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Commerce ministry criticised for "failure" on all fronts

MUSHTAQ GHUMMAN

National Assembly Standing Committee on Commerce grilled Commerce Ministry on Tuesday for purported failure on all fronts from exports to trade pacts with other countries. This was the crux of the meeting presided over by Siraj Muhammad Khan and attended by a large number of members dominated by women members. Commerce Ministry''s team led by Secretary Commerce Younus Dagha was seen disturbed with everyone ignoring the Chairman of the committee. At one stage, Secretary Commerce commented that the Chairman should decide how to run the meeting.

Commerce Minister Engineer Khurram Dastgir reached the meeting almost one hour and 30 minutes late. Chaudhry Asadur Rehman, of the ruling party stated that if a Minister does not resolve issues of his/her portfolio he/she should resign instead of shifting responsibility onto other ministries. "Finance Ministry and Commerce Ministry has destroyed the country''s economy and exports. The only success of Finance Minister, an accountant, is that he is getting loans from everywhere," he added. PTI member Sajida Begum walked out from the meeting in protest, saying that "the country is drowning while the committee members are laughing."

As the meeting started, Chairman Standing Committee stated that a country where rates of electricity and gas are higher compared to its competitors, cannot progress. However, when Commerce Ministry officials started presentation on Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs), most of the members of the committee maintained that the Commerce Ministry has not signed any FTA since 2013 which indicates that the Commerce Ministry has miserably failed to perform and has presided over a trade deficit of $ 32 billion during 2016-17.

The Secretary Commerce argued that the government had slowed down talks on FTAs and PTAs since 2013. However, FTA talks with Thailand and Turkey are in final stages whereas talks will start with Japan at the end of the current month, adding that FTA talks with South Korea are also under consideration. Explaining the impact of FTA with China, the Secretary Commerce said that during the initial four years Pakistan benefited from the pact with China, however, later on issues surfaced.

He said, Pakistan has now started work on FTAs and PTAs expeditiously with other countries and will finalize pacts with major markets as trade cannot post growth without FTAs. He further stated that measures are also being taken for an FTA with Russia. In reply to a question, he said that progress on SAFTA is negligible due to political situation between two major members of SAFTA. However, when almost all members started making a hue and cry on current situation of exports, Secretary Commerce said that Pakistan is unable to compete with neighbouring countries due to higher prices of gas and electricity. He said electricity prices in Pakistan are Rs 2-3 per unit higher than in competitor countries.

This is the reason Pakistan''s exports have declined to $ 20 billion from $ 25 billion, he argued. However, he claimed that declining trend in exports has now begun to show a reverse trend after implementation of the Rs 180 billion incentive package. He said the Commerce Ministry is preparing a summary for the Economic Co-ordination Committee (ECC) of the Cabinet for a reduction in electricity and gas rates for industrial sector. He said cross subsidy, in the form of cheap electricity for lifeline consumers, is the main reason for higher rates for industry and the impact of all surcharges and levies are being charged to industrial and commercial consumers.

"The government has to take a political decision on tariff policy," said Dagha who was recently transferred to Commerce Ministry from Water and Power Ministry. The committee was informed that Rs 28 billion of Export Development Surcharge (EDS) is stuck with Finance Ministry. Shahzadi Umarzadi Tiwana said that he was disappointed with the

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performance of Commerce Ministry. Parvaiz Malik supported the viewpoint of Ch Asad-ur-Rehman and said that the government has to adjust dollar-rupee parity and reduce price of electricity.

Chairman Standing Committee stated that textile sector is shifting its investment into the real estate sector, suggesting that the government should impose a ban on such investments. Commerce Minister Engineer Khurram Dastgir who faced criticism for attending the standing committee meeting after months, said the incumbent government has not signed any PTA or FTA because private sector had serious reservations about previous pacts. He acknowledged that the price of electricity and gas is higher in Pakistan but added that at the same time both facilities are now available to the industrial sector without any load shedding.

Commenting on Rs 180 billion incentives package, the Commerce Minister said that Finance Minister has already released Rs 6 billion to exporters whereas Rs 4 billion will be released within a couple of days. He said the remaining refunds will be cleared by August 14 or the next working day. According to an official statement, the committee was briefed by the Ministry that no PTA/FTA has been signed by the present Government since 2013 to 2017. The committee showed its concern about speedy trade deficit in exports. It was informed to the committee that the Prime Minister has announced a package in recent past due to which the trade rate has been enhanced to 16% in the last month. The committee recommended the Ministry that import of the commodities/products which are produced within Pakistan should be discouraged by imposition of taxes, tariffs and regulatory duties.

