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Supplementary grants reduced

RECORDER REPORT

ISLAMABAD: Finance Minister Ishaq Dar Wednesday said that present government has succeeded to reduce supplementary grants significantly to Rs 121 billion during the outgoing financial year as compared to the previous year.

The finance minister said this while passing concluding remarks on Budget-2017-18 in the National Assembly. He said that Pakistan has achieved economic stability due to prudent economic policies of the present government, adding that the process of forward march will continue with much more vigour in the time to come.

The House also approved 1,241 supplementary demands for grants and appropriations of an amount of Rs 242 billion for various ministries, divisions and departments for financial year 2016-17.

Dar presented supplementary demands for grants and appropriation in the Lower House of the Parliament for approval and the house approved the demands in the absence of the opposition members who were on boycott of House's proceedings. According to documents, Rs 3 billon supplementary demand for grants for Commerce Division, Rs 31.6 billion supplementary demand for Defence Services, Rs 14.5 billion for Economic Affairs Division, Rs 19.1 billion for Civil Armed Forces, Rs 4 billion for other expenditures of Interior Division, Rs 25 billion for National Health Services, Regulations and Coordination Division, Rs 23 for Development Expenditure of Cabinet Division, Rs and 2.2 billion for Development Expenditure for Economic Affairs Division outside PSDP, etc, were presented.

Similarly, Rs 11.8 billion supplementary demand for grants for Development Expenditure of Federally Administered Tribal Areas (FATA), Rs 8.63 billion for development expenditure of FATA Outside PSDP, Rs 6.56 billion for capital outlay on Civil Works, Rs 3.7 billion for development expenditure of Inter-Provincial Coordination Division, and Rs 5.2 billion for development expenditure of National Food Security and Research Division were presented.

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'Silk Road' contracts

China presses built-in advantage

Drazen Jorgic

ISLAMABAD: Last year, the government held informal talks with General Electric, Siemens and Switzerland's ABB to build the country's first high-voltage transmission line. Chinese power giant State Grid committed to building the $1.7 billion project in half the time of its European counterparts - and clinched the deal.

This is a familiar tale in Pakistan and many other countries.

As China makes its "Belt and Road" initiative - a massive project to connect Asia with Africa and Europe through land and maritime routes - a policy priority for the next decade, Chinese companies are taking the lion's share of infrastructure projects across the region.

Just last year, Chinese firms won project contracts in Belt and Road countries worth $ 126 billion, state media reported.

In Pakistan, whose geographical position makes it central to Beijing's "Silk Road" plans, contracts have been awarded for projects worth more than $28 billion - all by Chinese companies working together with local firms. More than $20 billion in new investment is likely in the next few years, Planning Minister Ahsan Iqbal told Reuters this week.

Last month, government took out full-page newspaper advertisements on the first China-Pakistan project completed under the plan, a 1,300 MW coal plant that it said was constructed in 22 months, a record time for such a facility. The plant is owned by China's state-owned Huaneng Shandong and the Shandong Ruyi Science & Technology Group.

China Inc's main advantage, officials in both countries said, is the ability of Chinese banks - with the blessing of the government - to fast-track loans for projects related to the Silk Road. That makes a huge difference to projects like Pakistan's power transmission line, which aims to end regular energy cuts that leave the country's 190 million population without electricity for several hours every day.

"(Chinese companies have) that advantage because of the support of the Chinese government," said Mohammad Younus Dagha, a senior government official who was in charge at the Water and Power Ministry until earlier this year.

Dagha, who spoke to Reuters shortly before being transferred to the Commerce Ministry, said Beijing was fast-tracking loan approvals and pushing its banks and insurance firms to speed up due diligence work.

Chinese government officials declined comment on specific loan approvals.

But two officials at two Chinese state-owned banks that direct government funding, China Development Bank (CDB) and Export-Import Bank of China (EXIM), told Reuters that they have been instructed by the government to favour lending to Chinese firms for Silk Road projects.

The officials also said that the two banks prefer that companies working on infrastructure projects across the region import raw materials or purchase equipment from China.

There is some criticism in Pakistan that the awarding of the contracts to Chinese companies - while speeding up projects - is also costing the country more money.

In the transmission line project deal, for example, General Electric estimated it could make one key part of the line - the converter stations -for about 25 percent less than what State Grid was charging, according to a Pakistani government official and two power sources familiar with GE's projections. By awarding the contract to State Grid, Islamabad paid a higher price, they said.

An official at Nepra, country's independent energy regulator, said State Grid was also given a tax

break not on offer to other investors.

Pakistani government officials declined to comment on tax issues regarding the deal.

China Electric Power Technologies Company Limited (CET), the State Grid subsidiary that will build the line, said the price it asked for was fair.

"It's a very reasonable cost," said Fiaz Ahmad Chaudhry, managing director of National Transmission & Despatch Company (NTDC) referring to the overall State Grid contract.

Chinese Foreign Ministry spokeswoman Hua Chunying said the process for Belt and Road projects in Pakistan was "open and transparent" and would bolster bilateral relations and regional prosperity.

The edge of Chinese companies in Pakistan is likely to continue. Under the Silk Road plan, China and Pakistan are planning to build $57 billion worth of power plants, port facilities, railway lines and roads in Pakistan.

During a meeting in Bejing last month, Chinese President Xi Jinping said that the plan would be accelerated.

The transmission line project was conceived as a government-to-government contract to build a 878-km (545-mile) connection between soon-to-built power plants near the coastal town of Matiari and Lahore.

According to Pakistani officials, no formal competitive bidding was sought for the project, which was finally awarded in December last year.

But the officials said GE, Siemens and ABB were contacted when initial talks with State Grid stalled around mid-2016 over costs.

Dagha told Reuters he briefly met officials from the three companies on the sidelines of a Paris power conference in August and informally talked about the transmission line contract with them.

GE made an initial cost estimate of $800 million for the converter stations, against State Grid's initial bid of $1.26 billion, according to documents from Nepra and sources familiar with GE's cost estimate.

Despite the lower cost, the problem for Prime Minister Nawaz Sharif's government was speed. Sharif has staked his political credibility on ending Pakistan's frequent power blackouts before the next general election are held by August 2018.

So, Dagha said he asked the Western companies to also match State Grid's ambitious timeline and wrap up work in 27 months.

"They said 'you must be joking...it's impossible'," Dagha recalled. Dagha said Western executives predicted it would take at least 48 months to build the line.

"They said just to prepare the proposal...and for the banks to agree to that would require at least 8-9 months at the fastest pace."

One Western energy company executive in Europe confirmed the meeting took place. Another executive in Europe who is familiar with the matter said "international companies did not have the opportunity to make a bid for the project". Both sources declined to be named.

General Electric, Siemens and ABB declined to comment.

There was domestic pressure in Pakistan to speed up the deal, several government and regulatory officials said.

