago.

Exports grew 16.16pc in June, 5pc in April and 3pc in March. Overall exports fell 1.63pc to $20.45bn in 2016-17.

An official of the commerce ministry said it is working with full vigour on both policy and administrative fronts regardless of the current political situation. He said the ministry continues its advocacy for the timely disbursement of refunds as well as payments under the premier's trade enhancement initiative.

The government has so far released almost Rs7bn as cash subsidy on export proceeds under the prime minister's support package.

Negotiations continue on the proposed free trade agreements (FTAs) with Thailand and Turkey as well as the review of existing FTAs and preferential trade agreements. Work is at an intermediate stage on the global launch of a Pakistan branding campaign and the review of the trade policy within the current fiscal year.

Exports are in decline although the government claims that it is providing the industry with round-the-clock power supply since November 2014. Similarly, the government is also providing export-oriented industries with a concession of Rs3 per unit in the electricity tariff since 2016.

The commerce ministry recently announced that it will make changes in the trade policy framework.

Under Strategic Trade Policy 2015-18, the ministry notified five cash support schemes to improve product design, encourage innovation, facilitate branding and certification, upgrade technology for new machinery and plants, provide cash support for plant and machinery for agro-processing and give duty drawbacks on local taxes.

Exporters have yet to submit claims for the subsidy due to "flaws in these schemes".

DAWN
Friday, 11th August, 2017

Remittances drop 16.2pc month-on-month

Shahid Iqbal

KARACHI: Remittances grew 16 per cent in July on a year-on-year basis while inflows dropped 16.2pc over the preceding month.

The State Bank of Pakistan (SBP) reported on Thursday that the country received remittances of $1.54 billion in July against $1.33bn in the same month a year ago.

Inflows declined on a monthly basis, which indicates a downward trend following an improvement at the end of 2016-17. Remittances declined for the first time after 13 years in 2016-17.

Inflows grew 16pc on an annual basis

The latest drop in remittances can be alarming for the government, which is already under pressure because of a weakening external sector.

Remittances from the United States, United Kingdom and Saudi Arabia recorded an increase of 14pc, 38pc and 8pc, respectively, on a year-on-year basis. Inflows from these three countries amounted to $193m, $199m and $408m, respectively.

The highest remittances were from Saudi Arabia last month. Inflows from the United Arab Emirates increased 14pc to $334m.

In addition to remittances, foreign exchange reserves of the country are also in decline. A separate report by the SBP showed reserves of the central bank amounted to $14.4bn on Aug 4.

SBP reserves were $14.78bn in 2010-11. This indicates that the central bank's reserves are presently below the level of 2010-11.

SBP reserves fell to their lowest level of $6bn in 2012-13. They started increasing from the next fiscal year and rose to the highest level of $18.93bn in October 2016. SBP reserves have lost $4.53bn since then.

Net reserves of commercial banks rose to $5.6bn in July from $4.8bn in January. Remittances are the key to the stability of the external sector, which saw a record current account deficit of $12bn in 2016-17.

DAWN
Friday, 11th August, 2017

Hasty selling on cotton market

The Newspaper's Staff Reporter

KARACHI: Prices came under pressure on the cotton market on Thursday as ginners started offloading their stocks in a haste amid ample availability of quality lint. Much of the buying activity concentrated in the Sindh variety. However, the Punjab variety attracted quality-conscious spinners.

The world's leading cotton markets remained steady as export figures released by the US Department of Agriculture during last week stood higher by 36 per cent over previous figure.

The Karachi Cotton Association (KCA) left its spot rates steady at overnight level.

The following deals were reported on Thursday: 2,000 bales, Sanghar, at Rs6,450 to Rs6,500; 1,000 bales, Mirpurkhas, at Rs6,475 to Rs6,500; 1,600 bales, Hyderabad, at Rs6,475 to Rs6,500; 1,000 bales, Kotri, at Rs6,500; 3,000 bales, Shahdadpur, at Rs6,500; 2,000 bales, Tando Adam, at Rs6,500; 400 bales, Burewala, at Rs6,675 to Rs6,700; 800 bales, Mian Chano, at Rs6,675 to Rs6,700; 500 bales, Vehari, at Rs6,700; 400 bales, Chichawatni, at Rs6,700; and 600 bales, Khanewal, at Rs6,700.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi
37.324 Kgs Equivalent	6,450	135	6,595
40 Kgs	6,912	145	7,067