The committee was briefed by the Ministry that due to enhanced rates of oil, gas and electricity, the industries are facing problems to compete the international market resulting in a decline of exports, causing a trade deficit in country. The committee was told that now the electricity and gas are regularly and continuously provided to the industries. It was recommended by the committee that instead of giving cash subsidies to the industries, rebate on the rates of electricity and gas should be granted to all the industries. It was directed by the committee that the exemption of General Sales Tax (GST) on exports of all commodities/products should be considered by the Ministry.

The meeting was attended, among others, by Chaudhry Asadur Rehman, Muhammad Pervaiz Malik, Waseem Akhtar Shaikh, Tahira Aurangzeb, Zeb Jaffar, Dr Shezra Mansab Ali Khan Kharral, Shahzadi Umerzadi Tiwana, Dr Mehreen Razaque Bhutto, Nazir Ahmed Bughio, Mussarat Ahmad Zeb, Sajida Begum, Sanjay Perwani and Dr Fouzia Hameed.

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Boost in exports:

Government considering withdrawing condition

TAHIR AMIN

The government is considering withdrawing the condition of a 10 percent increase in exports for availing incentives announced in the Rs 180 billion PM Package for Exporters, as it admitted the package has failed to boost exports. As per the notification, duty drawback of taxes under the Prime Minister Package for exporters will be allowed for export GSs filed on or after July 01, 2017 to June 30, 2018, if the exporter would achieve an increase of 10 percent or more in exports over 2016-17 exports.

The committee met with Mohsin Aziz in the chair here on Tuesday. Federal Minister for Commerce Khurram Dastagir Khan advocated the withdrawal of condition of 10 percent, which was backed by the Ministry of Textile Industry and Senate Standing Committee on Textile Industry. Secretary Textile Industry, Hassan Iqbal said the proposal is under consideration as the target of 10 percent could not be achieved.

Out of the Rs 180 billion package, the commerce minister said Rs 140 billion would be given to exporters in cash while Rs 40 billion would be given in the shape of tax exemptions. He said the finance minister has given the commitment in the cabinet meeting that releases of amounts against exporters'' claims would be ensured. He further said that the government needs to give confidence to exporters. He further claimed that national exports increased by 16 percent in June 2017 on year-on-year basis.

The secretary textile said that Rs 40 billion would be disbursed among exporters in the current fiscal year under the package. The Finance Ministry representative revealed that Rs 15.5 billion, and not Rs 4 billion, has been earmarked for the implementation of the Prime Minister''s package in the budget 2017-18; however, the government would release more money if exporters'' claims exceed.

The Textile Ministry further said that Rs 3 billion has so far been paid under duty drawbacks of taxes under the PM package against the claims of Rs 9 billion as of June 30, 2017. Substantial claims will be received in coming months and around Rs 40 billion will be disbursed against claims of January 16, 2017 to June 30, 2017. Exporters raised serious concerns in the meeting over a meagre allocation for the PM package, non-payment of refund claims, high cost of doing business including energy prices as well as an overvalued rupee, saying such factors have rendered them uncompetitive. They further said that 30 to 40 percent factories have been shut down, while others are on the verge of collapse due to high input cost.

Chairman of All Pakistan Textile Mills Association (APTMA) Amir Fayaz, senior leader of APTMA Gohar Ijaz and others said the government earmarked Rs 4 billion only against the Rs 180 billion Prime Minister''s package, besides holding drawbacks, sales tax and customs duties refund claims of over Rs 200 billion, creating a serious liquidity crunch for the textile industry, negatively affecting production capacity. These factors lead to an ultimate decline in country''s exports, they added. Ijaz said the Prime Minister was informed that exports cannot be increased in the prevailing situation.

The textile industry demanded immediate payment of all refunds for which RPOs have been issued and unprocessed refund claims be processed and paid by August 14, 2017 to improve liquidity position of the textile industry. Electricity is available at Rs 10.5/kwh for the industry in Pakistan as compared to Rs 7/kwh in other regional countries including Bangladesh. Furthermore, gas is available at Rs 1,000 /MMBTU in Pakistan against Rs 400 in Bangladesh. In such circumstances the industry cannot compete in international market, the APTMA representative added.