An official at Nepra, which had to sign off on the contract, said the government put pressure on the regulator to accept State Grid's price demands, warning the deal could come apart as the Chinese were prepared to walk away.

Pakistan's government did not respond to claims Nepra was put under pressure, although government officials have in the past voiced frustrations that the regulatory agency was slowing down projects.

The Nepra official also said the Pakistani government had sweetened the deal for State Grid by removing a 7.5 percent withholding tax

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on tariffs the Chinese company would charge consumers the next 25 years.

The tax break, the Nepra official said, was not on offer for other companies.

Federal government officials and the NTDC did not respond to requests for comment on the removal of the withholding tax.

State Grid was awarded the contract in December last year. It charged $1.7 billion, including a trimmed $1 billion for the converter stations, according to public documents seen by Reuters.

Khawaja Asif, energy minister, defended charges that Pakistan was favouring the Chinese or overpaying for power infrastructure. “That conclusion is a bit misplaced, or exaggerated,” said Asif.

Ashfaq Mahmood, a former top bureaucrat in Water and Power Ministry, said the reality of Pakistan’s need to improve its infrastructure made a certain reliance on its bigger neighbour inevitable.

“This is an opportunity on which the Chinese have capitalised and we cannot blame them.”—Reuters

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THE RUPEE
Steady trend

RECORDER REPORT

KARACHI: Firmness prevailed on the money market on Wednesday as the rupee showed no change in its present levels versus the dollar, dealers said.

INTER-BANK MARKET RATES: The rupee was almost inert in terms of the dollar for buying and selling at Rs 104.87 and Rs 104.88 respectively, they said.

In the third Asian trade, the dollar drifted in recent ranges in the calm before a forecast Federal Reserve storm, as investors awaited signals later in the global session on the Fed's policy outlook.

The dollar index, which tracks the greenback against a basket of six major rivals, was flat at 97.007.

Against the yen, the dollar was steady on the day at 110.11, while the euro was also unchanged at $1.1210.

The greenback was trading against the Indian rupee at Rs 64.323, the US currency was at 4.260 in terms of the Malaysian ringgit and the dollar was at 6.796 in relation to the Chinese yuan.

OPEN MARKET RATES: The rupee was unchanged against the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said. The rupee fluctuated versus the euro modestly for buying and selling at Rs 118.25 and Rs 119.50 respectively, they said.

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.87
Offer Rate	Rs. 104.88

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

The demand and supply situation of the US dollar remained intact that helped the local currency stabilize throughout the trading session. At the close, no change in the value of dollar took place on buying and selling side as it maintained its opening trend of Rs 106.00 and Rs 106.20 respectively, said the local currency dealers.

Moreover, the local currency failed to hold its earlier recoveries as it depreciated versus the pound sterling. The pound's buying and selling rates went up from Tuesday's closing rates of Rs 134.20 and Rs 135.20 to Rs 134.50 and Rs 135.50 respectively, they added.

RUPEE IN ISLAMABAD AND RAWALPINDI: The dollar gained strength against the rupee at the open currency markets of Islamabad and Rawalpindi here on Wednesday.

The dollar opened at Rs 105.95 (buying) and Rs 106.10 (selling) against last rate of Rs 105.90 (buying) and Rs 106 (selling). It closed at Rs 105.95 (buying) and Rs 106.10 (selling).

Buying and selling rates of British Pound is Rs 136.50 (buying) and Rs 138.50 (selling).

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Pipeline project shelved

RECORDER REPORT

ISLAMABAD: The government has abandoned the $ 2 billion Gwadar-Nawabshah gas pipeline project, contracted to a Chinese company, amid a diplomatic crisis in the Middle East, it was learnt.

This project, according to sources, was to transport gas from the border with Iran to Gwadar.

In a meeting of the Cabinet Committee on Energy (CCE), presided over by Prime Minister Nawaz Sharif in the first week of this month, the sources said that the Ministry of Petroleum and Natural Resources was directed to drop the Gwadar-Nawabshah gas pipeline project and commence work on the new Port Qasim LNG terminal in Karachi for which negotiations are ongoing with Qatar Petroleum, a state owned company.

"The CCE directed Ministry of Petroleum and Natural Resources to drop the Gwadar-Nawabshah LNG Terminal and Pipeline Project forthwith and immediately start spadework for setting up a new LNG terminal at Karachi/Port Qasim," according to a CCE decision, a copy of which is also available with Business Recorder.

"This decision would be a setback for the Chinese," said an official of the Ministry of Petroleum and Natural Resources who requested not to be named. A Chinese company had signed an agreement in April 2015 for the laying of the Gwadar-Nawabshah gas pipeline project.

"This project has been shelved citing high costs but the Executive Committee of National Economic Council (ECNEC) had undertaken a detailed cost evaluation and given it the go ahead earlier," the official said. He said that Exim Bank of China was to provide funding for the Gwadar-Nawabshah gas pipeline project.

Chairman Senate Standing Committee on Finance, Saleem Mandviwalla hailed the government decision of shelving the gas pipeline project and said it was a sensible decision to join the Saudi Arabia-led Islamic Ministry Alliance.

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NIB Bank-MCB Bank amalgamation approved

RECORDER REPORT

KARACHI: The State Bank of Pakistan (SBP) has approved the amalgamation of NIB Bank Limited with and into MCB Bank Limited.

According to SBP sanction order it will be effective as of the effective date, to be announced separately.

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When will the rupee depreciate?

Analyses & Comments by BR Research

Chances of the currency falling during this government's tenure are same as that of Pakistan winning against India in any ICC event. The question is how strong Nawaz Sharif is, and in turn Dar, to not let the inevitable happen in their regime. The general consensus is that if the PML-N leadership survives the Panama gate investigations and completes its term, the currency may depreciate by at least 5-10 percent immediately during the time of interim government followed by another 5-10 percent slow depreciation.

One may wonder how currency movement is pegged to politics as in theory foreign capital flows whilst inflation should drive it; and in a supposedly free float regime, demand and supply to determine the price—just how the stock prices move. However, dirty or managed exchange rate float is the name of game in Pakistan. It is artificially pegged against USD since Mar 2014. And this is not unprecedented. The situation was similar during the Shuakat Aziz regime when rupee dollar parity was maintained at Rs60 for a long time

Well, arguably at that time, economic fundamentals were much better than what they are today—FDI was flowing in, exports were picking up and remittances were the new savior against imports. The parity was jolted by unexpected sudden hike oil prices whose impact was not passed onto the consumers. We had to go to the IMF. The fund asked on the onset to adjust currency.

Now, the underline macroeconomic indicators are not shaping well, especially, on the external front. The remittances are no more the savior while exports in terms of GDP are multi-decades low. The imports are probably worse than what SBP numbers are showing. Much of the CPEC related machinery imports are not recorded in the official current account number. Since, most of CPEC related imports are based on Chinese debt; the external debt is not fully reflecting the ground realities. Thus, both the current account and the external debt are understated.