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	106.70	106.90
UK	136.88	137.14	138.50	139.50
Euro	123.56	123.80	124.60	125.60
S.Arabia	28.08	28.13	28.30	28.55
UAE	28.67	28.72	29.05	29.30
Japan	0.9576	0.9594	0.9648	0.9848

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.90	6.15
Six months	5.90	6.15
One year	5.96	6.46

LIBOR

Special US dollar bonds for Aug 9

Three months	1.30917 %
Six months	1.45222 %

THE NEWS
Friday, 11th August, 2017

Govt revises down cotton output target to 12.6mln bales in FY18

LAHORE: Government revised down cotton output target by 10.26 percent to 12.60 million bales for the current season of 2017/18 over an earlier estimate as the country's biggest crop producer Punjab fell short of targeted cultivation area, officials said on Thursday.

Government's previous target was 14.04 million bales. The target was cut with an expected yield of 170 kilogramme each. Cotton Crop Assessment Committee (CCAC), in a meeting, said Punjab could not achieve its sowing target for the current year as it was missed by 11.4 percent compared with the official target, which would translate into 12 percent drop in production. Water shortage was attributed as a main reason behind low acreage.

The cotton crop size for Punjab is now projected at 8.80 million bales, followed by Sindh (3.70 million bales) and Khyber Pakhtunkhwa and Balochistan with 0.10 million bales each.

The national target of cotton crop was set at 3.11 million hectares (7.68 million acres) with a production of 14.04 million bales. However, cotton sowing could be completed across 2.753 million (6.803 million acres) hectares as yet.

An official from Punjab agriculture department contended the numbers, saying accurate figures of area will be presented in the second cotton crop survey report to be released end of this month. He, however, said parameters for production, including plant population, bolls per plant and boll weight are more than the last year.

Cotton Commissioner Khalid Abdullah said there was sowing on 2.753 million hectares this year, up 13.9 percent as compared to the previous year's area under cultivation. There was a major increase of 20.5 percent in Punjab province (5.3 million acres). Cotton production was recorded at 10.6 million bales during the crop year of 2016-17.

Abudllah said departments remained proactive in training of farmers for the management of pink bollworm as well as leaf burning syndrome. Cotton prices are also encouraging for the farmers, he added.

Area under cultivation in Sindh slid six per cent during this year if compared with the target and production from the province is likely to decrease 7.5 percent during the current crop season.

Yet, an official from Sindh Agriculture Department said cotton crop condition is good and second picking has also been obtained in lower Sindh. The targets for production will be achieved, he said.

An agriculture official of Khyber Pakhtunkhwa said around 1,800 acres of cotton crop has been cultivated in DI Khan. Government should provide quality seeds, fertiliser and pesticide at subsidised rates to farmers and make procurement arrangements.

Hassan Iqbal, secretary Ministry of Textile Industry said government is taking all-out efforts to boost cotton production by taking supportive measures for all stakeholders. Iqbal said ministry of textile industry has taken measures for the establishment of National Textile University in all the four provinces for technology upgrade and skill development in the agriculture sector.

He asked the government of Khyber Pakhtunkhwa to establish a cotton ginning factory in DI Khan at earliest for facilitating farmers in cotton procurement. APP adds: An official of Pakistan Cotton Ginners Association told CCAC that crop outlook is encouraging due to timely sowing of cotton. He hoped that set targets for the season would be achieved if the other conditions remain same as balls per plant grew significantly.

Due to nominal carry-forward stocks and depleting cotton reserves of China, India and US, prices of the commodity in the local market would remain stable during the season, he added.

THE NEWS
Friday, 11th August, 2017

Exports up 10.6 percent to $1.631 billion in July

KARACHI: The country's exports rose 10.58 percent to $1.631 billion in July over the same month a year earlier, while imports also increased 36.74 percent year-on-year to $4.835 billion in the first month of the current fiscal year, official data showed on Thursday.

Exports amounted to $1.475 billion in July 2016, while imports stood at $3.536 billion, said Pakistan Bureau of Statics (PBS).

Recovery in exports in July indicated that exporters were willowing to boost the external sector after the long-pending issue of stuck refunds has been resolved.

In July, exports, however, fell 14.7 percent over June. Imports increased 6.64 percent month-on-month during the month under review. In June, exports stood at $1.912 billion, while imports amounted to $4.534 billion.

Trade deficit widened 55.46 percent year-on-year to $3.204 billion in July. It swelled 22.2 percent month-on-month.