Industry is burdened with Rs 3.63/kwh surcharges on electricity and GIDC on gas which cannot be passed on to international buyers. The textile industry demanded an immediate reduction in electricity tariff to Rs 7/kwh without levy of surcharges. The committee members termed the Prime Minister''s package a ''political statement'' and recommended immediate measures to take the textile industry out of the woods. An official of Federal Board of Revenue (FBR) informed the committee that around Rs 45 billion, including Rs 12.912 billion deferred sales tax, Rs 13.76 billion fresh and Rs 17.92 billion RPOs of textile sector, are pending. He further said that refunds of Rs 15.2 billion sales tax are expected to be paid by August 14, 2017.

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Parliamentary panel concerned over steep decline in exports

RECORDER REPORT

A parliamentary panel on Tuesday expressed serious concerns over the frequent decrease in country''s exports due to non-provision of sales tax refunds and non-availability of basic facilities, rendering the textile sector uncompetitive, besides causing an increase in trade deficit. National Assembly Standing Committee on Textile Industry met with Khawaja Ghulam Rasool Koreja in the chair, which strongly recommended that tariff of gas and power should be brought down at par with regional competitors to make textile sector competitive in the international market.

The Standing Committee on Textile Industry discussed the issue of All Pakistan Textile Associations (APTMA) and exemption of lease charges of Karachi Garment City. APTMA leader Gohar Ijaz informed the committee that 150 textile mills have been closed, rendering thousands of people jobless due to high input cost including gas and electricity prices, overvalued exchange rate and stuck up of refunds claims. Ijaz said that the industry is not going to perform any more in such circumstances and requested the parliamentarians to intervene and resolve their problems.

Chairman APTMA Aamir Fayaz said that 30-35 percent production capacity impaired/closed across the textile value chain. Global market share declined from 2.2 percent to 1.7 percent while unemployment increased by 30 percent. Textile industry lost 15 percent technological edge advantage over competitors. The textile industry is at disadvantage by 25 percent as compared to 12 percent subsidies given to their competitors and seven percent taxes imposed in Pakistan, besides other surcharges. Despite shortage of cotton by 3.8 million bales, four percent customs duty and five percent sales tax were re-imposed and prime minister''s export package was reversed.

The committee was informed that the textile sector is facing difficulties in improving the exports which needs to be addressed in order to improve the performance of the sector. The committee expressed its reservations over the closure of 30 to 40 per cent industry due to high tariffs of electricity and gas to value added associations and recommended that tariff of gas, power and wages should be brought down at par with regional competitors to make the textile sector competitive in the international market.

The committee directed the ministry to write a letter to chairman Federal Board of Revenue (FBR) for early release of sales tax refunds to all textile association to strengthen the export of the country. The committee further recommended that implementation report on Prime Minister Package of Rs 180 billion announced for exporters be submitted with the committee on monthly basis. Later the APTMA representatives talked to the media persons outside the Parliament House and demanded early resolution of their problems.

The committee expressed its concerns over the taxes being imposed on Karachi Garment City in terms of advance and withholding tax because it was the project of the federal government. The committee directed that the taxes imposed on Karachi Garment City should be exempted as compared to other provinces. The committee further directed to invite the chairman FBR in the next meeting in order to resolve the said issue.

The committee was informed that textile ministry requested the chief secretary Sindh on 23.04.2013 for grant of waiver on the payment of stamp duty, CVT and registration fee on lease and mutation of the project land as KGC is owned and 100 percent funded by the federal government. Due to delay in taking decision by the government of Sindh in the matter, the ministry decided to approach the federal government for providing required funds for lease charges. On the advice of the ministry, deputy commissioner Malir was approached on 15.04.2015 for providing required challans, who intimated that an amount of Rs 76.326 million is payable in respect of all fee, levies and taxes, etc, on the lease and mutation of land.

