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FTAs, PTAs found to be against country's interests

ISLAMABAD: Senate Standing Committee on Commerce and Textile on Thursday said that majority of the Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) are against Pakistan's interests due to ongoing massive under-invoicing.

Presided over by Senator Syed Shibli Faraz, the poorly attended committee also held a initial discussion on the importance of the Marine Insurance Bill, 2017 as Pakistan is running its Marine insurance on the basis of a century old Act and at present Pakistan does not have a Marine Insurance Act. Senators Saleem Mandviwala and Mufti Abdul Sattar attended the meeting.

Senator Shibli Faraz said that he has serious concerns on the FTAs and PTAs which is why he proposed that all the agreements should be channelised through Senate. However, his bill did not come under discussion. He also stated that there is a wide gap in trade figures with other countries. There is also disparity in figures of PBS and SBP.

Senator Mandviwala and Senator Shibli Faraz argued that the Commerce Ministry should hire experts to negotiate trade pacts with other countries to create a win-win situation for both parties.

Additional Secretary Commerce Anjum Asad Amin said Pakistan is getting customs data through internet from trading partners including China. She expressed agreement with the views of Senators on FTAs and PTAs.

She informed the committee that Secretary Commerce Younus Dagha is in China to negotiate FTA-II, adding that on top of the agenda is dissemination of live customs data to minimize under-invoicing which is hovering around $ 4 billion per annum.

Senator Mandviwala said that under-invoicing sometimes reaches $ 5 billion per annum because whatever the value of goods declared in China it is not declared in Pakistan.

"Disparity is not only witnessed in value of goods but also quantity and this can only be minimized through sharing of live data," he added.

Anjum Asad Amin commented that in all probability China may not agree to share live data with Pakistan but hoped that the situation would change after signing of an E-Commerce pact at the level of the WTO.

The committee which was briefed on the Marine Insurance Bill, 2017, decided to invite Marine Insurance Companies, PNSC, SECP, NICL and the provinces so that the proposed Bill can be reviewed clause by clause.

Senator Mandviwala suggested that Commerce Ministry should also obtain details of Marine Insurance Bills of other countries, including Panama.

According to the Commerce Ministry, Pakistani stakeholders insisted that in view of the huge case built up over a century under the British Marine Insurance Act 1906, the law to be drafted for Pakistan should be in conformity with the British Act. The same was done by India when it enacted the Indian Marine Insurance Act, 1963.

Concurrence of all provincial governments to the proposed Act, especially in respect of repeal of sections 130 and 135 of Transfer of Property Act, 1882 which is a provincial Act, has been obtained.

Commerce Ministry said that at present Pakistan does not have a Marine Insurance Act and added that non-adoption of the British Marine Insurance Act 1906 after partition was a serious lapse which caused problems.—MUSHTAQ GHUMMAN

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ECC decides to constitute body to revisit export package

ZAHEER ABBASI & MUSHTAQ GHUMMAN

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has decided to constitute a committee with representation from Finance Division, Commerce Division and Federal Board of Revenue (FBR) to undertake a detailed analysis of the impact of the Prime Minister's export package and also propose changes in its scope and coverage.

A meeting of the ECC presided over by the Prime Minister Shahid Khaqan Abbasi on Thursday reviewed the impact of the Export Package towards boosting country's exports. The export package worth Rs 180 billion provides incentives to exporters of textile and non-textile sectors for enhancing their export potential.

The meeting noted that the package has contributed significantly towards putting the country's exports into growth trajectory. The meeting also considered various proposals for expanding the scope of the export package and to include other sectors in its folds.

The Prime Minister directed that a committee be constituted comprising representatives of Finance Division, Commerce Division and FBR to undertake a detailed analysis of the impact of the package and also propose changes in its scope and coverage.

Sourced said that the Ministry of Commerce in a summary requested to the ECC in a proposal that the incentive for the export sector for the period of 2017-18 may be continued on the same terms as for the period January to June, 2017 without condition of increment.

In the Prime Minister's Package announced in January 2017, incentive from January 16, 2017 to June 2017 was available to exporters without the condition of increment in exports and beyond.

The Commerce Ministry further proposed that the rate of incentive for the textile and non-textile sectors already announced in the PM's package may remain unchanged and the sectors, earlier excluded from the package, may also be provided the export incentive on the principle of cascading based on extent of value addition.

Additionally, the ministry also proposed that in order to encourage the market diversification, an additional 2 percent incentive may be provided for exports to non-traditional markets of Africa, Latin America, non-EU European countries, Commonwealth of Independent States and Oceania.

In order to attract investment in expansion and up-gradation of export related sectors, the ministry proposed that availability of these incentives may be extended till June 2020 and in order to facilitate and with the purpose to facilitate the explorer in prompt payment of refunds, the SBP may be instructed to release the amounts of claims of the exporters through the banks immediately upon verification of claims and get the reimbursement from the Finance Division after such payment has been made.

The ECC noted the availability of 2.788 million metric tons of sugar in the country and authorized the Commerce Ministry to allow export of 0.5 MMT sugar to sugar mills against proposed 1.5 million metric tons.

The Prime Minister directed that Inter-Ministerial Committee, already existing for this purpose, should regularly review sugar stock, export and price mechanism and make recommendations to the ECC in case of any abnormal price increase in the domestic market.

The ECC also approved grant of extension in processing period of export of wheat/wheat products from 31st August 2017 to 30th October 2017.

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The meeting also approved a proposal by the Petroleum Division to reallocate upto 15 MMCFD Jhal Magsi gas to M/s OGDCL and to allow its sale to any third party selected through a competitive bidding process under a Term Gas & Purchase Agreement (GSPA) after fulfilling gas requirement of Jhal Magsi town.

Meanwhile, Chairman PSMA Javed Kayani said his organisation is thankful to prime minister and commerce minister for appreciating sugar industry's problems.

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THE RUPEE
Slight fall

RECORDER REPORT

KARACHI: The rupee depicted slight weakness against the dollar on the money market on Thursday in the process of trading dealers said.

INTER-BANK MARKET RATES: The rupee did not show any visible change against the dollar for buying and selling at Rs 105.40 and Rs 105.41 respectively, they said.

In the fourth Asian trade, the US dollar's rally paused as traders waited for consumer inflation data later in the day for clues on whether the Federal Reserve will maintain its gradual pace of credit tightening.

The US dollar was at 110.47 yen, steady from the late trade in the US on Wednesday. It earlier rose to 110.735 yen, the highest since Aug. 16.

The currency drew additional help from vague but renewed hopes on President Donald Trump's tax cuts plans as he reached out to both Democrats and Republicans, even though there remain doubts on whether he can clinch a deal with a divided Congress.

The dollar was trading against the Indian rupee at Rs 64.10, the greenback was at 4.199 in terms of the Malaysian ringgit and the US currency was at 6.544 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Thursday: 80.73-80.73 (previous 80.70-80.70).

OPEN MARKET RATES: The rupee shed 10 paisas in relation to the dollar for buying and selling at Rs 105.70 and Rs 105.90 respectively, however it picked up 80 paisas in terms of the euro for buying and selling at Rs 124.50 Rs 126.00 respectively, they said.

Open Bid	Rs. 105.70
Open Offer	Rs. 105.90

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

Bid Rate	Rs. 105.40
Offer Rate	Rs. 105.41

RUPEE IN LAHORE: The Pak rupee failed to sustain it's levels versus the foreign currencies including the American dollar and British pound in the local currency market on Thursday.

According to currency dealers, the short supply phenomenon of the US dollar in the local currency market helped its appreciation at Rs 105.70 and Rs 106.10 for buying and selling, respectively, as compared to the overnight closing trend of Rs 105.50 and Rs 105.85, respectively.

In addition, the local currency remained under pressure for the fourth consecutive day against the pound sterling.

The pound's buying and selling rates further rose from Wednesday's closing of Rs 138.65 and Rs 139.40 to Rs 139.37 and Rs 139.80 respectively, they added.

RUPEE IN ISLAMABAD AND RAWALPINDI: The value of rupee against the remained uncharged 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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UfG losses proposed by Ogra consultants rejected

WASIM IQBAL

ISLAMABAD: Sui Northern Gas Pipelines Limited (SNGPL) and Sui Southern Gas Company (SSGC) have rejected the 7.1 percent Unaccounted for Gas (UfG) losses proposed by the consultants hired by Oil and Gas Regulatory Authority (Ogra) but agreed on raising the levels from the existing 4.5 percent. On Thursday, Ogra and the two utility companies reviewed the proposed increase in UfG at Ogra office.

The study noted that the current UfG losses of SSGC stood at 13 percent while that of SNGP were 15 percent – higher than the losses reported by the two gas utilities at around 9 to 10 percent respectively.

The matter of UfG is under discussion between Ogra and the two gas companies to fix ERR (estimated revenue requirement) for 2017-18, a decision likely in a couple of days, sources said. However Ogra officials reportedly stated that they would take account of the financial impact on consumers if UfG is raised by 2.6 percent - from 4.5 to 7.1.

Sources further revealed that during the meeting, Ogra criticized SNGPL and SSGC for sustained failure to check gas theft and system losses despite repeated instructions by the regulator.

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Top cotton buyers flock to India as hurricanes hit US crop

MUMBAI: The world's top cotton buyers, all in Asia, are flocking to India to secure supplies after fierce storms in the United States, the biggest exporter of the fibre, affected the size and quality of the crop, dealers said.