Officials said exports are declining due to subdued demand in the international markets as well as reduction in global commodity prices. The government, in the budget for the current fiscal year, announced reduction in export refinance and long-term finance facilities to encourage exporters.

In January, it also unveiled export incentive package worth Rs180 billion to be disbursed in shape of rebates and refunds to the exporters who would jack up exports by the end of the current fiscal year. The government is also settling the outstanding refund claims of the export-oriented sectors to get them rid of liquidity crunch.

Weak export is weighing on anemic external sector, leading to rise in current account deficit. The government envisaged an ambitious $35 billion export target for FY2018 and targeted to increase export to GDP ratio to 12 percent. Exports stood at $22 billion in 2016/17.

Meanwhile, exports of services edged up 1.76 percent to $5.554 billion in the last fiscal year of 2016/17. Service exports earned the country $5.458 billion in the preceding fiscal year, said PBS.

The country's foreign trade in services is related to freight transport and passenger travelling, embassies and consulates, auditing and bookkeeping and information and communication technology.

Imports of services also increased 2.96 percent to $9.127 billion in 2016/17. Services import bill stood at $8.864 billion in 2015/16. The country raked in $3.572 billion in trade deficit in services sector during the last fiscal year, up 4.89 percent over a year ago.

In June, trade deficit, however, fell 13.14 percent month-on-month to $407.67 million. It rose 26.17 percent during the month over the same month a year ago.

Services exports earned the country $443.29 million in June, up 13.21 percent over May. Exports of services also increased 5.48 percent in June as compared to the same month a year earlier.

In June, imports of services fell 1.15 percent to $850.96 million as compared to the previous month, while imports rose 14.47 percent during the month under review over the same month a year ago.

THE NEWS
Friday, 11th August, 2017

Chinese envoy says CPEC's early harvest projects come to fruition

ISLAMABAD: Terming China-Pakistan Economic Corridor (CPEC) a win-win scenario for both, China and Pakistan, Sun Wiedong, the Chinese ambassador to Pakistan stated there was no country other than China that wanted to see a stronger, stable and developed Pakistan.

He was delivering an exclusive talk on the topic of "Pakistan-China Relations: CPEC and Beyond CPEC", organised by Institute of Policy Studies (IPS), Islamabad on Thursday. The session was chaired by Raja Muhammad Zafar-ul-Haq, leader of the House, Senate of Pakistan.

Summing up the breadth and depth of Pak-China cooperation in three words: All-Weather, All-Round and Iron Brothers, the ambassador said the historic visit of Chinese President Xi Jinping in 2013 paved the way for the new era of bilateral relationship, which to-date has seen comprehensive promotion of exchanges in the areas of trade, investment, culture, education, science and technology between the two countries.

He said CPEC has entered the stage of giving some early harvest. Among the projects with the total worth of $18.5 billion investment, the projects pertaining to energy – the dire most need of Pakistan at present – had been at the forefront with six projects in progress and five that have been built.

The speed of the completion of Sahiwal Coal Power Project has been a record in Pakistan and it was expected that the completion of all 11 energy projects would add about 11,000 megawatts of electricity to Pakistan's national grid, eventually significantly alleviating the energy shortage and adding strong impetus to the country's economic development.

The construction of road connections was termed another vital area of investment by the diplomat, who said up gradation of the Karakoram Highway and the highway from Peshawar to Karachi would unlock transportation arteries in Pakistan, effectively stimulate economic vitality.

Social effects were another emerging area pointed by the ambassador, with about 60,000 Pakistani workers already employed by Chinese enterprises under and outside the umbrella of CPEC as per some statistics.

These Chinese companies, according to the ambassador, were not only bringing the investment as well as the tax revenue to Pakistan, but also playing an important role in transforming locals into skilled and productive workforce in numerous areas.

He viewed that such contributions by the Chinese organisations would eventually result in the development and transformation of the complete industry-chain in Pakistan.

He also commented about the ongoing situation of academic exchanges between the two countries stating that around 18,000 Pakistan students were studying in China at present, whereas the number of Pakistani students enjoying scholarships by the Chinese government accumulated to nearly 10 percent of the total offerings.

He also shared that Pakistan's trade deficit in this regard was already improving, while revealing that a special delegation of investors was visiting Pakistan for taking Pakistani products into the Chinese markets.