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Though required funds for the payment of due charges/levies on tease and mutation of 300 acres of land have been made available by the government of Pakistan, formalisation of lease deed is pending with deputy commissioner Malir. Reason for delay in execution of lease deed by DC Malir is reportedly due to stay order granted by the Sindh High Court to Pakistan Steel Mills in a suit filed in 2013 against the Sindh government and others claiming land in Deh Pipri, where land allotted for establishing Karachi Garment City in 2007 is also situated. Until title of project land is transferred in the name of Ministry of Textile Industry/Karachi Garment City Co Ltd after formalisation of lease deed and mutation in the official record of government of Sindh, no development work on the project can be undertaken.

Textile ministry approached the chief secretary Sindh regarding adjudication of stamp duty on 300 acres of land allotted to KGCC project and seeking a copy of letter addressed to Aijaz Hussain Baloch, Inspector General of Registration, Sindh Revenue Board, on the said matter. The reply from the Board of Revenue Sindh received in the ministry under rules for payment of stamp duty. The lease agreement deed was adjudicated under Section 31 of the Stamp Act, 1899 the stamp duty chargeable is under Article 21(I) of the Schedule to the Stamp Act, 1899.

On 23-02-2017, the chairman KGCC met chief minister Sindh in connection with exemption of the lease charges; however, there was no development on the case. Instead, the re-assessed lease charges have been conveyed by the office of the inspector of Registration Office, Karachi. The KGCC has also approached Mintex for Rs 73.431 million to be requested to EDF Secretariat of Ministry of Commerce; however, despite EDF''s demands, the KGCC has neither provided the "list of comprehensive activities required to complete the project100 percent" nor has it submitted satisfactory details about fund utilisation report of the EDF funds granted earlier to the company.

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eBanking transactions reach Rs 9.3 trillions: SBP

RIZWAN BHATTI

With a significant growth eBanking transactions reached Rs 9.3 trillion by the end of March 2017. According to State Bank of Pakistan''s (SBP) Payment Systems Review (PSR) for the Jan-March quarter, all channels of eBanking processed 162 million transactions valuing Rs 9.3 trillion which showed a growth of 7.3 percent by volume and 1.1 percent by value, respectively from previous quarter. The volume and value of large value transactions processed through PRISM system stood at 253,795 and Rs 69.8 trillion, respectively. These transactions showed a decrease of 4 percent in volume and an increase of 20 percent in value as compared to the previous quarter.

In the composition of these transactions, the Inter Banks Fund Transfers contributed 74 percent in volume and 58 percent in value, while government securities trade transactions contributed 9 percent in volume and 24 percent in value and the Retails Cheques Clearing Batches 16 percent in volume and 18 percent in value of these transactions, respectively.

During the period under review, 110.8 million transactions of value Rs 35.2 trillion were processed through paper-based instruments. These transactions showed a decline of 5.2 percent in volume and 0.1 percent in value of transactions. Out of the total paper-based transactions 16.6 were processed by the clearing house, ie, NIFT and settled through PRISM system under multilateral net settlement process. With 1.1 percent increase, all channels of eBanking processed transactions of Rs 9.3 trillion during the Jan-March quarter.

ATM is the preferred eBanking channel which acquired largest share of pie in the volume of eBanking transactions. ATM transactions contributed 63 percent in the volume and 12.6 percent in the value of total eBanking transactions during the Jan-March 2017 quarter. In totality, ATMs processed 102 million transactions of worth Rs 1.2 trillion during the quarter under review, which showed a growth of 8.2 percent by volume and 10.7 percent by value as compared to previous quarter. On average one ATM processed 91 transactions per day with average size of per ATMs Transactions Rs 11,553.

Real Time Online Branches (RTOBs) transactions contributed the highest share in value of eBanking Transactions and is used as a preferred channel for Cash deposits, cash withdrawals and fund transfers transactions within same Banks'' online Branches. This channel processed 37.5 million transactions of value Rs 7.8 trillion during the quarter, depicting the growth of 5.6 percent in volume and decline of 0.6 percent in value as compared to previous quarter.

POS terminals processed 13.9 million transactions of worth Rs 64.1 billion. The volume and value of POS transactions grew by 4 percent and 3 percent respectively compared to previous quarter. On average each POS processed 3 transactions per day with average size of per Transaction Rs 4,600.

During the quarter under review 0.3 million transactions of worth Rs 2.4 Billion were processed in eCommerce which showed a growth of 28 percent and 18.7 percent in volume and value as compared to previous quarter. Internet Banking processed 6.8 million transactions of worth Rs 255.9 Billion which showed a growth of 11.4 percent by volume and 14 percent by value compared to previous quarter.