Knowing all the ground realities, and number fudging/ window dressings exercises that are prevalent, the question still remains for how long will the inevitable currency depreciation be delayed? If the PML-N government cannot survive the current domestic political crisis, the currency will slip by 5-10 percent as soon as Nawaz and Dar leave the hot seats. Else, would they be able to sustain the pressure till the government last?

Virtually, every stakeholder BR Research met for interviews/informal discussions since then, on record is saying that currency depreciation has more demerits than merits—60 percent of the economy is worse off by the fall in currency while 40 percent is better off. Yes, they are repeating Dar's mantra without exception for public consumption. But most of them off the record say that there is some room for depreciation and it's better to slowly adjust the currency than give a sudden shock which takes years to recover. However, no one dares to confront Dar. What kind of liberal economic management is this?

The foreign reserves which peaked at $24 billion in Oct16 are on downward trajectory since then. The misery is more visible lately—it nosedived by $1.2 billion in the last week to stand at $20.5 billion. With SBP reserves at $15.7 billion, it is covering mere 4.1 months of imports on SBP numbers and 3.5 months of imports on PBS figures.

How long would it take for the rupee to lose its grip against greenback? The plot is set; and a perfect storm is brewing up against PMLN government. The JIT is giving a tough time to the first family. The PM will appear in front of JIT tomorrow followed by CM Punjab in next week.

The situation is not good on external political front. The

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Qatar crisis is having its toll on Pakistan as reportedly government shelved $2 billion Gwadar-Nawabshah pipeline project which was deemed to be an alternate plan to Iran-Pakistan pipeline. We have too many eggs of power projects in Qatari basket while the remittances flow from KSA is around $6 billion. Apart from this, KSA supports us in many hidden forms; but there is no free lunch as what we got as $1.5 billion gift in 2014 was not unconditional and this country is paying for it today.

Another question is will the country go back to IMF for rescue? The way reserves are falling, by 2018, the government may knock the door of IMF. The first would ask to correct the currency, like it did in Egypt recently, which by REER calculation is overvalued by whopping 27 percent.

The question is will 5-10 percent depreciation be enough to lure IMF? It might not be enough; as we as a country are replenishing collateral against funding. In debt creation, below the line scene is scarier. The government issued sovereign guarantees of Rs368 billion (1.2% of GDP) alone in Jul-Dec2016. The number is higher than combined guarantees of previous two years. The total toll of outstanding guarantees is Rs837 billion out of which Rs821 billion are issued/rolled over within PMLN current regime.

Let's portray a gloomy scenario. In 2018, the economic establishment will go to the IMF for rescue and the fund would say you have nothing much left to pledge. Correct the currency and come back. Pakistan might end up pleading the likes of US and China – and compromise on strategic grounds. That is one extreme scenario and let us all hope such a day would not come. That said, the country is skating on thin ice, better watch your steps!

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Circular debt goes full circle

"Circular Debt is the debt owned by the Power producers to Power Sector entities." Excuse the capital letters, as the quote comes straight from a document titled "Monitoring Report – MOWP," uploaded on the Ministry of Water and Power's website. Not sure if the report has been prepared by the ministry itself, or if a third-party consultant was hired for the purpose. But even a cursory look at the content would tell that it may well be the ministry's own exercise in self praise.

Try telling this to the IPPs. Especially when they are all over the newspapers appealing, pleading, almost begging to have their dues cleared. It may all be just threats to keep the power plants running and the sovereign guarantees may not be invoked after all. But that is not the point. The fact that it has time and again come to this point – that the IPPs raise voice in no uncertain terms – needs serious attention.

In all likelihood, an interim solution would be reached, and the storm would be delayed for another couple of months, through partial payments. This is what the IPPs have also said; that the amount being considered would suffice for no more than six weeks, and it would be back to square one. Whether the government has the capacity to make payments reminiscent of 2013 is not fully known. But the situation must be pretty grim, even if the numbers are not yet as high as being quoted. The IPPs surely wouldn't have threatened to invoke sovereign guarantee, had it been even close to manageable.

It has been said time and again, and it never sounds repetitive, that the solutions to the problem are well known, and without addressing the root causes, circular debt would keep coming back. The question arises reading the aforementioned monitoring report on the MoWP: does the government even have realisation of the problem and its gravity? "The buildup of CD since its clearance in 2013 has been reduced as a result of structural reform," reads another excerpt from the jewel.

So the news is that the structural reforms have actually taken place and the circular debt is well under control. Tariff rationalization was all that was done in the name of reforms, and that was never supposed to be the first step towards reforms. It was always meant to come back and haunt, and haunted it has. Imagine the payables, if the generation goes north of 20,000 MW, much to the pleasure of Khawaja Asif. Imagine if the oil prices go even beyond $60/bbl, let alone any higher. The situation is grave enough to create a bigger hole than 2013.

That said, we should not be worried, as structural reforms have taken place, and the ministry's performance has been categorised as "highly satisfactory." Surely, you can't expect them to beat that.

Also, on a not-so-unrelated note, "the reforms agenda resulted in best practices such as greater disclosure of information (economic merit order, payment data, generation data, NEPRA performance evaluation reports)." Now BR Research would surely love to be enlightened which waters to swim in to find these data nuggets in the world of "greater disclosure of information."

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AML/CFT Regulations amended

SBP acts to curb terror financing, money-laundering

RIZWAN BHATTI

KARACHI: The State Bank of Pakistan (SBP) has made some amendments to Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations to further reduce the risk of money laundering and terrorism financing.

The SBP has also advised all banks/DFIs to complete their internal risk review of remaining legacy portfolio of customers who opened their bank accounts prior to introduction of revised AML/CFT framework in 2012 at the earliest but not later than December 31, 2017.

The National Risk Assessment (NRA) of Pakistan has been undertaken in collaboration with relevant stakeholders including ministries, law enforcement agencies, regulatory bodies and Financial Monitoring Unit (FMU) with an objective to identify and understand the money laundering and terror financing risks in the country and follow risk-based approach to mitigate the risks.

The State Bank of Pakistan (SBP) has completed the risk assessment of banking sector and other financial institutions regulated by it in consultation with focal persons of nominated financial institutions and based on the findings of NRA, it is necessary to enhance risk based approach in AML/CFT obligations. To this end, the some amendments are made in the AML/CFT Regulations issued in September 2012.

According to SBP BPRD Circular Letter No. 20 of 2017 issued on Wednesday, some new guidelines/paragraphs have been added in the AML/CFT Regulations to further strengthen the regulations.

A new paragraph relate to asset side customers has been added in Regulation 1 and Banks/DFIs have been asked to make comprehensive assessment of controls on asset products and related customers to ensure effective implementation of due diligence requirements as per their own assessment of materiality and risk without compromising on identity and verification requirements.