In the past week alone, India, the world's second-biggest cotton exporter, sealed deals to sell about a million bales to China, Taiwan, Vietnam, Pakistan, Bangladesh and Indonesia - key garment suppliers to brands such as H&M, Inditex-owned Zara and Wal-Mart Stores Inc.

That compared with 300,000 bales in the two weeks before.

Dealers expect contracts similar to last week in the next few months, which could help India's exports grow by a quarter in the 2017/18 season beginning October.

"Indian cotton has great chances this year," said Chirag Patel, chief executive at Jaydeep Cotton Fibers Pvt Ltd, a leading exporter. Asian "buyers are switching to Indian cotton from the U.S."

Hurricanes Harvey and Irma caused widespread damage to the crop in Texas and Georgia, major cotton producing states, with the effects more widespread in Texas, dealers said.

"We definitely lost cotton in Texas. It wiped out 500,000-600,000 bales," said Peter Egli, risk manager at Plexus Cotton Ltd, a Chicago-based merchant, referring to the impact of Harvey in the top-producing U.S. state.

In 2016, the United States exported 86 percent of its cotton, 69 percent of which went to Asia, according to the U.S. Department of Agriculture.

Other cotton producers like Brazil and Australia could benefit from lower supplies from the United States, but may find it difficult to match the price offered by India, where a bumper harvest is likely to keep the rates lower.

Traders in India, also the world's biggest cotton producer, signed their export deals at around 80 cents per lb on a cost and freight basis, nearly 2 cents lower than the supplies from the United States, dealers said.

India could soon sell at lower prices.

Farmers are likely to harvest a record 40 million bales of cotton in the 2017/18 season beginning Oct. 1, 2017, bringing domestic prices down and making exports even more competitive, Patel said.—Reuters

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Currency management State Bank unveils new penalty structure

RIZWAN BHATTI

KARACHI: The State Bank of Pakistan (SBP) has introduced a new penalty structure for cash processing functions under the currency management strategy.

Under the new penalty structure, the SBP will impose fine up to Rs 0.1 million for noncompliance of instructions under the currency management strategy.

The SBP vide FD Circular No.3/2015, dated August 26, 2015 issued the currency management strategy, which envisages transformation of currency management functions from manual to automated environment and revamping the cash processing operations across the banking industry as per international best practices.

In order to align the existing penalty regime for cash processing functions with the currency management strategy, the SBP has developed a new penalty structure. This new penalty structure will supersede all previous penalty instructions regarding cash management operations of banks, according to FD Circular No. 04/2017 issued on Thursday.

The SBP has advised all banks to ensure strict compliance with the currency management instructions issued from time to time as any violation thereof would attract punitive action as per above referred penalty structure.

As per new penalty structure, a fine of Rs 0.1 million will be imposed on Currency Processing Center (CPC)/feeding branch/standalone branch, in case of issuance of unauthenticated and unprocessed banknotes to public.

A penalty of Rs 20,000 will be imposed if CPC/feeding branches/other branches do not have separate clean and secure vault space, with proper sate keeping arrangements or the entire CPC/sorting area is not covered by high resolution cameras.

While, in case of recording of cameras is not available for three months Rs 10,000 per day penalty will be imposed. The bank has to pay fine of Rs 5,000, if the police verification of all employees deployed at CPC/feeding branches is not available or record of visitors is not maintained.

As per the currency management strategy, banks have been asked to surrender suspected counterfeit banknotes to SBPBSC within 48 hours of detection along with all particulars and record. Banks will be penalized Rs 30,000 for noncompliance of this instruction.

A fine of Rs 20,000 will be imposed, if packets and bundles are not prepared/packed as per requisite specification or cash deposits with SBP BSC have not been packed as per packing instructions.

A minimum Rs 5,000 and maximum Rs 0.1 million fine, depending upon the severity of instance, will be imposed for noncompliance and circumvention of the instructions issued by SBP relating to CPC/feeding branch or standalone branch.

In another category of ATM cash feeding, Rs 0.1 million penalty will be imposed if machine authenticated and sorted cash is not being fed into ATMs. Bank has to pay Rs 20,000 penalty, if CCTV and documentation record for one month is not available or CCTV record of all disputed cases is not available.

The SBP has also announced penalty scales pertaining to irregularities specifically for issuance of fresh cash over specific events e.g. Eids, Christmas, etc. A penalty, of Rs 20,000 per bundle found in market or Rs 10,000 per 5 packets found in series, will be imposed if fresh banknotes issued to a commercial bank for specific events are found in the informal market during the mystery shopping.

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In addition a fine of Rs 50,000 will be imposed, if zonal/feeding branches do not ensure replenishment of authorized branches as per time, demand, supply and quota. Bank has to pay a penalty of Rs 10,000, if bank branches do not ensure issuance of fresh cash to general public over the counter or against requests received through SMS, as per quotas and stocks available.

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Pakistan's 'intellectual' crisis

Analyses & Comments by BR Research

An interesting discussion over Pakistan's intellectual crisis has recently surfaced in local print. The protagonists in this discussion lament that the country lacks a variety of books; that talks shows on electronic media focus mostly on spicy he-said-she-said politics instead of featuring a scholarly debate; that local policy thought is made irrelevant by the influence of donor community; that universities and think tanks are not playing their role as the breeding ground of ideas; and that as such Pakistani businesses and the society at large do not have a demand for thought.

Those laments lie on justifiable grounds, most of them at least. At the risk of sounding pedantic, however, the protagonists seem to have conflated subject-matter specialists or technical experts as intellectuals. Intellectuals are not manufactured by way of right government policy or by freedom from donor influence; academics and subject-matter specialists are. Nor do intellectuals spring up by market funding, though they do often attract individual benefactors as sponsors in their early ages, whereas some are able to get sponsorships from the state or a select firm or two later in their lives.

But such is the reality in this country; subject-matter specialists and technical experts – some of whom spent their lives running regression analysis and other quants on trade and taxation for example — present themselves as intellectuals. So pervasive is the habit of conflating academics and subject-matter experts as intellectuals is that even PhD students and their faculty start labeling them as 'PhD scholars' as soon as they are enrolled in the programme.

From among the so-called intellectuals, some are sitting in the lap of establishment waiting not for a moment to flag the weakness of democratic institutions while subtly praising the military regimes. Others are happy living off as consultants for the state, donor projects or the market, where they peddle the decades-old globally accepted thinking as profoundly unique solutions for Pakistan's problems. When in fact that very decades-old globally accepted thinking is being questioned, and considered for the dustbin of history by present day global intellectuals.

If Pakistan's so-called intellectuals don't challenge accepted thinking, then who will? Will the real intellectual please stand up? If they are not willing to make sacrifices and speak their mind - as have intellectuals in the past at home and abroad – then they will hardly ever find the voice that resonates enough to incite action. If they only keep on writing soft cushioned critique in English newspapers that two and half people read, then their impact will hardly ever be visible.

The agenda for Pakistani intellectuals should not be, for example, finding the right financing mix for CPEC or how to boost universities performance or how to ease the doing of business. That's managerial stuff. Intellectuals should instead focus on bigger questions such as how to raise the society from slumber, or how to reconcile the dominant Islamic interpretation with the demands of a rational modernist society without tearing the social fabric part; and especially how to learn from the mistakes from 'developed' west and take a giant leap forward without abusing the planet and avoiding other ramifications of growth-obsessed 'development'. These are the kind of questions that better suits an intellectual rather than finding the right policy tool for say textile exports. And these are the kind of discussions that are not taking place in this country; not by intellectuals, nor surely by those to pretend to be one.

Mere libraries and culture of reading does not produce an intellectual; nor do universities always produce one; especially not those hijacked by the market; they

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would only produce academicians and subject-matter specialists who are happy to take money from the market and produce the research the market wants them to produce.

Pakistan's intellectual crisis will not be solved by arguing over twitter, nor by writing columns in a newspaper, or appearing on television; if it were the case the relatively simpler problems of tax and energy would have been solved by now.

The solution to intellectual crises warrants radical thinking, and radical action; both are found in short supply in Pakistan current lot of self-proclaimed intellectuals.

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Rising cost of industrial utilities

One of the biggest arguments for falling exports given by the local industry is the increased cost of doing business in Pakistan. In a recent statement APTMA has once again highlighted the need to bring the cost of doing business in line with regional competitors including Bangladesh, India and Vietnam.

The textile industry has faced an ever plunging export share in the global markets. Being a largely energy intensive sector, the price of gas and electricity makes a big difference in the final cost of production. The rate for both utilities when it comes to industrial provision is almost 30 percent more than regional competitors with gas prices ranging from approximately $3.1 in Bangladesh to $4.2 in Vietnam and India.

Back home gas is a touchy subject for most textile players especially in Punjab. The province's industry is mostly being provided Liquefied Natural Gas - LNG which is more expensive than system-based gas. When BR Research spoke recently to Aziz Ullah Goheer, Secretary General at Pakistan Textile Exporters Association, he urged the government to at least make the playing-field level between the provinces.

"The cost of production is already too high and the provision of more expensive LNG gas has only made it more difficult for the industry to compete. System gas is being provided to Sindh and KP at the rate of Rs400/MMBTU while the industry in Punjab is getting LNG at more than Rs1050/MMBTU.

A medium scale processing unit consumes around 15000-20000 MMBTU per month. So the difference comes to more than Rs100 million which is huge! So forget regional competitiveness, when we are being out-competed in our own country due to price discrimination by the government. It has been three year now that we have been getting LNG, so it is no wonder that the industry will start closing."