Among the total Internet Banking transactions Utilities Bills Payment has the highest share of 36.4 percent in total volume of transactions, followed by 29 percent share of Inter Banks fund transfers and Intra Banks Fund transfer contributed 26.6 percent in total volume of transactions and residuals is contributed by other payments through Internet Banking. Banks are also offering numerous non financial services through Internet Banking including Cheques Books requests, Balance enquiry to Fund transfers, etc.

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According to PSR, there are 32 Banks, 11 Microfinance Banks (MFBs), 2 specialized Banks and 8 Development Finance Institutions (DFIs) working in Pakistan. The nationwide network of banks'' branches decreased from 14,219 to 14,193 showing a decline of 0.2 percent compared to previous quarter. 26 branches were closed in the current quarter due to near proximity of some branches of Burj Bank and AlBaraka Bank after their merger. Out of the total bank branches some 98 percent (13,899) are real-time online branches, 124 overseas branches and the residues are offline branches. There are 154 payment booths of these branches.

ATM network has grown from 12,352 to 12,515, showing a growth of 1.3 percent compared to the previous quarter. Out of total 12,515 ATMs 10,330 ATMs are On-site ATMs 2,181 are Off-Site ATMs and 4 Mobile ATMs. There are 9 ATMs per 100,000 adults in Pakistan. Internet banking is being offered by 24 banks/MFBs whereas Mobile Phone Banking and Call Centers/IVR Banking are being offered by 18 and 17 Banks/MFBs respectively. Seven banks and one Microfinance Bank (MFB) on boarding eCommerce merchants. There are 496 registered local e-Commerce merchants.

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THE RUPEE: Falling trend

RECORDER REPORT

Declining trend persisted on the money market on Tuesday as the rupee continued its slide against the dollar in the process of trading, dealers said. The rupee continued its decline versus the dollar, shedding more 10 paisas for buying and selling at Rs 107.00 and Rs 107.20 respectively, they said. The rupee was trading in relation to the euro for buying and selling at Rs 122.70 and Rs 123.70 respectively, they said.

OPEN MARKET RATES: INTER-BANK MARKET RATES: The rupee moved slightly versus the dollar for buying and selling at Rs 105.39 and Rs 105.41 respectively, they said. In the second Asian trade: The US dollar sank to a 10-month low against a basket of major currencies on Tuesday, hobbled by uncertainty over the pace of the Federal Reserve's policy tightening and worries that President Donald Trump will fail to deliver healthcare reforms.

The dollar's index against a basket of six major currencies sank to a 10-month low of 94.75. From its 14-year peak of 103.82 touched on Jan 3, it has lost 8.4 percent. Two more Republican Senators, Jerry Moran and Mike Lee, announced their opposition on Monday to a revised Republican healthcare bill, delivering a serious blow to the legislation.

Friday's weak reading on US inflation and retail sales also fanned speculation that the Fed may not have justification for another rate hike by the end of this year, despite policymakers' projection for such a move. Money market instruments are now pricing in less than 50 percent chance of a rate increase during the rest of the year.

The dollar was trading against the Indian rupee at Rs 64.345, the greenback was at 4.284 in terms of the Malaysian ringgit and the US currency was available at 6.761 versus the Chinese yuan.

Open Bid	Rs. 107.00
Open Offer	Rs. 107.20

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.41

RUPEE IN LAHORE: The Pak rupee recovered its day earlier losses versus major currencies including the US dollar and British pound in the local currency market on Tuesday.

The trading activity of the US dollar resumed on a negative note and remained under pressure following lack of buyers' interest in the market throughout the trading session. At the close, it depreciated to Rs 106.95 and Rs 107.30 on buying and selling side, respectively, as compared to the overnight trend of Rs 107.05 and Rs 107.20 respectively, local currency dealers said. Similarly, the local currency also followed the same suit against the pound sterling. The pound's buying and selling rates slid from Monday's closing rates of Rs 138.37 and Rs 139.50 to Rs 138.10 and Rs 139.00 respectively, they added.

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

The dollar opened at Rs 106.40 (buying) and Rs 106.50 (selling) against same last rate. It closed at Rs 106.40 (buying) and Rs 10650 (selling).