Raja Zafar-ul-Haq in his speech said, "While Pakistan was keen to share with Chinese friends the advantages accruing from the country's strategic position at the crossroads of Central Asia, South Asia, and West Asia, it also feels indebted to its northern friend for its cooperation that has fuelled progress and growth in Pakistan in all important areas of energy, infrastructure, science and technology, manufacturing, electronics, transport, construction, mining, etc."

Earlier, IPS executive president Khalid Rahman said that it was important to note that adversaries of China and Pakistan – both from within and outside – were targeting the spirit of mutual trust and understanding between the two nations by coming up with many negative themes such as trade imbalance, terms of investment, increased flow of Chinese workers in Pakistan, costs of the projects involved and their security, and strategic dynamics of the infrastructure being built as part of CPEC.

THE NEWS
Friday, 11th August, 2017

Cotton firm

Karachi

Active trading continued at the Karachi Cotton Exchange on Thursday, while spot rates remained unchanged.

The spot rates stood firm at Rs6,450/maund (37.324kg) and Rs6,912/40kg. Ex-Karachi rates also remained unchanged at Rs6,595/maund and Rs7,067/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively. CCAC that met this week in Islamabad has set cotton target for the year at 12.6 million bales.

KCE recorded 17 transactions of around 15,000 bales at a price of Rs6,450 to Rs6,700/maund. Transactions were recorded from Mirpurkhas, Sanghar, Hyderabad, Kotri, Shahdadpur, Tando Adam, Sinjhoro, Khadro, Moro, Burewala, Mian Channu, Haroonabad, Khanewal, Gojra, Sahiwal, Vehari and Chichawatni. New York cotton market recorded a decrease on all its futures. October futures dropped 0.09 cents/pound to 71.82 cents/pound and December futures decreased 0.02 cents to 71.11 cents/pound.

The Nation on Web
The Nation
Friday, 11th August, 2017

Govt hailed for payment of tax refund claims

Our Staff Reporter

FAISALABAD - Payment of sales tax refund claims to the tune of Rs26.43 billion is a long awaited but positive and bold step which will help textile exporters to come out of the liquidity crunch, said Faisalabad Chamber of Commerce & Industry (FCCI) Vice President Ahmed Hassan.

He expressed these remarks while talking to a group of media persons after participating in a special function of FBR in Islamabad in which Finance Minister Ishaq Dar pushed button to pay electronically refund claim of sales tax without any human interaction. The claims of refund will be automatically transferred to the bank accounts of the claimants through electronic transfer by the State Bank of Pakistan (SBP).

Hassan said that government had taken a positive step to exempt five export sectors including textile from refundable taxes including sales tax from July 01, 2016. But despite of this policy decision the sales tax has been charged on electricity, gas and other raw martial consumed by the export sector. He said that the exporters have to run from pillar to post to get back their refund claim. "It is surprising that some time the amount of refund claims cross the limit of Rs400 billion", he said and added that it means that major investment of exporter is stuck up with the FBR and they have to get fresh bank loans at high mark-up to meet their daily expenditures.

He further said that the additional amount of mark-up has also played an instrumental role in increasing the cost of production that is main cause of decline in textile exports. He also mentioned the status of GSP Plus allowed to Pakistan by EU, adding that despite of this facility exports are still dip nosed.

However, he expressed satisfaction on the recent step taken by the federal government to pay the refund claim in two phases. In first phase, the claims up to Rs1 million up to July 15 were paid and now the payments of refund claims above Rs1 million have been started.

He told that 10439 Refund Payment Orders (RPO) are being paid through electronic payment system and this amount will be directly transferred to their bank accounts. Appreciating the payment of refund claim, he urged the government to carve out a well designed system in which the refund claims are automatically paid without any undue delay. He also mentioned Rs180 billion export package and said that this was announced to facilitate the textile sector which was passing through deep crisis.

He was also critical of the fact that out of this huge package only Rs3.5 billion has so far been released and thus, this package failed to pass on requisite relief to the textile sector.

He said that government should also expedite payment under this package so that the declining trend in textile export could be checked.

Hassan also thanked FBR Chairman Tariq Manhood Pasha for taking keen interest in the payment of refund claims. He also invited him to visit FCCI at an early date to discuss the tax-related issues including expansion in tax net.

The Nation on Web
The Nation
Friday, 11th August, 2017

Exports witness growth of 10.58 pc

Imran Ali Kundi

ISLAMABAD - Pakistan's exports have recorded a handsome growth of over 10 percent during July 2017 over a year ago after registering a continuous decline for the last couple of years.