Most industry players BR Research has talked to are of the view that ideally a single rate should be adopted throughout the country. At least make the price differential more equitable with a weighted average price formula being adopted between system gas and RLNG. However, there will need to be strong political consensus before the federal government can achieve such an outcome.

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FBR incapable of clearing pending audit cases: KTBA

MUHAMMAD ALI

KARACHI: Federal Board of Revenue (FBR) is likely to remain unable to dispose of pending audit cases by December 31, 2017 unless the section 214D of the Income Tax Ordinance 2001, was skipped, said President of the Karachi Tax Bar Association (KTBA).

In an exclusive chat with Business Recorder at a lunch ceremony at the KTBA office, Abdul Aziz Tayabani, the KTBA president said that the section 214D of Income Tax Ordinance, 2001 was not only causing pending of audit cases but also discouraging taxpayers for e-filing of income tax returns as the cases were selected, automatically over late e-filing of returns under the aforesaid section.

“FBR is incapable to settle the myriad quantity of audit cases reached over 0.2 million till the deadline and the audit cases are continuously being piled up as long as the section 214D of Income Tax Ordinance, 2001 is not removed,” he said.

Replying to a question, Tayabani said that FBR had not notified wealth statement since long but declared its submission mandatory with income tax returns, which he believed was an illegal practice as far as law is concerned.

Moreover, he said that FBR through Short Messaging Service (SMS) was encouraging taxpayers to e-file income tax returns as soon as possible to avoid any difficulty due to excessive burden on system during the last days of September. He said that the board, instead of advising taxpayers to e-file returns instantaneously, should improve its bandwidth to resolve link-down issue during last days of e-filing of returns.

Meanwhile, the KTBA has also written a letter to the FBR chairman, requesting him to notify the form of wealth statement and reconciliation statement for e-filers and forms of return of income/ statement of final taxation, wealth statement and reconciliation statement on excel sheet for manual filers.

Syed Rehan Jafferi, Chairman Advisory Committee of the KTBA also said that FBR had to simplify the form for income tax returns and urged the revenue collection authority to ensure maximum facilitation for taxpayers instead of creating difficulties.

On the other hand, in view of pending of around 0.2 million cases, the board had directed all field formation during recent Chief Commissioners Conference in Islamabad to dispose of at least 50 percent or 100, 000 pending audit cases in their respective jurisdiction by the end of current calendar year. These cases were selected for audit under sections 177, 214C, 216D and clause 72 and 94 for tax years 2014, 15 and 16.

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Big corporate entities, govt bodies, corporations

FBR can't hold employers responsible for not filing IT returns by employees

RECORDER REPORT

ISLAMABAD: The Federal Board of Revenue (FBR) cannot hold employers of big corporate entities, companies, financial institutions, government organizations and corporations, etc, responsible for not filing of income tax returns by their employees.

Sources told Business Recorder here on Thursday that a large number of employees working in big corporate entities, companies, government institutions and health/educational institutions have not filed their income tax returns for the Tax Year 2016.

Over 1.2 million people have filed their income tax returns for the Tax Year 2016. Out of these companies, most of non-filers employees belong to Karachi, Lahore and Islamabad.

As per an estimate, over 200,900 employees of 50-60 corporate entities have not filed their returns for the Tax Year 2016. The return filers of these companies were over and above 53,000 during the said period. A top tax official was of the view that the quoted figure is too high and it is not possible that such a high number of employees are non-filers of returns in big companies of the country.

According to the sources, under the law, return filing is the sole responsibility of individuals working in the multinational companies and other corporate entities. It is not the responsibility of companies to file returns on the behalf of their employees. However, the tax department can ask the employers to assist the department in filing of returns. Using the withholding tax statements filed by the employers, the tax department or the Regional Tax Offices (RTOs) can see the list of employees whose tax has been deducted but returns have not been field by them. Based on the withholding tax statements filed by the employers, notices could be served by the RTOs and penalties could be imposed on the employees.

At the same time, a company can tell its employees to file returns, but it is the individual's own will whether or not to file return under the tax laws, sources said.

The companies would not pay penalty for non-compliance by their employees as far as non-filing of returns by employees is concerned, sources clarified.

If the RTOs are not utilizing the withholding tax deduction statements filed by the employers of big corporate entities, it is an enforcement failure of the field formations or the RTOs, sources said.

Sources added that the Directorate General of Broadening the Tax Base is working on a new system for expanding the tax base and bringing unregistered persons into the tax net.

It is important to mention here that the tax directory issued recently by Federal Board of Revenue for tax year 2016 revealed names of top corporate tax payers including Habib Bank Limited with tax payment of Rs 16,472,959,641 and Muslim Commercial Bank Limited tax of Rs 16,167,692,367.

Among other top tax payers Askari Bank Limited paid tax of Rs 2,506,734,555; Bank Alfalah Limited, Rs 4,171,355,730; Bank Al-Habib Limited, Rs 4,808,736,856; and Citi Bank NA paid tax of Rs 1,445,692,689, tax directory said.

The list of tax directory for tax year 2016 also revealed that Allied Bank of Pakistan Limited paid tax of Rs 8,878,598,356; Zarai Taraqiati Bank Limited Rs 3,246,228,837; Habib Metropolitan Bank Limited, Rs 4,973,665,581; Askari Bank Limited - Rs 2,506,734,555; Meezan

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Bank Limited - Rs 1,664,172,843; National Bank of Pakistan - Rs 7,050,267,633 and Standard Chartered Bank (Pakistan) Limited - Rs 4,253,341,125.

Other banks tax payments for tax year 2016 revealed that Faysal Bank Limited paid Rs 1,689,827,066; Sindh Bank Limited Rs 1,798,378,146; Soneri Bank Limited Rs 1,556,220,853 and Bank of Khyber paid tax of Rs 1,100,112,382, list of tax directory for tax year 2016 added.

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ANALYSIS

Cotton prices fall on increased global estimates

DR ZAFAR HASSAN

LAHORE: The ICE cotton futures in New York were reported to have tumbled more than four percent early this week on Tuesday and reportedly settled down at lower levels according to the traders in New York. Despite the horrendous rain ravages in the states of Texas, Louisiana, the North and South Carolinas where large quantities are grown, initial reports indicate that damage to the 2017/2018 cotton crop is not as large as feared earlier. Thus the prospect of larger damage to the U.S. crop than what was envisaged earlier was less.

Moreover, larger planting of cotton during the current year in the United States, China, India and Pakistan promise to deliver a larger quantum of lint fiber around the globe at relatively cheaper prices. Traders said in Karachi that recent slide in futures prices showed a decline from about 75 cents to nearly 69 cents per pound clearly creating a bearish global sentiment for the commodity. For the textile mills, therefore, it appears they will have ample cotton around the year because output has also increased during the current season (2017/2018) in China, India and Pakistan. This development entailing ample supply of cotton should put the textile industry in Pakistan and also in several other consuming countries on a sounder footing.

Reports from India indicate that higher acreage and better yield prospects will enhance the fiber output to a higher level. Reports from China also speak of a higher cotton output which could decrease the damage for cotton for the near future.

On Thursday, the seed cotton (Kapas/Phutti) prices reportedly moved lower by about Rs.100 per 40 Kgs and ranged from Rs.2550 to Rs.2750 per 40 kilogrammes. In the Punjab, seed cotton prices are also said to have ranged lower from Rs.2550 to Rs.2800 per 40 kilogrammes.

Lint prices in Sindh reportedly ranged from rs.5850 to Rs.6050 per maund (37.32 Kgs), while in the Punjab they are said to have ranged from Rs.6000 to rs.6100 per maund on Thursday, according to the quality.

The total output for the current season in Pakistan (2017/2018) is expected to range from 12 million to 12.5 million bales (155 Kgs). Though cotton prices were slightly steady today, it is generally believed that the cotton market may remain on the weak side. Some exporters were also active in the market.

On the economic and financial front, we have seen a general rise of confidence pertaining to economic growth in several parts of the world. Besides the United States and Europe, hopes have also been expressed that the Emerging Markets would also show a notable growth in their economies. Thus early this week the sundry bourses in several parts of the world show notable increases in equity values.

The central banks, however, looked at global economic growth with a pinch of salt and thus advised their constituents, not to raise interest rates speedily, lest economic growth in various countries and regions is confronted with any setback. Indeed several economists and observers would rather raise the interest rates slowly to avoid any early setback to the growing global economy.

There are reports that several policy makers of the Bank of England are indicating that they are considering a rise in interest rates for the first time after more than a decade. Speculators in the market went so far as to presume that interest rates in Britain may be raised before the closing of this calendar year

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to avoid any inflationary situation.

On the other hand, it has been reported that if the economic growth continues at a positive pace, the first interest rate rise in Britain could be earlier than expected. In a report produced by Lucy Meakin and Jill Ward updated recently, it is conceded that “Brexit means considerable risk’s to economic outlook remain”.

Besides purely economic considerations which determine economic growth, political developments play a significant role in shaping the economy of the world. These days nuclear explosions experimentation in North Korea and flinging long-range ballistic missiles in the direction of the Korean Peninsula and Guam are also negatively correlated to managing the global economy.

Besides the North Korean conundrum, the wrath of Hurricanes Harvey, Irma and now

Jose have also to be considered into the economy of America and the Gulf of Mexico, besides the Caribbean Islands. Anyhow, till the last reported information, the standing cotton crop in Texas, Louisiana and the Carolinas has not been as badly damaged as envisaged earlier.

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Rates fall sharply

RECORDER REPORT

KARACHI: Cotton prices dropped sharply in line with the global track on the local cotton market on Thursday, dealers said.