This will include monitoring of the customers and related risks on ongoing basis as per standard norms and best practices to mitigate the risks related to such products/customers.

Banks and DFIs have also been advised that the adequacy of staff posted for effective monitoring and reporting of suspicious transactions is a critical factor of Customer Due Diligence. Banks/DFIs shall place adequate number of analysts for monitoring and reporting purpose. Moreover, steps should be taken by banks/DFIs to develop knowledge and skills of their staff and utilize technology solutions required for

effective monitoring and reporting of suspicious transactions.

As per amended regulation, Banks/DFIs will incorporate procedures to record and maintain data of account opening cases rejected by compliance or central account opening units, the cases where customers' risk ratings recommended by business units were challenged or revised, and the cases where accounts were closed based on ML/TF risks.

In addition to oversight by Board, Banks/DFIs have been asked to assign monitoring of compliance and AML/CFT function as term of reference to one of the Management Committees responsible for risk and control.

Banks and DFIs will include compliance and AML/CFT related responsibilities in Key Performance Indicators (KPIs) of responsible staff down the line, in order to strengthen the

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compliance/AML/CFT function. Moreover, ML/TF risks should be included in KPIs of officer(s) responsible for Enterprise Risk Management and Operational Risk Management functions.

As per fresh directives, banks and DFIs will not assign unrealistic business targets and conflicting roles to their employees. Appropriate strategies may be devised to ensure provision of safe and smooth banking services; and regularly assess working strength of the compliance function and all its sub-divisions and deficiency if any, observed should be addressed on priority basis.

Besides, related policies and procedures will also be brought in line with the above amendments in AML/CFT regulations at the earliest but not later than December 31, 2017.

In addition to the above, SBP has developed 'Frequently Asked Questions (FAQs) on Use of Biometric Technology' which are attached herewith for guidance purpose.

With the view to mitigating various risks arising from money laundering and financing of terrorism, in 2012 SBP decided issue "AML/CFT Regulations" and accordingly banks/DFIs were asked to improve their Risk Based Approach (RBA).

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Govt policies blamed for decline in exports

TAHIR AMIN

ISLAMABAD: The exports-oriented sectors have said that the government policies and not the suspension of export activities at Karachi Port were responsible for decline in exports during the month of May 2017.

Talking to Business Recorder representatives of different exports associations identified an overvalued rupee, high cost of doing business as well as distrust of exporters with respect to the possibility of implementation of the prime Minister's exports package announced in January this year are the major factors contributing to the continued slide in exports.

Prime Minister Nawaz Sharif announced incentives worth Rs180 billion on January 10, 2017 in a bid to boost country's falling exports. The incentives were notified on January 23 for textile sector and on February 2 for non-textile sectors.

Talking to Business Recorder Chairman Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Ijaz Khokar said exporters had submitted claims of Rs 11 billion against different incentives under the PM package; however government has released only Rs 1.5 billion so far. This has resulted in creating panic among the exporters, said Khokar, adding they are facing serious liquidity crunch and unable to further invest in products diversification.

He termed the Commerce Ministry claims that exports fell in May due to transporters strike illogical maintaining that the backlog was cleared soon after the ban was lifted and no order was missed or cancelled. The country's exports have been on a declining trajectory for the last several years and the main reasons are failure to implement policies, high costs and failure to market the products, he added.

Textile Ministry spokesperson Kanwar Usman confirmed that claims worth Rs 3.5 billion under the PM package were received while Rs 1.5 billion was released. He further said that Finance Ministry had been requested for additional releases to clear the exporters' claims.

Gulzar Firoz Chairman Tanner Association (PTA) said the government had withdrawn four percent duty on leather sector but increased labour and utilities cost which rendered their products uncompetitive on the international market. He further said there was a slump on the international market especially in Europe and Russia which negatively affected leather sector.

Pakistan Apparel Forum Chairman Muhammad Jawed Bilwani said exporters were facing tough competition from neighboring countries due to ever-increasing cost of production on the one hand while there was persistent liquidity crunch on the other hand.

"The high cost of production accounts for lower production and closure of a number of export-oriented industries which finally resulted in a drop in exports," Balvani added.

All Pakistan Textile Mills Association (APTMA) representative said the government had earmarked only Rs 4 billion in the budget 2017-18 for the PM package, besides holding drawbacks, sales tax and custom duties refunds claims of over Rs 100 billion.

Industry stakeholders said that due to high input cost including electricity, gas price and overvalued exchange rate Pakistan's textiles are no more competitive in the international market and instead of merely announcing policies the government should take practical measures to arrest falling exports.

Electricity is available at Rs 10.5/kwh for the industry in Pakistan compared to Rs 7/kwh in other regional countries including Bangladesh. Further, gas is available at Rs 1000/MMBTU in Pakistan against Rs 400 in Bangladesh. In such circumstances the industry can not compete in the

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international market and hence is losing customers, said APTMA official adding that industry is burdened with Rs3.63/kWh surcharge on electricity and GIDC on gas which cannot be passed on to the international buyers.

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YDA strike continues on 2nd day

At least three doctors hurt in clashes with police

AMJAD ALI SHAH

PESHAWAR: At least three doctors were injured on Wednesday in clashes with police on the second day of their strike at Hayatabad Medical Complex, a tertiary care facility in the city.

The issue erupted when members of the Young Doctors Association (YDA) entered the outpatient department - amid police resistance - to record their protest. The police wanted to stop them from entering the OPD as it was open for patients at the time. However, once inside the OPD, the doctors chanted slogans against the police and provincial government.

The two groups exchanged harsh words after which the police baton-charged them, injuring and detaining a few doctors.

A heavy contingent of police was deployed at the hospital, on the second consecutive day of the YDA protest.

The police were present at the site to stop protesters from demonstrating on the hospital premises as Section 144 has been imposed at hospitals to prevent public from gathering there.

The protest would affect the treatment of around 2,000 patients who visit the medical facility on a daily basis.

The young doctors began their protest on Tuesday, during which police detained several of their members.

According to Cantt SP Imran Malik, the detained doctors will be brought before court today (Wednesday).

Speaking to the media, YDA President Dr Gulab Noor Afridi said if Imran Khan can protest in the Red Zone [in Islamabad] then why can't the doctors protest in the hospital's lawn?"

"Protest is our constitutional right," he said, adding the Khyber Pakhtunkhwa police was worse than the 'Gullu Butts' of Lahore.

Later, Afridi too was detained by the police. Previously, the YDA has protested outside Lady Reading Hospital and had even set up a hunger strike camp near Sooriya Pul.

The young doctors' demands include monetary compensation for the martyred doctors, no political interference in the hospital management, security for doctors along with time-scale promotion and professional allowance.

Meanwhile, YDA on Wednesday has announced complete strike after security personnel baton-charged the protesting medical practitioners in Peshawar.