Pakistan exported goods worth of $1.63 billion during July 2017 as compared to $1.48 billion of the same period of last year showing an increase of 10.58 percent, according to the Pakistan Bureau of Statistics (PBS). "This is a positive sign that exports have recorded growth, which will likely to continue in months to come," said an official of the Ministry of Commerce. He further said that exports improved due to the former prime minister's incentive package of worth Rs180 billion.

Meanwhile, the country's imports have recorded an increase of 36.74 percent and reached to $4.83 billion during July 2017 as compared to $3.54 billion of the same month of last year. Therefore, the country's trade deficit has registered at $3.2 billion during the previous month as against $2.06 billion of the preceding month showing a growth of 55.46 percent.

Pakistan's trade deficit had recorded a historic high level of $32.58 billion during last fiscal year because of the record increase in imports and continues decline in exports. The government has now decided to revise its trade policies to enhance exports. The government has set an annual export target of $35 billion for the year 2018 under a three-year strategic trade policy unveiled last year.

The Ministry of Commerce had admitted that the government could not achieve the export target of $35 billion by June 2018. The ministry had decided to make changes in the trade policy framework. The ministry in consultation with new Commerce Minister Pervaiz Malik would present the mid-term review of the Strategic Trade Policy Framework (STPF) 2015-18 to the newly elected Prime Minister Shahid Khaqan Abbasi.

Sources said that the ministry would propose measures to control the trade deficit of the country, which had recorded at the historic level of $32.58 percent during last fiscal year. The PBS data showed that Pakistan's exports have declined by 14.7 percent to $1.63 billion in July 2017 from $1.91 billion of July 2016. However, the imports recorded a growth of 6.64 percent and reached $4.84 billion in July 2017 from $4.53 billion in the same period of the last year. Therefore, the trade deficit was recorded at $3.2 billion in July 2017 as against $2.62 billion of July 2016, showing an increase of 55.46 percent.

The Nation on Web
The Nation
Friday, 11th August, 2017

Pakistan, China sign 38 trade agreements worth $325m

INP

ISLAMABAD - Pakistan and China on Thursday signed 38 agreements worth $325 million to promote bilateral trade.

These signed documents will pave the way for enhancing sale of Pakistani products in the Chinese market. The total value of agreements is the same to 17 percent of China's gross import from Pakistan. The products to be imported from Pakistan included seafood, leather, marble products, and coarse copper. This was a step forward, correcting balance of payment in bilateral trade between the two countries.

The entrepreneurs of the two sides inked the trade's arrangement in presence of Chinese Ambassador Sun Weidong, Chinese Ministry of Foreign Trade Deputy Director General Wang Dongtang and Trade development Authority of Pakistan (TDAP) Secretary Inamullah Khan. Commercial Counsellor of the Chinese embassy, Dr Wang Zhihua, was also present on the occasion.

More than 100 enterprise representatives attended the signing ceremony. China's Ministry of Commerce has organised a trade promotion group for economic and trading communication from August 9 to 11. The group comprised representatives of 30 companies, belonging to textile industry, pharmaceutical, agriculture products, petrochemical industry, commercial trading and other fields.

Addressing the signing ceremony, the ambassador said China is Pakistan's second largest export destination for the last couple of years. In 2016, Pakistan export to China stood at $1.9 billion. There has been growing trend in the bilateral trade, since the signing of free trade agreement between the two countries, he added.

He also referred to China's President Xi Jinping's visit to Pakistan and said it raised the level of their strategic cooperative partnership to a new height. The Sino-Pak friendship has now turned into a role-model for the mutual respect and interest between the two nations, he added.

In recent years, the Belt and Road's initiative and the CPEC have provided historical opportunities to both countries to further deepen their bilateral ties in trade and economic fields. Praising Pakistan's export potential, the ambassador said Pakistan's goods including textile, mineral and agriculture-based products are well-received in the Chinese market.

Citing the growing trade between the two countries, Weidong said the export from Pakistan to China has increased from $550 million to $1.91 billion in the recent years. Net increase was by 248 percent. About the CPEC, he said it was bringing positive results improving the living conditions of the people. With the development of CPEC, Pakistan will be able improve its energy, transportation infrastructure.

Chinese Commerce Ministry Deputy Director Wang Dongtang and TDAP Secretary Inamul Khan also addressed the signing ceremony and elaborated the growing socio-economic partnership between the two countries. They were confident that their trade ties will get new momentum with the passage of time.