The official spot rate was down by Rs 100 to Rs 5950, they said. In the ready session, over 40,000 bales of cotton changed hands between Rs 5800-6150, they said. In both Sindh and the Punjab, seed cotton prices were unchanged at Rs 2550-2750 as per 40 kg, they said.

Market sources said that prices went up sharply during one month due to rising fears of likely damages by the hurricanes.

But now the fading out of two major hurricanes such as Irma and Harvey without much damage to standing cotton crop in Texas and Georgia left prices under pressure in the world markets, experts said.

Cotton analyst, Naseem Usman, said that the market is under pressure owing to good production of cotton the world over.

In the meantime, the ginners were not in favour of new deals at the lower rates.

Adds Reuters: ICE cotton futures settled flat on Wednesday after hitting a near three-week low, a day after the US Department of Agriculture raised its global and US production estimates for the 2017/18 crop year.

Cotton contracts for December settled down 0.02 cent, or 0.03 percent, at 69.09 cents per lb. The contracts traded within a range of 68.31 cents, the lowest level since Aug. 25 and 69.46 cents a lb.

US cotton output is seen at 21.76 million bales for 2017/18 compared with 20.55 million bales projected last month, the report showed. ICE cotton futures plunged over 4 percent on Tuesday, the biggest one-day fall in a month.

The following deals reported: 1000 bales from Kotri at Rs 5800/5850, 1000 bales from Maqsoodo at Rs 5850/5900, 1600 bales from Hyderabad at Rs 5850/5900, 3000 bales from Sanghar at Rs 5850/6000, 3000 bales from Shahdadpur at Rs 5850/6000, at Rs 2000 bales from Mirpurkhas at Rs 5850/6000, 5000 bales from Tando Adam at Rs 5850/6000, 400 bales from Sinjoro 5900, 600 bales from Sarhari at Rs 5900/5950, 1000 bales from Moro at Rs 6000, 400 bales from New Saeedabad at Rs 6000, 1000 bales from Sakrand at Rs 6000/6050, 2000 bales from Nawab Shah at Rs 6000/6050, 2000 bales from Khairpur at Rs 6000/6100, 1000 bales from Rohri at Rs 6000/6100, 600 bales from Pir Mehal at Rs 6000/6050, 400 bales from Pakpattan at Rs 6050, 400 bales from Samundri at Rs 6050, 600 bales from Sahiwal at Rs 6050, 600 bales from Chistian at Rs 6050/6100, 1200 bales from Bahawalpur at Rs 6050/6100, 1400 bales from Haroonabad at Rs 6050/6100, 600 bales from Bahawal Nagar at Rs 6075, 400 bales from Arifwala at Rs 6075, 1000 bales from Burewala at Rs 6075, 400 bales from Mian Chano at Rs 6075/6100, 800 bales from Chichawatni at Rs 6075/6100, 800 bales from Vehari at Rs 6075/6100, 1000 bales from Tounsa Sharif at Rs 6100, 600 bales from Fazilpur at Rs 6100, 400 bales from Layyah at Rs 6100, 600 bales from Mianwali at Rs 6100, 1000 bales from Rajanpur at Rs 6100/6150 and 600 bales from Ahmedpur at Rs 6100/6150, dealers 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 13.09.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,950	145	**6,095**	**6,195**	-100
40 Kgs	6,377	155	**6,532**	**6,639**	-107

BUSINESS
RECORDER
Friday, 15th September, 2017

Cotton futures end flat

NEW YORK: ICE cotton futures settled flat on Wednesday after hitting a near three-week low, a day after the US Department of Agriculture raised its global and US production estimates for the 2017/18 crop year.

Cotton contracts for December settled down 0.02 cent, or 0.03 percent, at 69.09 cents per lb. The contracts traded within a range of 68.31 cents - the lowest level since Aug. 25 - and 69.46 cents a lb.

Projections for world ending stocks for the 2017/18 crop year were at 92.5 million bales, 3 million above their 2016/17 level, as per the latest World Agricultural Supply and Demand Estimates (WASDE) report. Projections were raised for several countries, led by the United States and India.

US cotton output is seen at 21.76 million bales for 2017/18 compared with 20.55 million bales projected last month, the report showed.

ICE cotton futures plunged over 4 percent on Tuesday, the biggest one-day fall in a month.

Tuesday's price move prompted the ICE Futures US exchange to expand the daily trading limit for all Cotton No. 2 futures to 4 cents per lb, effective with the start of trading for Wednesday. But on Wednesday, the limit was revised back to 3 cents per lb, effective Thursday.

"The domestic production estimate did not include any adjustment for recent hurricanes. That's kind of tempered the market's stand," said Louis Rose, co-founder and director of research and analytics at Rose Commodity.

"If the market truly believed that the US is going to make nearly 22 million bales there could have been another limit down today. The open interest shows that there was some liquidation of longs rather than new shorts," he said.

Total futures market volume fell by 5,718 to 36,962 lots. Data showed total open interest fell 1,986 to 243,886 contracts in the previous session.

Certificated cotton stocks deliverable as of Sept. 12 totalled 7,006 480-lb bales, down from 8,402 in the previous session.—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
Oct'17	69.86	69.86	69.02	69.78	14:45 Sep 14	69.78	-0.20	56	69.98
Dec'17	69.19	69.45	68.43	69.12	14:45 Sep 14	69.12	0.03	24837	69.09
Mar'18	68.64	68.86	67.98	68.53	14:45 Sep 14	68.53	-0.07	9151	68.60

BUSINESS
RECORDER
Friday, 15th September, 2017

Abnormal UFG allowance

Consultants appointed by Oil and Gas Regulatory Authority (Ogra) have proposed a raise in the uncounted for gas (UFG) losses to 7.1 percent – significantly higher than the existing allowance of 4.5 percent. Raising the allowance of UFG has been a long-standing demand of various stakeholders in the sector and as early as in July 2014, Sui Southern Gas Company (SSGC) Managing Director Shoaib Warsi stated that a panel of experts had estimated a UFG benchmark of 7 percent to compensate the two gas companies – Sui Southern and Sui Northern – for losses from the pipeline unique to Pakistan which include law and order problems, theft and minimum metering, etc. The incumbent Prime Minister Shahid Khaqan Abbasi when he held the sole portfolio of Petroleum and Natural Resources supported this view and repeatedly criticized Ogra for setting an unrealistic bar.

The utilities and the Ministry's stance was supported by Asian Development Bank which undertook an energy sector assessment under its Sustainable Energy Sector Reform Sub-program 1 in April 2014 in which it maintained: "UFG in the national gas network has reached around 11% which is eroding major portions of the returns of the gas utilities. The UFG levels have increased mainly due to a significant drop in gas sales to bulk consumers since 2003-04 owing to expansion of transmission network on 'socio-political considerations', resulting in higher leakages in retail system. The MP&NR and gas utilities are also seeking to fix the cost of gas for gas losses at the level of 2004-05 on the premise that such losses were outside the control of the gas companies even though gas rates for consumers increased by almost 70 percent since then. However, Ogra has set a benchmark of 4.5% for both the utilities and the cost of gas losses at current price of gas. This, however, is seriously going to impact the financial viability of the gas utilities and not only impede their ability to invest in the system but is also resulting in raising the circular debt in the gas sector."

Thus both domestic stakeholders as well as donor agencies were agreed that there is an emergent need to carry out a detailed audit of UFG in the two gas utilities and "new benchmarks set in line with international best practices" and, equally importantly, "compliance must be ensured thereafter" for the current 4.5 percent UFG as set by Ogra is certainly not being complied with. However, domestic stakeholders placed the entire onus on conditions prevailing in the country and did not acknowledge any flawed decisions made for purely political reasons while ADB highlighted this as a factor in the rise in UFG as well.

Thus a reason for the high levels of UFG may have been unique to Pakistan yet there have been political decisions made that simply exacerbated the problem. In this context, it is relevant to note that former Prime Minister Nawaz Sharif decided to relax the then existing moratorium on new gas connections (in place since 2011 by the PPP-led coalition government to deal with issues relating to a rising scarcity of domestic gas) for 55 constituencies of influential politicians as well as federal ministers that, incidentally, included the incumbent prime minister Shahid Khaqan Abbasi. On 12th April 2017, the Cabinet headed by Nawaz Sharif lifted the moratorium on new gas connections, following a green signal from the Cabinet Committee on Energy which was also headed by Nawaz Sharif.

To conclude, there is a need to revisit the UFG allowance however at the same time, it is necessary to distinguish between political and non-political factors and the government must desist from raking in political capital out of flawed decisions that have severe economic repercussions for the two utility companies.

BUSINESS
RECORDER
Friday, 15th September, 2017

AML regulations and fiscal laws — II

Syed Shabbar Zaidi

In the first article on this subject published on September 9, 2017 the relevance and changed perspective of anti-money laundering (AML) in today's world was briefly discussed. That article restricted its scope to the need for synchronization, if required, of the matter of tax evasion and AML which is an urgent issue in principle relating to income tax. In this article, the subject matter is the basic and classical understanding of the concept of money laundering and operation of anti-money laundering (AML) processes. As stated earlier, money laundering is placement, layering and integration of proceeds of crime into regular business and financial system. These acts can have various methods and dimensions. Regulators of AML processes, in principle, are handicapped in the sense that there are billions of commercial and financial transactions that take place in a regular economic/commercial system. Some of them are regulated, in the sense that they are undertaken through banking channels being indirectly monitored and supervised by the central banking regulations of the respective jurisdictions. Others are outside the system; mostly being 'cash economy'.