The premises of Hayatabad Medical Complex turned into a battlefield after clashes erupted between the young doctors, who were trying to lock OPD against amendment in medical teaching institutes (MTI) act and non-payment of allowances, and with the police.

Sources said that dozens of the staffers sustained severe injuries in the scuffle while several were also taken into custody for hyping violence.

The protesters said the provincial government would not be allowed to amend MTI Act at any cost whereas they also demanded to sack chairman of hospital's board of directors with immediate effect. The doctors continued their protest despite detentions whereas heavy contingent of police was also summoned to handle the situation.

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Lean business on cotton market

RECORDER REPORT

KARACHI: Mills' buying interest persisted on the cotton market on Wednesday in the process of trading activity, dealers said.

The official spot rate was unchanged at Rs 6750, they said. In ready business, nearly 2500 bales of cotton changed hands between Rs 6550 and Rs 7000, they added.

Market sources said that most of the spinners and mills showed their interest in fresh buying.

Cotton analyst, Naseem Usman said that cotton production may depict visible increase in the cotton growing countries. As a result prices may come down but gradually, he added.

Other brokers said that some ginners were not trying to sell their stuff in a hurry on credit, despite knowing the fact that arrivals of new crop have started.

Adds Reuters: ICE cotton futures dropped to their lowest since end-January on Tuesday on expectations of a robust harvest of the natural fiber.

The most-active December cotton contract on ICE futures U.S. settled down 0.62 cent, or 0.86 percent, at 71.82 cents per lb. Prices earlier hit 71.75 cents per lb, the lowest since Jan. 31 and just above the 200-day moving average.

The following deals reported: 1200 bales of cotton from Nawabshah sold at Rs 7000 (conditional), 100 bales from Vehari at Rs 7000, 1031 bales from Shah Jamal at Rs 6930 and 200 bales from Pir Mehal at Rs 6550, they said.

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 13.06.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,750	135	6,885	6,885	NIL
40 Kgs	7,234	145	7,379	7,379	NIL

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New York cotton hits lowest point since January

NEW YORK: ICE cotton futures dropped to their lowest since end-January on Tuesday on expectations of a robust harvest of the natural fiber.

“People are just getting more used to bearish scenario next year. So they expect bigger crop turnover and nobody wants to buy the market at the moment,” said Peter Egli, director of risk management at British merchant Plexus Cotton.

“Everybody is just squaring off positions and expecting bearish new crop scenario.”

The most-active December cotton contract on ICE futures US settled down 0.62 cent, or 0.86 percent, at 71.82 cents per lb. Prices earlier hit 71.75 cents per lb, the lowest since Jan. 31 and just above the 200-day moving average.

“The technicals look weak so that’s why the specs are getting out,” Egli said.

Speculators reduced a bullish stance in cotton futures and options to the lowest since November 2016, the Commodities Futures Trading Commission data showed on Friday.

Elsewhere, the government data on Monday showed 92 percent of cotton crops were harvested in the United States by the week ended June 11, up from 80 percent in the previous week.

The US Department of Agriculture rated 66 percent of the US cotton crop in good to excellent condition, up from 61 percent a week ago.

“Monday’s crop condition ratings continue to seem higher than reports we receive from people with boots on the ground across major US producing regions,” Louis Rose, co-founder and director of research and analytics at Rose Commodity Group, said in a note.

Meanwhile, the July cotton contract on ICE Futures US fell 0.9 percent to 74.48 cents per lb. July contract also touched a more than four-month low of 74.31 cents per lb.

Total futures market volume rose by 6,968 to 44,280 lots. Data showed total open interest gained 1,086 to 234,071 contracts in the previous session.

The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 0.06 percent.—Reuters

New York cotton

RECORDER REPORT
The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May’17	74.47	74.83	73.40	73.50	14:20 Jun 14	73.50	-0.98	22096	74.48
Jul’17	74.07	74.07	72.53	72.92	14:20 Jun 14	72.92	-0.94	22	73.86
Oct’17	71.82	72.00	70.86	70.95	14:20 Jun 14	70.95	-0.87	22061	71.82

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Trade deficit widens further

Pakistan's trade deficit rose to $ 29.99 billion during July-May 2017 with the import bill rising to $ 48.53 billion and export revenue declining to $ 18.54 billion, according to the Pakistan Bureau of Statistics (PBS). This reflects a sustained poor performance second year in a row as the first eleven months of 2015-16 exports registered $ 19.1 billion while imports were $ 40 billion. Thus in dollar terms, exports declined by 3.13 percent in July-May 2016-17 in comparison to the year before and imports rose by 42 percent.

The PBS revealed a trade deficit in services for the first ten months of 2016-17 (instead of 11 months as in the case of total exports) was $ 2.3 billion with imports estimated at $ 7 billion while exports registered $ 4.7 billion. July-April 2015-16 total imports of services were estimated at $ 4.67 billion while imports were estimated at $ 6.9 billion or a marginally lower deficit of $ 2.2 billion.

What must be a source of serious concern is that the May 2017 data reflects a worsening trend when compared to April 2017 in lower exports and higher imports. PBS data indicates that while exports were estimated at $ 1.8 billion and imports at $ 4.99 billion in April 2017 the figure for May 2017 was $ 1.6 billion and $ 5.0 billion, respectively. Thus a rise in the trade deficit between April and May for the current year is extremely ominous especially as it shows that the export package announced by Prime Minister Nawaz Sharif in January this year amidst much fanfare has over time not only proved ineffective but it has actually been unable to stem the slide in exports.

One would hope that the Prime Minister does not take this data as indicative of the poor performance of the Ministry of Commerce in general and his Commerce Minister Khurram Dastgir in particular for blame lies squarely on the fall in the international commodity prices, consisting of our major exports, and the fiscal and monetary policies that are being implemented for the past four years.

True that Pakistani industry has been reluctant to focus on value-addition and by and large, has exported traditional items which are particularly susceptible to a good global crop year as well as the state of the economy of our major buyers. This approach is in marked contrast to China and India – countries that are forging ahead with higher value-addition an approach that accounts for their continuing rise in exports; at the same time stringent import policies together with appropriate fiscal and monetary incentives have fuelled local production with a commensurate decline in their import bill.

In Pakistan, unfortunately, cartelization is the norm - even in those products with a large enough number of buyers and sellers that economic theory dictates should not impact on price or influence government policy. Examples to name a few are sugar, cement, auto industry, textile associations and cigarettes. Competition Commission of Pakistan has investigated and imposed penalties on many cartels; however, they got stay orders from the court and little had changed since. However, to deal with such issues would require a change in the mindset of our industrial sector through carefully adjusting fiscal and monetary policies a long-term process.