Amongst the profoundly large number of transactions that are undertaken in a banking system it is virtually impossible to identify and locate those transactions for which enquiries may be undertaken under the AML regulations. Money laundering, in essence, means attempts to integrate both the systems to project the proceeds of crime as untainted money. This task therefore necessitates a vigilance over 'regulated transactions' to forestall such integration. Anti-money laundering operations inherently deal with that process.

Unlike the general perception, as will be observed in the following paragraphs, money laundering has always been conceived as an act involving 'foreign jurisdictions' and abuse of foreign exchange regulations. This is a limited aspect of money laundering operations. This perception primarily emanates for the reason that proceeds of crime in many cases, which originate in cash economies of the undeveloped countries, are attempted to be integrated into financial systems of the developed world. That requires and involves movement of funds from one jurisdiction to another. Accordingly, abuse of foreign exchange regulation is perceived as an integral part of an AML process. That perception is not wholly correct.

To summarize this aspect it is stated that anti-money laundering processes can be undertaken without involving foreign jurisdictions; however, under the present integrated world, in most of the cases, that processes also involve inter-jurisdiction transactions. As stated in Part 1 of this article, we have stated that the AML Act, 2010 covers both the situations being (i) origination of proceed of crime in one jurisdiction and projection of same as untainted money in the same jurisdiction; and (ii) origination of projections in different jurisdictions. An act of money laundering, under the AML Act, 2010 can be undertaken with or without movement of funds out of Pakistan.

Money laundering regulations 'per se' do not restrict their scope to regulated banking and documented transactions, however, as stated earlier the purpose of money laundering is to 'assimilate' the property being the proceed of crime into regular system therefore it is assumed [and rightly so] that a money launderer will ultimately use the documented system for such 'assimilation'. Accordingly, in almost all the AML regulations, the 'Ultimate Destination Approach' is used. Under that approach transactions in banking system are traced back to identify the 'precedent acts' which may be a part of a money laundering scheme. Accordingly, all the anti-money laundering regulations are designed to curtail such abuse. Thus, the first step in that process is to identify the transactions that can be 'suspicious'. In Pakistan, this ultimate aspect is laid down in regulations in the following manner:

Under Section 7 of the Anti-Money Laundering Act, 2010 'suspicious transaction' has been defined as a transaction that:

(i) involves funds derived from illegal activities or is intended or conducted in order to hide or disguise proceed of crime;

(ii) is designed to evade any requirement of this section;

(iii) that has no apparent lawful purpose after examining the available facts, including the background and possible purpose of the transaction; or

(iv) involves financing of terrorism, including funds collected, provided, used or meant for, or otherwise linked or related to, terrorist acts or organizations and individuals concerned with terrorism.

This is a very wide definition. In fact, financing of terrorism is a feature in addition to general concept of money laundering. This matter has been added after 9/11. As stated earlier, the first part of the exercise is to identify the proceeds of crime as defined in the AML Act 2010. Sub-section (iii) and (iv) are essentially the matter beyond the 'proceeds of crime' as referred to in sub-section (i). In this case any transaction where there is no apparent reason and purpose of transaction can be treated as suspicious transaction. This wide extent of the subject may lead to subjectivity in decision making as a regular banking transaction, may not provide adequate answer to the question being raised in the section. This is a very serious issue for the persons engaged or dealing with transactions as the available information and background details of the customers [parties] available with that person cannot necessarily provide assertions ultimate necessary to this effect. There is a need for to proper synchronization on this subject that has been discussed in the following paragraphs. It is important to note that India's Prevention of Money Laundering Act, 2002 does not include any term by the name of 'Suspicious Transaction Report'. In the following discussion we will like to discuss the concept in common parlance to provide general understanding to the readers:

This aspect of suspicious transaction has been discussed in Anti-Money Laundering Regulations 2015 in Appendix 11. That description provides a practical meaning to understand comprehensively the first part of AML exercise being identification of suspicious transactions. Under these regulations suspicious transaction may be :

(i) A transaction which do not make economic sense;

(ii) A transaction that is inconsistent with the customers' business;

(iii) A transaction involving large about of cash;

(iv) A transaction involving structuring to avoid reporting and identification requirements;

(v) A transaction involving various accounts;

(vi) A transaction involving transfers to and from abroad;

(vii) Investment related transactions;

(viii) Transactions involving unidentified parties;

(ix) Transactions involving embassy and foreign consulate accounts.

The guiding factors identified in the aforesaid regulations provide a road map to reach a conclusion. These guidelines would have to be applied in relation to Section 7 of the Act described earlier. An isolated reading will be misplaced.

The AML Regulations 2012 includes as a part of legislation reference to the Financial Action Task Force (FATF). The FATF is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. According to their guidelines the suspicious transactions are those where:

* Activity is inconsistent with the customer's business;

* There is large number of incoming and outgoing of funds; and

* Transactions are inherently unusual in character.

In a nutshell, under both these regulations, STR would represent unusual and extraordinary transactions without legal economic substance. In the following articles we will further dilate on the subject of identification with reference to national and international standards and practices. The reporting requirements and jurisdiction in relation to AML Regulations 2012 are:

"3. Jurisdiction for reporting of suspicious transactions and currency transactions.-(1) FMU is the only designated agency in Pakistan to which suspicious transaction reports (STRs) and currency transaction reports (CTRs) shall be made.

(2) The FMU shall, after analyzing the transactions, refer any report of a suspicious or currency transaction including analysis to any appropriate investigating or prosecuting agency for use in the conduct of inquiry, investigation, prosecution, intelligence or counterintelligence activities, including in respect of potential cases of money laundering or terrorist financing. Provided that the report disseminated by FMU under this clause shall be treated confidential.

(3) Nothing in clause (1) shall be construed as precluding supervisory agency for a financial institution from requiring the financial institution to submit any information or report in the normal course of business under other applicable laws.

4. Reporting of suspicious transactions. -. (1) In addition to financial institutions, Director General may, under the Act, require any NFBP to report suspicious transaction to FMU" in the manner as he may, from time to time, prescribe.

(2) Every financial institution and such NFBP (non-financial business and profession) as required under clause (1) shall file with FMU on the prescribed format as annexed (appendix-l), STR effected or attempted by, at or through that financial institution or NFBP if the financial institution or NFBP knows, suspects, or has reason to suspect that the transaction (or a /pattern of transactions of which the transaction is a part) involves funds derived from illegal activities or is, intended or effected in order to hide or disguise proceeds of crimes or is designed to evade any' requirements of section 7 of the Act or has no apparent lawful purpose after examining the available facts, including the background and possible purpose of the transaction or concerns financing of terrorism. A guide containing examples of possible suspicious transactions and characteristics of financial transaction that may be a cause for increased scrutiny is given in Appendices - III to VIII.

(3) The STR]STRs] shall be Tiled [filed] by financial institutions and designated NFBPs immediately but not later than seven working days after forming that suspicion in respect of a particular transaction, irrespective of the fact that the transaction was followed through or not."

DAWN
Friday, 15th September, 2017

Only one-fifth employees of top 54 companies file tax returns

Mubarak Zeb Khan

ISLAMABAD: The Federal Board of Revenue (FBR) has identified 200,906 employees of 54 top companies across the country who vanished from the tax net in the past one year — reflecting poor tax compliance.

In the tax year 2016, these employees — who constitute 79 per cent of the total employees' strength — did not file their tax returns.

The employees of these big companies who filed their income tax returns stood at 53,579 — only 21pc of the total employees' strength of 254,485.

In the year 2016, the total number of people who filed returns stood at 1.2 million. These are just 0.8pc of the population that FBR can trace to their homes or workplaces.

This discrepancy has emerged from the comparison of the data compiled and maintained by the Pakistan Revenue Automation (PRAL), a subsidiary of the FBR.

In India, the ratio of return filing to the population is 4.5pc, 58pc in France and 80pc in Canada.

The minimum penalty for not filing returns/statements/wealth statements starts from Rs5,000 and it can be as high as 25pc of the tax payable in a year. The non-filer would have to either declare his total income for assessment of tax in a year or the tax official would declare it ex parte.

An official of the FBR confirmed to Dawn that the FBR's Facilitation and Taxpayers Education (Fate) Wing has already launched a campaign to rope in large public and private sector organisations and companies in its ongoing drive for filing of tax returns.

"We have chalked out a plan to approach these companies to extend facilities for filing of tax returns," the official said.

The breakup of non-filing companies shows that 25 companies fall in the jurisdiction of tax departments in Karachi city, followed by 17 in Lahore. The number of companies in Islamabad stood at 5, followed by three in Rawalpindi, two in Multan and one in Faisalabad city.

In Karachi, the data shows that 6,478 (57pc) of the total employees of Habib Bank did not file their tax returns, followed by 9446 (90pc) of the Aga Khan Hospital and Medical College Foundation who skipped filing their tax returns in 2016.

In civil aviation authority, 7,240 (77pc) employees did not file their tax returns; followed by 6, 255 employees (72pc) in Meezan Bank, 5,909 (74pc) in Pakistan Steel Mills Corporation (Pvt) Ltd; 5,962 (76pc) in K-Electric Ltd; 4,605 (68pc) in Sui Southern Gas Company Ltd; 4,527 (84pc) in Karachi Port Trust; 3,905 (75pc) in Karachi Electric Provident Fund; 2,940 (65pc) in Standard Chartered Bank (Pakistan) Ltd; 2,699 (66pc) in Faysal Bank Ltd; 3,433 (94pc) in the Indus Hospital; 1,970 or 60pc in Pakistan Space and Upper Atmosphere Research Commission.

Similarly, 2,180 employees (68pc) did not file tax returns in 2016, followed by 2,137 (69pc) in NIB Bank Ltd; 1,025 (36pc) in Habib Metropolitan Bank; 2,764 (98pc) in B L Harbert International (Pvt) Ltd; 1,884 (70pc) in JS Bank Ltd; 2,439 (92pc) in Orient Energy Systems (Pvt) Ltd; 2,218 (85pc) in City Schools (Pvt) Ltd; 2,086 (84pc) in Pakistan Defence Officers Housing Authority; 1,885 (77pc) in the Aga Khan University; 1,780 (85pc) in Kashf Foundation; 1, 766 (84pc) in Philip Morris (Pakistan) Ltd; and 2,490 (53pc) in state Life Insurance Corporation of Pakistan.

In the city of Lahore, 9,763 employees (98pc) of total strength in JDW Sugar Mills Ltd did not file their tax returns in tax year 2016; followed by 5,143 (63pc) in MCB Bank; 7,863 (99pc) in Crescent Bahuman Ltd; 6,737 (85pc) in Sui Northern Gas Pipelines Ltd; 4,333 (84pc) in Educational Services (Pvt) Ltd; 4,113 (86pc) in Coca Cola Beverages Pakistan Ltd; 3,496 (74pc) in Nestle Pakistan Ltd; 4,249 (97pc) in Business and Communication Systems (Pvt) Ltd; 4,084 or 97pc in Virtual World (Pvt) Ltd; 4,051 (97pc) in Sefam (Pvt) Ltd; 3,786 (96pc) in Punjab Rural Support Programme; 2,655 (98pc) in Royal Airport Services (Pvt) Ltd.

As many as 1,995 employees (87pc) in Treet Corporation Ltd did not file their tax returns in tax year 2016, followed by 2,140 (98pc) in Cool Industries (Pvt) Ltd; 1,672 (78pc) in Technical education and vocational training authority; 1,767 (83pc) in Punjab

Provincial Cooperative Bank Ltd; 1,917 (92pc) in Metro-Habib Cash & Carry Pakistan (Pvt) Ltd.

RAWALPINDI AND ISLAMABAD:

In the federal capital 7,685 employees (81pc) in Oil and Gas Development Company Ltd did not file their tax returns in 2016, followed by 5,150 (68pc) in Askari Bank Ltd; 3,283 (81pc) in Pakistan Television Corporation Ltd; 2497 (63pc) in Fauji Fertilizer Company Ltd; 3,357 (96pc) in Hillcrest Solutions (Pvt), Ltd; 1,842 (60pc) in National Engineering and Scientific Commission (HQ); 1,590 (9pc) in Pakistan Mobile Communication Ltd; and 1,511 (73pc) in National Engineering Services Pakistan (Pvt) Ltd.

In Multan, 6,086 employees (73pc) in Bank Al-Habib Ltd; followed by 2,980 (90pc) in Multan Electric Power Company Ltd. In Faisalabad, 3,048 employees (93pc) in Rafhan Maize Products Company Ltd who did not file their tax returns in tax year 2016.

DAWN
Friday, 15th September, 2017

Govt cuts borrowing from State Bank by 85pc

Shahid Iqbal

First two months see borrowing of Rs115b in 2018, which is only 15pc of the borrowing during the same period of 2016-17. — File

KARACHI: The government drastically reduced borrowing from the central bank in the first two months of 2017-18, causing a slowdown in the contraction of broad money.

The government borrowed Rs115 billion from the State Bank of Pakistan (SBP) in July-August, which was just 15 per cent of its borrowing during the same period of 2016-17.

In the last fiscal year, the government relied heavily on the central bankby borrowing Rs776bn in July-August and kept retiring the debt of commercial banks.

The economy witnessed a monetary expansion of 13.69pc or Rs1,756bn in 2016-17, which helped it achieve over 5pc growth rate.

During the first two months of the current fiscal year, monetary expansion was negative 0.96pc compared to negative 1.6pc a year ago.

After aggressive borrowing from the central bank and moderate borrowing from commercial banks in 2016-17, economists expected the government to keep pumping money into the economy for higher growth.

The government borrowed Rs361bn from scheduled banks in 2016-17. But the trend seems to have reversed this year. The government already borrowed Rs205bn from scheduled banks in July-August against a net debt retirement of Rs470bn during the corresponding period a year ago.

A major chunk of borrowing from commercial banks was in the second half of 2016-17. But low borrowing from commercial banks in July-August has helped the private sector benefit from increased liquidity.

DAWN
Friday, 15th September, 2017

Reserves up

The Newspaper's Staff Reporter

KARACHI: Pakistan's total liquid foreign exchange reserves amounted to $20.58 billion on Sept 8, up $198.2 million or 0.97 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday.

Reserves of the SBP increased $77m to $14.75bn.

Net foreign exchange reserves held by commercial banks amounted to $5.82bn on Sept 8, up 2.1pc from the preceding week.

DAWN
Friday, 15th September, 2017

Commodities

Falling cotton prices attract buyers

The Newspaper's Staff Reporter

KARACHI: Attracted by falling cotton prices, spinners rushed back to replenish their stocks on Thursday. Falling cotton prices the world over influenced trading in a similar fashion.

At the outset, there was brisk activity as spinners tried their utmost to get hold of maximum deals. Due to falling cotton prices, phutti (seed cotton) prices also came under pressure and declined substantially.

The current price level of cotton is very attractive to spinners who would have better edge in yarn prices and could even be viable in the export market, observed cotton analysts.

There are reports that growers have started to hold back phutti as they fear huge losses if cotton prices do not stabilise. However, it is worth noting that the market is directly influenced by global trend where leading markets closed easy.

The forecast of higher cotton production by all cotton growing countries including Pakistan continues to exert pressure on cotton prices. Meanwhile, on Thursday ginners held an emergency meeting in Hyderabad after the Federal Board of Revenue (FBR) froze their bank accounts to recover one per cent tax imposed a couple of years ago on binola (cotton seed). The ginners got a stay from the court but have been vacated.

Due to falling cotton prices on ready counter, the Karachi Cotton Association (KCA) also revised spot rates downward by Rs100 to Rs5,950 per maund.

The following major deals were reported to have changed hands on ready counter on Thursday: 1,000 bales, Kotri, at Rs5,800 to Rs5,850; 1,000 bales, Maqsoodo, at Rs5,850 to Rs5,900; 1,600 bales, Hyderabad, at Rs5,850 to Rs6,000; 3,000 bales, Sanghar, at Rs5,850 to Rs6,000; 3,000 bales, Shahdadpur, at Rs5,850 to Rs6,000; 2,000 bales, Mirpurkhas, at Rs5,850 to Rs6,000; 5,000 bales, Tando Adam, at Rs5,850 to Rs6,000; 1,000 bales, Moro, at Rs6,000; 1,000 bales, Sakrand, at Rs6,000 to Rs6,050; 2,000 bales, Nawabshah, at Rs6,000 to Rs6,050; 2,000 bales, Khairpur, at Rs6,000 to Rs6,100; 1,000 bales, Rohri, at Rs6,000 to Rs6,100; 600 bales, Ahmed Pur, at Rs6,100 to Rs6,150; 1,000 bales, Rajanpur, at Rs6,100 to Rs6,150; 1,000 bales, Taunsa Sharif, at Rs6,100; 1,000 bales, Burewala, at Rs6,075; 1,400 bales, Haroonabad, at Rs6,050 to Rs6,100; 1,200 bales, Bahawalpur, at Rs6,050 to Rs6,100; and 800 bales, Vehari, at Rs6,075 to Rs6,100.

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	**5,950**	**145**	**6,095**
40 Kgs	**6,377**	**145**	**6,532**

DAWN
Friday, 15th September, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.40	105.60	105.40	105.45
UK	139.03	139.30	139.50	141.00
Euro	125.04	125.28	124.50	126.00
S.Arabia	28.08	28.13	27.95	28.20
UAE	28.67	28.72	28.60	28.90
Japan	0.9530	0.9548	0.9427	0.9627

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.91	6.16
One year	5.97	6.47

LIBOR

Special US dollar bonds for Sept 13

Three months	1.32000 %
Six months	1.45583 %

THE NEWS
Friday, 15th September, 2017

Top cotton buyers flock to India as hurricanes hit US crop

MUMBAI: The world´s top cotton buyers, all in Asia, are flocking to India to secure supplies after fierce storms in the United States, the biggest exporter of the fibre, affected the size and quality of the crop, dealers said.

In the past week alone, India, the world´s second-biggest cotton exporter, sealed deals to sell about a million bales to China, Taiwan, Vietnam, Pakistan, Bangladesh and Indonesia - key garment suppliers to brands such as H&M, Inditex-owned Zara and Wal-Mart Stores Inc.

That compared with 300,000 bales in the two weeks before. Dealers expect contracts similar to last week in the next few months, which could help India´s exports grow by a quarter in the 2017/18 season beginning October. "Indian cotton has great chances this year," said Chirag Patel, chief executive at Jaydeep Cotton Fibers Pvt Ltd, a leading exporter.

Asian "buyers are switching to Indian cotton from the U.S. "Hurricanes Harvey and Irma caused widespread damage to the crop in Texas and Georgia, major cotton producing states, with the effects more widespread in Texas, dealers said.