The major responsibility for a decline in exports for the past two years, however, rests with the policy decisions to keep the rupee overvalued (which makes our exports uncompetitive internationally) and the failure to release refunds which generates liquidity concerns amongst exporters thereby compelling them to procure loans which simply add to their costs. If these two issues are dealt with the government can arrest if not reverse the decline in exports in the short-term.

One rider is in order: the PBS gets its export import data from the State Bank of Pakistan; however, the central bank has yet to upload the May 2017 data on its website which would have allowed analysts to

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pinpoint which commodities had witnessed a rise or decline in exports and imports between April and May this year.

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Second LNG terminal hits snags

Khaleeq Kiani

ISLAMABAD: Pakistan's second Liquefied Natural Gas (LNG) terminal is getting delayed and efforts are afoot to execute a fresh commercial operation date (COD) to sidestep liquidity damages to private investors.

The government has been postponing shipments of LNG secured in January through competitive bidding from Gunver and ENI because of the infrastructure shortfalls. It has already delayed four LNG cargoes to October. These were originally planned for July.

The suppliers are reported to have warned the government to make arrangements for LNG off-take, cancel the bids or get ready for penalties. An official, however, claimed the government had the window until December to keep these bids secured.

The LNG shipment from the second terminal were expected to be fed to three mega LNG-based power projects in Punjab – Bhikki, Balloki and Haveli Bahadur Shah – of 1,200-megawatt each. While one of these projects has its own technical problems, the other two are also currently in the partial testing phase.

Shipments from the terminal were to be fed to three LNG-based power projects of 1,200MW each

"Under the agreement, June 30 is the commercial operation date. We will talk about this on July 1," said Petroleum Minister Shahid Khaqan Abbasi when asked at a news briefing whether the terminal project was behind schedule and would attract liquidity damages from the government.

In fact, the minister has already ordered the COD to be delayed until September. The minister had been claiming credit for the completion of the first terminal ahead of schedule and would be answerable for the delays in the second terminal, an official said.

Fasih Ahmed, a spokesperson for Pakistan Gasport Company Ltd (PGPC), which is the contractor for the second LNG terminal, confirmed delays in the LNG supply chain. But he shifted the responsibility to the government, repeatedly sidestepping questions if the terminal was also behind schedule.

He said a 400-meter government-owned pipeline remained incomplete and the power projects were facing delays. "There are certain delays in the commissioning of the three government-owned 1,200MW power plants that the PGPC project is meant to fuel," he said.

In fact, he claimed that the government had requested to "work out an agreement whereby the delays in the off-take of RLNG from the (PGPC) project by state-owned companies will not result in punitive take-or-pay penalties for these state-owned companies". PGPC has accepted this request, he added.

Rashid Mahmood Langrial, the chief executive of National Power Parks Company of the two LNG projects, said the open-cycle operations of the plants were due in June-July and were on time while the combined-cycle CODs would be due in December. He said the three LNG-based power projects once ready would be provided with LNG out of the first LNG terminal.

Under the agreement, the contractor of the second terminal is liable to liquidity damages at the rate of about $272,000 for each day of delay beyond June 30. Informed sources said the engineering, procurement and construction (EPC) contractor of the terminal had stopped working for a few weeks due to non-payments while Fauji Terminal also took up its assignment with a lag for delayed payments.

Responding to questions regarding the delayed financial close and issues with EPC, Mr Ahmed said the financial close was achieved and the EPC contractor led by XPE was working round the clock at the site with a large team of Chinese personnel.

He did not answer a question about when his terminal project would be complete, saying it would be "prior to the revised deadline notified by Pakistan LNG Terminal Ltd (PLTL). New government date is likely September 1." He said the pipeline and ultimate off-takers (power projects) caused the delay.

A petroleum ministry official challenged this stance, saying the agreement required the terminal should be ready by June 30 and failure by any side involved liquidity damages to the other side. "The government had lined up LNG supplies with bidders and had been postponing it... there is no dearth of consumers. We are now under pressure to agree to new dates," he said while requesting anonymity.

This was evident from the minutes of a May 9 meeting chaired by Mr Abbasi, which said

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the COD for the PGPC terminal was June 30. They said the RLNG-II pipeline from Port Qasim to Sawan was not ready due to a land dispute in Jamshoro. "Transportation of 1.2 billion cubic feet (BCF) of RLNG to the Sui Northern Gas Pipelines system will not be possible without the said pipeline section... efforts are being made to resolve the issue" for its completion by August 1.

It was also confirmed that the three projects of 3,600MW each have been behind schedule. Bhikki was behind schedule by four months, Haveli Bahadur to have sub off-take in June instead of March while Balloki operations are expected in August-September. "The full off-take of 600mmcfd to the three plants is not expected till September."

The consortium led by PGPC had won the contract through competitive bidding at terminal charges of about 42 cents per MMBTU last year compared to 66 cents for the first terminal of Engro LNG.

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Exporters to get early refund payments

The Newspaper's Staff Reporter

ISLAMABAD: The Ministry of Commerce is working with the tax department for early reimbursement of tax refunds and payment of funds under the Prime Minister's Package to boost exports, Commerce Minister Khurram Dastgir Khan said on Wednesday.

In a meeting with a delegation of the Asian Development Bank (ADB), led by its senior advisor Warner Liepach, Mr Dastgir said the commerce ministry is also working on revising the Strategic Trade Policy Framework and will soon introduce the law on Geographical Indication.

Before the end of 2017, the commerce ministry will launch a campaign for the International Brand Marketing of Pakistan.

"Pakistan needs hand holding institutions for its Small and Medium Enterprises to help them to become exporters," he added.

Senior advisor ADB Warner Liepach said that in cooperation with the commerce ministry, a comprehensive report will be prepared which will consist of recommendations regarding governance, policy and coordination among different ministries.

He further said the first phase of reforms in power sector has been successfully completed and now ADB is focusing on other sectors of Pakistan's economy.

The commerce minister and senior advisor ADB agreed to start work on the proposals in July with mutual cooperation.

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Cotton trading fails to pick up

The Newspaper's Correspondent

MULTAN: Trading activity could not gain momentum on the cotton market on Wednesday as most spinners are waiting for the arrival of new crop.

Cotton experts believe that increase in temperature during night hours will put adverse impact on this year's cotton crop production.

They said that banning early sowing in Punjab bore fruit as there were no hot spots of jassid and pink bollworm on the cotton crop sown later.

The Punjab government has decided to provide cotton sheets to the farmers for contamination-free cotton picking.

The provincial government is also going to organise a yield competition among farmers in 20 cotton-producing districts. The Karachi Cotton Association kept its spot rate unchanged on Wednesday. Major deals on the ready counter were: 1,200 bales from Nawabshah at Rs7,000 (conditional) per maund (around 37 kilograms), 100 bales from Vehari at Rs7,000, 1,031 bales from Shah Jamal at Rs6,930, and 200 bales from Pir Mahal at Rs6,550.

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	6,800	135	6,935
40 Kgs	7,288	145	7,433

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	105.90	106.10
UK	133.20	133.45	135.00	136.25
Euro	117.18	117.41	118.25	119.50
S.Arabia	27.87	27.92	28.20	28.40
UAE	28.48	28.53	28.85	29.05
Japan	0.9498	0.9516	0.9555	0.9755

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.90	6.15
One year	5.96	6.46

LIBOR

Special US dollar bonds for June 13

Three months	1.24556 %
Six months	1.42322 %

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Dams may lose 250,000 acre feet of water storage capacity by next year

LAHORE: The minimum water storage level of both major reservoirs, Tarbela and Mangla, may further be lowered officially, diminishing availability of irrigation supplies in Pakistan - a semi-arid country,

River flows have a paramount role in meeting water requirements of the country and any decline due to depletion of existing water storage capacity is a serious concern for all, especially the agriculture sector.

The silting of reservoirs is reducing water availability bit by bit, while officials concerned are not taking steps for removal, as advised by the consultants. Instead, they are best at just gradually increasing the level of storage in order to slow the movement of silt delta towards power houses.

Policy makers are not doing anything concrete for construction of dams upstream or downstream of Tarbela. According to experts, building of an upstream dam will help slow depositing of silt in Tarbela Dam drastically, while substantially increasing its life. Meanwhile, regulation of downstream reservoir would allow flushing of sediments from Tarbela without affecting water availability.

Despite raising of Mangla Dam by about 3MAF back in 2013, the present storage capacity of both dams stands at about 13MAF, much less than the original capacity of these reservoirs some 40 years back. Over the years, water storage capacity of both Tarbela and Mangla Dams continued to decline with no construction of any other dam; the demand of water conversely has doubled since then.

If the situation remains the same for some more years, Pakistan is surely heading towards a major disaster due to lingering water shortage and subsequent food insecurity. The latest proposal of lowering the storage capacity of Tarbela Dam formally came from Water and Power Development Authority (Wapda), suggesting to increase dead level by four feet.

Sources said, in a recent meeting with the stakeholders, including top managers of Indus River System Authority (Irsa), Wapda has indicated that minimum water conservation level of Mangla Dam needs to be lowered by 10 to 15 feet. The suggestion has been made to slow down movement of silt towards intake of power turbines witnessed during early 2017, which badly affected the operation of the turbines.

If both proposals are given go ahead by the stakeholders, more than 0.25 million acre feet water would not be available. The loss of storage capacity, according to a calculation, is estimated on both accounts of intentional increasing in dead levels to quell forming of silt near power house, and yearly depositing of sediment in the lakes of both Tarbela and Mangla Dams.

Commenting on the proposal of Wapda about increasing minimum operating level of Tarbela Dam from 1,380 feet to 1,384 feet, IRSA gives a word of caution. “Irsa recommends that minimum operating level may be restricted to 1,382 feet instead of 1,384 fee and results may be monitored,” reads a correspondent.

As far as dead level of Mangla Dam is concerned, sources said, it is still being discussed informally and stakeholders may agree over increasing minimum operating level by 10 ft to 1,050 ft.

According to an official of Wapda, on the recommendations of the International Panel of Experts (PoE), Wapda is considering to raise the minimum operating level (dead level) of Tarbela Reservoir from the existing 1,380 feet to 1,384 feet above mean sea level in order to restrict the movement of sediment’s delta towards the main dam in the reservoir.

This is being done to protect the dam and critical structures and machinery of the power house. As far as raising minimum operating level of Mangla Reservoir by 10 feet is concerned, no such decision has yet been made. Wapda keeps vigil about the sedimentation level in the reservoir and its likely impact on the dam and structure as well as machines of the power house.

Presently, various options are under discussion in view of the impact of the current year’s sediments on the generating units of Mangla Hydel Power Station. The decision will be made after thorough discussion among the quarters concerned and in consultation with all the stakeholders, the Irsa in particular.

The official said that raising the dead levels of water reservoirs was not an unusual phenomenon but normal practice throughout

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the world. Sediments continue to deposit in the water reservoirs and their minimum operating levels (dead levels) are revised accordingly.

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Finance discipline restricts supplementary demand of grants: Dar

ISLAMABAD: Finance Minister Ishaq Dar on Wednesday told the National Assembly that the financial discipline maintained by the government helped in reducing the regular supplementary demands for grants to Rs121 billion during the financial year of 2016/17 from more than one trillion rupees four years back.

The National Assembly approved 124 supplementary demands of grants for 2016/17 in addition to approving the access demands for the fiscal years 1998/99 and 2003/04.

Dar said the total supplementary budget was recorded at Rs1,439 billion during the financial year of 2012/13, which included Rs1,327 billion regular supplementary grant. Regular supplementary grants have now been reduced to Rs121 billion in 2016-17 owing to financial discipline maintained by the government.

Of the total grants of 2016/17, the debt portion was Rs68 billion, while Rs11.981 billion were provided for raising 57 wings of civil armed forces. The government also provided Rs11.404 billion for fertilised and cash subsidy and Rs4 billion for conducting census.

The National Assembly approved Rs37 million for cabinet division, Rs1.587 billion for cabinet division against the demand Rs2 billion), Rs2.088 billion for emergency relief and repatriation, Rs543 million for other expenditure of cabinet division, Rs450 million for Airport Security Force, Rs42 million for meteorology, Rs2 billion for Capital Administration and Development Division, Rs2 million for other expenditure of establishment division and Rs154 million for Prime Minister' Office.

The house also approved supplementary grant of Rs18 million for Board of Investment, Rs89 million for atomic energy, Rs683 million for climate change division, Rs3 billion for commerce division, Rs6 million for other expenditure of communication division, Rs10 million for Pakistan Post Office Department, Rs1 billion for defence division, Rs31 billion for defence services, Rs100 million for defence production division, Rs620 million for federal education and professional training division, Rs48 million for finance division, Rs317 million for controller general of accounts, Rs163 million for grants-in-aid and miscellaneous adjustments between the federal and provincial governments, Rs12 billion for subsidies and miscellaneous expenditure, Rs2 billion for higher education commission, Rs14 billion for economic affairs division, Rs4,000 for privatization division, Rs14,000 for revenue division, Rs426 million for Federal Board of Revenue, Rs490 million for customs, Rs296 million for Inland Revenue, Rs18 billion for statistics division, Rs454 million for foreign affairs division, Rs109 million for foreign affairs, Rs739 million for other expenditure of foreign affairs division, Rs5 million for housing and works division, Rs194 million for civil works, Rs14000 for estate offices, Rs1,000 for federal lodges, Rs432 million for Human Rights division, Rs3 million for industries and production division, Rs1,000 for department of investment promotion and supplies, Rs96 million for other expenditure of industries and production division and Rs17 million for information and broadcasting division.