"We definitely lost cotton in Texas. It wiped out 500,000-600,000 bales," said Peter Egli, risk manager at Plexus Cotton Ltd, a Chicago-based merchant, referring to the impact of Harvey in the top-producing U.S. state. In 2016, the United States exported 86 percent of its cotton, 69 percent of which went to Asia, according to the U.S. Department of Agriculture.

Other cotton producers like Brazil and Australia could benefit from lower supplies from the United States, but may find it difficult to match the price offered by India, where a bumper harvest is likely to keep the rates lower. Traders in India, also the world´s biggest cotton producer, signed their export deals at around 80 cents per lb on a cost and freight basis, nearly 2 cents lower than the supplies from the United States, dealers said. India could soon sell at lower prices. Farmers are likely to harvest a record 40 million bales of cotton in the 2017/18 season beginning Oct. 1, 2017, bringing domestic prices down and making exports even more competitive, Patel said. For the new 2017/18 season, farmers have planted 12.1 million hectares with cotton, up 19 percent from a year earlier, farm ministry data showed. India harvested 34.5 million bales of cotton in the 2016/17 season.

Favourable crop conditions would help India sell 7.5 million bales of cotton on the world market in 2017/18 against 6 million bales in the previous year, said Nayan Mirani, partner at Khimji Visram & Sons, a leading cotton exporter.

Some traders believe that India´s exports could surpass 8 million bales if China, the world´s biggest cotton consumer, steps up imports in 2017/18.Beijing, which began selling cotton from its reserves on March 6, had planned to stop the daily auctions at the end of August. But it extended the sales for an additional month after local prices rose amid tighter supply, indicating the need to replenish falling inventories. A Mumbai-based dealer with a global trading firm company said he had received a flurry of orders in the past few weeks, especially for December quarter shipments.

He declined to be identified because he was not authorised to talk to media. Hobbled by the rising rupee and unattractive global prices, India was struggling to sign export deals until a few weeks ago. But a recent rally in global prices made overseas more sales competitive. Other than attractive prices, close proximity encouraged most Asian buyers to turn to India. While cargoes from the United States take about 50 days to reach Vietnam, Bangladesh and Pakistan, India can ship its cotton in two weeks. India´s new season crop will be available to buyers from October, but the supplies from the United States will reach consumers only in January, said Mirani of Khimji Visram, a top exporter.

Current market trends give cotton buyers a chance to look at alternative supplies, said Vu Duc Giang, chairman of Vietnam Textile and Apparel Association. But forecasts of higher global output will ease concerns over cotton supplies, Giang said. The U.S. Department of Agriculture this week said U.S. cotton output is seen at 21.76 million bales for 2017/18 compared with 20.55 million bales projected last month.

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Economic data bears out effectiveness of government policies

Comment

LAHORE: It looks policies of the present regime have started delivering results as both domestic uptake and exports are picking up and Pakistan is likely to post above 5.5 percent growth.

At a time when Pakistan is facing threats from the United States the things at the economic front are very encouraging. For example, remittances that are declining globally have grown above 3 percent in Pakistan in the first two months of the current fiscal year. Exports are also on upward trend.

Car sales registered a whopping increase of 28 percent. Cement consumption in domestic market registered an increase of over 20 percent in August. There is a healthy growth in production of motorcycles, tractors and home appliances.

Agricultural outlook is also best this year compared with the previous three years. Inflation is still much below the budgetary target. Interest rates are still at the lowest level in two decades.

Credit off-take has increased and textile sector is expected to invest more than $1 billion this year to upgrade technology – first such investment after 2005.

This is not a mirage, but a reality. There are some sectors that claim that the economy is in regression only because their industries are posting weak growth. They said the export package is so cleverly designed that after June the exporters have to show a growth of 10 percent to become eligible for the promised subsidies under the package. Those who used to rent seeking hoped that the new Prime Minister would be more receptive to their demands, but they are losing hope. But, they do not realise that it would be a folly to change policies that have started delivering.

Low inflation has been a pleasant surprise for the consumers who were accustomed with double digit inflation. Certainly, the policies have delivered, but the actual potential has not been achieved because of lack of governance. The governance has not improved much during the last four years. That is one of the major blemishes on this regime. Though Pakistan's transparency score in the Corruption Perception Index has improved during this period, the governance in the power sector has deteriorated instead of improving. If power sector governance had improved, the country's transparency score would have been much higher.

The policies are yielding results as China-Pakistan Economic Corridor (CPEC) project is nearing completion. We never exploited our strategic location – a gateway to China and Russia.

US government kept feeding us through grants and loans until we lost the capability to service their loans. CPEC is more important for China as it would substantially reduce transportation cost and it would become globally competitive in many sectors. When China offered to finance the corridor no other country was ready to lend Pakistan even a penny. Chinese knew that and definitely exploited our weak position. But, what we are getting is much better than not having this infrastructure. With time we will recover over losses. It may take decades but a steady growth without foreign assistance would be ensured.

China is our neighbour, but we were not actually connected as the infrastructure was not there. Now, we will be physically connected to the world's largest economy and would reap similar benefits that Mexico got from the US and Far East countries from Japan.

We would have to improve our governance to benefit fully from this opportunity. Governance experts hoped that the new elected government would carry forward the development agenda.

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Tax loopholes pushing SMEs out of domestic market

LAHORE: Successive governments have paid lip service to domestic commerce, and none have ever made necessary reforms to provide level playing field to all. Instead, the government has been supporting the middlemen who rule the domestic rural and urban markets.

At the same time, the industries catering to the needs of domestic consumers are denied facilitation and importance that is given to the exporting industries. The exporters are provided zero-rated facility that is a global norm; the domestic industries too are liable to pay all local taxes that again is a norm.

The only difference in Pakistan is that the domestic producers have no protection against smugglers, under-invoiced items or import of finished goods at low tariff. This perhaps is the main reason of the ever growing trade deficit in Pakistan.

It is unfortunate that domestic commerce has been neglected for too long. The small and medium sectors operating in the domestic market mostly lost their share to cheaper and under-invoiced imports.

It is however worth noting that the large scale industries like cement and sugar were always protected against imports. This speaks volumes about the protection of only the influential in Pakistani commerce.

For most of the country's history, the government facilitated its exporters through various incentives and also the facility of zero-rated exports. The industries based on local market were earlier protected through high import tariff that was rapidly lowered after the opening of trade under WTO.

The small and medium industries were exposed to international competition in haste. Again the protection granted to the automakers, cement manufacturers and sugar mills remained in place. Cyclic growth heights were achieved after opening of trade on the strength of exports and not domestic markets. The planners failed to realise that the SME sector was the backbone of the local economy. It is still the main provider of employment in the country.

The job creation by SMEs in the past saved the day for even incompetent governments. Job creation in manufacturing sector has almost halted, and now only the buoyancy in construction is creating low wage jobs.

Evidence shows that the regulators have not dealt even-handedly with large and small manufacturers. The apprehensions of cement manufacturers about smuggling from Iran or imports from India at the start of this century for instance were immediately removed through strict administrative control.

Sugar was available at very low rates in the world market many times in the past three decades; but adequate prohibitive import duties discouraged its imports. In case of over production, many governments either lifted sugar stocks from the mills or provided huge subsidy for exports. On the contrary, smuggling and under-invoicing of auto-parts remained rampant. These parts are made by small Pakistani auto vendors.

The local garment sector too remained under pressure due to smuggled garments. The plastic and artificial leather industries went sick due to heavy under-invoicing of finished imported products. Many cable and conductor industries went out of production as the finished products found their way in Pakistan at lower than their raw material rates. Pakistan's export-led growth failed to have the desired impact on economy as the local consumption-based industries continued to lose their domestic market share to under-invoiced products. The rules of the game favour those that indulge in under-invoicing or other duty saving tactics.

According to current import regulations, any individual, firm or association has the right to challenge the rate of an under-invoiced product by offering at least 10 percent higher rates. The original importer however has the final right to match the challenger quotes.

The importer, who has indulged in under-invoicing, can exercise this right even if the challenger quotes 100 percent or even higher price. In order to discourage under-invoicing, any product imported at 25 percent of the original price should be confiscated. The offer to the importer to lift the goods at price quoted by the challenger, gives free license to the one involved in malpractice. Since his consignments are rarely challenged, he is not afraid to continue under-invoicing his imports. Pakistan cannot afford to lose its domestic market to foreign goods through malpractices. Local manufacturers would not mind losing market to efficient and quality imported goods, however losing sales because the importer saved government levies illegally is unfair.

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Bank deposits rise 12.56 percent in August

KARACHI: Bank deposits increased 12.56 percent to Rs11.414 trillion in August, the central bank's data showed on Thursday, indicating customer preference to put their money into bank accounts.

The rise in banking sector deposits was also due to higher circulation of money in the system. Deposits stood at Rs10.140 trillion in the same period of last year. Analysts attributed a jump in the deposits to higher growth in the business and retail bank accounts.

"A growing customer deposit portfolio of banks is a positive sign for the banking industry…the increased private sector deposit portfolios of banks mean increasing economic and corporate activities," said an analyst.

Customer deposits refer to current, savings, and fixed accounts of individuals and businesses. A closer look into the data on deposit distributed by category of deposit holders revealed that outstanding private sector deposits at banks rose 9.49 percent to Rs2.732 trillion in August.

Deposits flows further indicate the relative parking of personal deposits increasingly with banks during the period under review. Personal banking deposits were up 9.43 percent to Rs5.557 from Rs5.078 trillion a year earlier.