An amount of Rs144 million was approved for information technology and telecommunication division.

The supplementary demands approved by the house also included Rs4,000 for petroleum and natural resources division, Rs18,000 for geological survey, Rs7 million for planning, development and reform division, Rs120 million for ports and shipping division, Rs10 million for science and technology, Rs435 million for other expenditures of science and technology division, Rs351 million for development expenditure of aviation division, Rs1,000 for development expenditure of climate change division, Rs1,000 for development expenditure of commerce division, Rs64 million for development expenditure of communication division, Rs570 million for development expenditure of finance division, Rs426 million for development expenditure outside public sector development programme (PSDP), Rs2 billion for development expenditure of economic affairs division outside PSDP, Rs4,000 for development expenditure of revenue division, Rs5,000 for development expenditure of information technology and telecommunication division and Rs55 million for development expenditure of national food security and research division.

An amount of Rs450 million was approved for development expenditure of planning, development and reform division,

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Rs10,000 for development expenditure of science and technology division, Rs1 billion for development expenditure of water and power division, Rs1 billion for capital outlay on development of atomic energy, Rs1 billion for development loans and advances by the federal government, Rs1,000 for capital outlay on industrial development, and Rs7 billion for capital outlay on petroleum and natural resources.

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'Govt focused on clearing tax refunds'

ISLAMABAD: Khurram Dastgir Khan, Federal Minister for Commerce, on Wednesday said his ministry's entire attention was focused on the reimbursement of tax refunds and other payments under Prime Minister's Rs180 billion exports incentive package.

"In addition, the commerce ministry is working on revising the Strategic Trade Policy Framework and will also very soon introduce law on geographical indication," the minister told a delegation of Asian Development Bank (ADB) that called on him at his office.

"Before the end of this year the ministry will also launch a campaign for the international brand marketing of Pakistan." Khan emphasised that Pakistan needs hand-holding institutions for small and medium enterprises (SMEs) to help them become exporters.

Responding to commerce minister's briefing, Warner Liepach, senior advisor ADB, said that in cooperation with the ministry of commerce a comprehensive report would be prepared, which would consist of recommendations regarding governance, policy and coordination among different ministries. "Under the leadership of Prime Minister Nawaz Sharif first phase of reforms in power sector has been successfully completed and now the ADB is focusing on other sectors of Pakistan economy," Liepach added.

The meeting, which was also attended by Secretary Commerce Younus Dagha, concluded on a note of understanding that both the ADB and the ministry would start work on the proposals, as discussed earlier, in the coming month.

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Cotton unchanged

Karachi

Normal trading was recorded at the Karachi Cotton Exchange on Wednesday, while spot rates remained unchanged.

The spot rates remained firm at Rs6,750/maund (37.324kg) and Rs7,234/40kg. Ex-Karachi rates stood unchanged at Rs6,885/maund and Rs7,379/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

Naseem Usman, chairman of the Karachi Cotton Brokers Association, said that the new season started in June, against expectations of July, and around 2,000 bales have been ginned so far.

Karachi Cotton Exchange recorded four transactions of around 3,500 bales at the price of Rs6,550/maund and Rs7,000/maund. Transactions were recorded from Nawabshah, Vehari, Shah Jamal and Pir Mehal.

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Govt to revise trade policy

Imran Ali Kundi

ISLAMABAD - The government would revise the Strategic Trade Policy Framework (STPF), which has failed to enhance the country's tumbling exports that resulted in massive trade deficit.

Previously, the government had announced three years STPF with aim to enhance the country's exports to $35 billion by the end of June 2018. However, the government had failed to enhance tumbling exports, which are likely to remain at around $21 billion by the end of current fiscal year. The country's trade deficit has already touched historic level of $30 billion during 11 months (July-May) of the ongoing financial year due to massive increase in imports and continuous decline in exports.

Imports increased by 20.6 percent to $48.54 billion during July-May of FY2017 from $40.25 billion of the last year. However, the exports tumbled by 3.13 percent to $18.51 billion in 11 months of the current fiscal year from $19.14 billion of the same period of the previous year.

Even, the prime minister's incentive package worth of Rs180 billion for exports oriented sectors had also failed to enhance the exports. The opposition political parties and business community have already shown concerns on the massive increase in trade deficit and asked the government to revise its trade policy.

"Commerce Ministry is working on revising the Strategic Trade Policy Framework (STPF)", said Commerce Minister Khurram Dastgir Khan in a meeting with a delegation of Asian Development Bank (ADB) led by its senior adviser Warner Liepach. The meeting was also attended by Commerce Secretary Younus Dagha.

He further said that the government is providing incentives to exporters to boost up exports of the country. The government is taking measures to address the issues of the exporters. "Reimbursement of tax refunds and payment of funds under PM package is top priority," he said and added that the commerce ministry is focused on reimbursement of tax refunds and payment of funds under PM package to boost exporter's confidence.

He informed Warner that the commerce ministry will soon introduce law on geographical indication. He said that before the end of this year the Ministry of Commerce will launch a campaign for the international brand marketing of Pakistan. "Pakistan needs hand holding institutions for Small and Medium Enterprises to help them to become exporters", he added.

ADB senior adviser Warner Liepach said that in cooperation with the commerce ministry a comprehensive report will be prepared which will consist of recommendations regarding governance, policy and coordination among different ministries. He further said that under the leadership of Prime Minister Nawaz Sharif first phase of reforms in power sector has been successfully completed and now the ADB is focusing on other sectors of Pakistan economy.

PBIF asks govt to revisit whole export strategy

INP: President Pakistan Businessmen and Intellectuals Forum (PBIF) and senior vice chairman of the Businessmen Panel of FPCCI Mian Zahid Hussain on Wednesday said government can end dependence on the IMF only if exports and imports are balanced.

Widening export-import gap has become a threat, therefore, government should immediately re-examine export strategy, cost of doing business should be reduced for the export sector and taxes should be slashed to step fall of the external sector which has endangered the country, he said.

Mian Zahid Hussain said that trade deficit of the first 11 months has touched all time high mark of thirty billion dollars while the debt repayments will further aggravate the overall situation. He said that exports have registered further decline. Exports stood at 18.54 billion dollars in the first eleven months of the current fiscal which were 19.14 billion dollars a year ago. Export earnings need to, more or less, match the import bill to reduce foreign dependence, he said, adding that exports can be enhanced by changing the direction of the economy and focusing on industrial expansion with special attention to the value addition.

Moreover, he said, government should try to reduce cost of doing business, improve GDP to investment ratio, announce tax breaks, and spare existing taxpayers while try to expand the tax net. He said that all the countries of the region have changed their policies to make their export sector competitive

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through innovation, research, education, and by finding new markets but nothing concrete has been done in Pakistan. The business leader said that our government should persuade China to increase imports from Pakistan to reduce deficit.