However, the deposits of the retail sector faced 2.12 percent decline due to documentation of the transactions made by traders. The Federal Board of Revenue has continued to charge 0.4 percent withholding tax on banking transactions of non-filers.

The State Bank of Pakistan has also admitted that this levy has affected deposit growth, resulting in an increased use of hard cash and prize bonds for the settlement of transactions. Banks have seen decreased deposit inflows during the last two years after the government imposed withholding tax on banking transactions for the non-filers.

The increase in banking sector deposits is a positive sign. Deposits came under pressure since 2015 due to host of reasons, monetary easing and, consequent fall in minimum saving rate, increase in withholding tax rate on banking transactions, and preference of depositor towards alternative modes, etc.

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FBR says misdirected advices cause unnecessary litigations

KARACHI: Tax lawyers and practitioners give wrong advices to the taxpayers and that leads to “unnecessary litigations,” a senior tax official said on Thursday.

“Taxpayers should resolve their issues directly (with tax authorities) instead of going for unnecessary litigations,” Seema Shakil, chief commissioner Inland Revenue of Large Taxpayers Unit (LTU) Karachi said. “Tax offices are open to guide taxpayers in resolving their issues.”

Shakil, addressing members of Federation of Pakistan Chambers of Commerce and Industry (FPCCI), said the facility of alternative dispute resolution is functional and it provides relief to taxpayers in a short time. Taxpayers are encouraged to harness alternative dispute resolution mechanism to resolve the tax matters.

She said LTU Karachi, which is the main tax revenue arm of Federal Board of Revenue (FBR), has Rs52 billion stuck in court cases. Litigations also drag on issuance of refunds, she added. Zeeshan Merchant, general secretary of Karachi Tax Bar Association (KTBA) rejected the allegations.

Merchant told The News that it is unjust to blame legal fraternity for unresolved tax matters. “KTBA has an important role to play in resolving tax disputes,” he said. KTBA official said direct interaction between the taxpayers and tax officials contravenes the tax reforms as it may lead to corruption.

The bar has frequently been criticising the technical problems in e-filing system that slows down the process of filing of tax returns and wealth statements. Shakil of LTU admitted that there are procedural delays in the refunds disbursement process.

She, however, said as per the government policy the FBR has released a sufficient amount of refunds during the first two months of the current fiscal year. The refunds issuance procedure has been improved in the past few years, she added. The tax executive said the LTU Karachi disbursed Rs33 billion as refunds of income and sales taxes during the fiscal year of 2016/17 as compared to Rs27.5 billion released a year ago.

FPCCI members, during the meeting, raised concern over audit cases of final tax, especially belonging to the importers who paid sales tax at the customs stage. They said FBR directed taxpayers to inform business associations before conducting raids on business premises.

LTU chief commissioner said it is difficult to apprise them of the raids due to confidentiality of the matters. She further said sales tax registration was grossly misused for obtaining bogus refunds in the past. But, she agreed to an idea of temporary registration of sales tax.

Irfan Sarwana, acting president of FPCCI said exports were falling and exporters were facing cash flow problems due to delays in refunds. Sarwana said FBR selects audit cases through computerised random balloting. “But, still many cases were exempted.”

FPCCI chief said there has too been delay in issuance of exemption certificates to bonafide taxpayers. SM Muneer, ex-chief executive of Trade Development Authority of Pakistan said exporters bear high energy prices in addition to liquidity crunch due to stuck refunds.

FPCCI proposed the FBR to translate tax laws into Urdu for better understanding. They advised the board to release refunds, which were ‘forcibly’ obtained through attachment of bank accounts of the taxpayers. Senior officers of LTU Karachi, including Baddaruddin Qureshi, Asem Iftekhar, Najeeb Memon and Najeebullah were also present on the occasion to explain different provisions of tax laws.

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Cotton drops

Karachi: Cotton arrivals increased for trade at the Karachi Cotton Exchange on Thursday, while spot rates decreased Rs100/maund.

The spot rates dropped to Rs5,950/maund (37.324kg) and Rs6,377/40kg. Ex-Karachi rates also decreased to Rs6,095/maund and Rs6,532/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively.

An analyst said an increase in the arrivals resulted in a decline in spot rates, amid outlook of an increase in world cotton production. A total of 34 transactions were recorded of around 35,000 bales at a price of Rs5,850 to Rs6,150/maund. Notable deals were recorded from Kotri, Maqsoodo, Mirpurkhas, Sanghar, Shahdadpur, Tando Adam, Moro, Sakrand, Nawabshah, Khairpur and Rohri in Sindh and Bahawalpur, Haroonabad, Burewala, Taunsa Sharif and Rajanpur in Punjab.

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Pak exports to expand after FTA 2nd phase conclusion: China

Pak commerce secy says gains for both sides should be equal, Seeks Chinese technical assistance for enhancing industrial, agri productivity

APP

BEIJING - Vice Minister, Chinese Ministry of Commerce, Wang Shouwen Thursday said that after conclusion and implementation of the second phase of China-Pakistan Free Trade Agreement (CPFTA), Pakistan will be able to expand its exports to China through the low tariff rates and attract more Chinese investment in next five years.

In next five years, China will import products of $8 trillion and once the second phase of our FTA concluded and implemented, Pakistan will be able to expand export to China through the low tariff rates. In addition, Pakistan will also be able to attract more investment from China, he said while addressing opening session of 8th meeting of second phase negotiations of China-Pakistan FTA held here at Chinese Ministry of Commerce.

He said that China is a huge market and home of 1.3 billion people and its domestic demand or consumption in booming. The vice minister said the economic and trade cooperation is the anchor and propeller of relations between China and Pakistan.

In recent years, our cooperation has experienced a remarkable development and benefited many enterprises and people in both the countries. In this process, FTA is core instrument, he added.

Terming CPFTA as one of the earnest FTAs of China, he said, it has played a significant role in promoting Sino-Pakistan cooperation and added, according official statistics, China is now Pakistan's largest trading partner and the trade volume between the two countries has increased significantly.

Wang Souwen said more importantly, with the implementation of FTA, more investment from China was injected into Pakistan.

He said the first phase of China-Pakistan FTA has injected a lot of impetus to economic and trade ties. However, with the liberalization level of only 36 percent, there is still a huge space for both sides to raise the current level.

I believe a relatively high level of liberalization will promote common development and benefits to more people of our countries, he added.

The vice minister said the leadership of the two countries attaches

great importance to the negotiations between two friendly countries.

The joint statement of Chinese President Xi Jinping during his visit to Pakistan in April 2015 clearly pointed out that both sides decided to speed up the negotiation of the second phase of FTA, he added.

When Chinese Vice Premier Wang Yang visited Pakistan this August, both sides emphasized again the necessity to accelerate the pace of the negotiation, he said and added, ‘To implement our leaders guidance, we need to step up our efforts to conclude the negotiation with flexibility and creativity.’

He said the current round of the second phase negotiations is very important and we have made a lot of efforts for this meeting.

He hoped that the two sides would make a best use of next two days and strive for a positive progress in trade and services areas.

And for China, our delegations consist of the members coming from seven government agencies, we are committed to making tangible progress in cooperation with our Pakistanis friends, he added.

While reciprocating the warm feelings of his Chinese counterpart, Federal Commerce Secretary, Younus Dhaga said that Pakistan values the deep relations between the two countries and the growing economic cooperation.

China is now Pakistan’s major trading partner with volume of trade reaching an all-time high at $16 billion in 2016-17 from $4 billion in 2006-7. However, keeping in view the respective sizes of two economies, the

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gains for both sides should also be equal.

Following the FTA, Pakistan's trade deficit with China has widened to very high levels, surging from $2.9 billion in 2006-7 to $12.7 billion in 2016-17.

Over the last year, Pakistan's global imports have grown by 18.5 percent, while exports have declined by 1.6 percent.

He said imports from China alone account for 36 percent of Pakistan's global non-oil imports. In order to address the issue of trade deficit, measures are suggested to decrease the trade gap between China and Pakistan.

Younus Dhaga reiterated that there is a need to send the positive signals to the people of both the countries that the benefits of China Pakistan Economic Corridor (CPEC) and CPFTA will be shared on an equitable level between the two countries and that the economy of Pakistan will be a major beneficiary.

He said that CPFTA should be a win-win proposition for both the countries and added there is a need to immediately restore the eroded margin of preference and grant concessions at par with other FTAs.

In view of the emergent nature of the situation, special provision will have to be made for public sector procurement of Pakistani goods by sending frequent buying missions to Pakistan, he added.

The commerce secretary said the high-level policy support to encourage Chinese investment not only in export-oriented industry but in the value added sector as well to enhance our export potential on one hand and curtail imports on the other.

He also requested for technical assistance for enhancing Pakistan's industrial and agricultural productivity.

Another issue highlighted was the business visa facilitation on the basis of reciprocity.

Pakistan Ambassador to China, Masood Khalid stressed the need to an early conclusion of the long due second phase of CPFTA.

He said that mutual trust and confidence form the basis of China Pakistan relations and added the spirit of friendship and brotherhood is manifested in the form of growing economic cooperation and bilateral agreements like FTA.

He hoped that the two sides can successfully resolve the pending issues during the two day negotiations.

The first phase of China-Pakistan Free Trade Agreement (CPFTA) was signed in 2006, which became operational the following year. Major areas to be discussed during the 8th round of negotiations include TRM, trade in goods, trade in services, investment opportunities, SPS/TBT, and other sectors of mutual interest.