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GSP Plus withdrawal looming large

MUSHTAQ GHUMMAN

Pakistan is reportedly facing a potential threat of withdrawal of GSP Plus incentives extended by the European Union (EU) due to human rights violations, killing of those accused of blasphemy and executions by military courts, well informed sources told *Business Recorder* . This message was conveyed by the European Parliament six months before the mid-term of GSP plus scheme. The role of Ministry of Human Rights is being criticized for not taking appropriate steps to implement UN Conventions with respect to human rights.

Pakistan has to implement 27 UN Conventions for continuation of GSP plus scheme in co-ordination with the provincial governments. For this purpose Treaty Implementation Cell (TIC) has been established under the chairmanship of Attorney General of Pakistan Ashtar Ausaf Ali. "On June 15, 2017 the EU parliament passed a non-binding resolution which took a serious view of human rights situation in Pakistan. The focus was on increasing number of incidents of vigilante killings of those accused of blasphemy, misuse of blasphemy law, death penalties by the military courts etc," the sources added.

Commerce Ministry, sources said, has prepared a plan to approach member countries of European Union (EU), from September onwards to seek their support in the European Parliament during mid- term review in January next year for continuation of GSP (plus) incentives, well informed sources in Commerce Ministry told *Business Recorder* .

Pakistan''s exports to the EU in 2016 amounted to 6.29 billion Euros which represents an increase of 38% over our total exports of 4.54 billion to EU in 2013. This increase in value is attributable to zero rated access available to Pakistani goods in 28 member states of the EU. This duty free access is helping Pakistani products to stay competitive vis-à-vis other countries who enjoy duty free access to the EU.

The GSP+ arrangement requires beneficiary countries to cooperate with the EU in sharing information on steps being taken by governments to uphold principles of good governance and sustainable development. The sources said, Commerce Ministry in consultation with Ministry of Foreign Affairs and Pakistan mission in Brussels is maintaining an effective liaison with European Commission (EC) in Brussels and EU''s delegation to Pakistan.

"The purpose is to keep track of the situation leading up to mid- term review by the European Parliament in early 2018. During the review, the EU parliament will scrutinize the steps being taken by the beneficiary countries to implement UN conventions mandatory for GSP plus," the sources added.

Ministry of Commerce maintains that there is a need to enhance the engagement between the political leadership and high officials in key EU capitals. According to sources, the Government has planned to invite MEPs including Christophe Felljner and Sajjad Karim to visit Pakistan in September 2017 to hold talks and seminars on Pakistan EU strategic relationship. During their stay in Pakistan these important MEPs whose support and leadership is vital for retaining GSP+ will be taken to areas where steps are being taken on the ground to improve the HR conditions.

The envisaged plan further proposes a visit by Secretary Commerce to Belgium, France, Italy and Spain in October, 2017 to meet high officials of European Commission and his counterparts as well as MEPs. Some members of parliament from Pakistan-EU friendship group may be selected to visit Belgium, the UK, Germany and the Netherlands to meet the EU parliamentarians and human rights officials in November, 2017.

The Commerce Minister may visit the Netherlands, Germany, the UK and Belgium in early December before the start of mid- term review to engage with his counterparts and members of the MEPs.

The Commerce Minister and Convener Treaty Implementation Cell may visit Brussels/ Strasbourg in early 2018 to meet and lobby with MEPs immediately before the EU parliament meets to review GSP+. "If need be, intervention of the Prime Minister will be solicited for a letter or phone call to relevant head of government(s)," the sources maintained.

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Five regulatory bodies:

Single-member bench's decision suspended

RECORDER REPORT

The Islamabad High Court on Tuesday suspended single-member bench's verdict which had set aside government's decision to transfer the administrative control of five regulatory bodies from the Cabinet Division to the respective ministries. A Division Bench, headed by Justice Shaukat Aziz Siddiqui and Justice Mohsin Akhtar Kayani, suspended the single judge bench's decision and accepted the plea for hearing.

During the course of proceedings, Additional Attorney General Muhammad Waqar Rana argued before the division bench that a single bench of IHC violated Article 99 and 77 Rule 3 while passing the order. He said that it passed the order dated December 19, 2016 in hassle in which State version was not heard at length.

After preliminary hearing of the case, the bench accepted the Intra-Court Appeal of the Federation for hearing and issued notice to the litigants including Muhammad Nawaz, a worker of the Pakistan Justice and Democratic Party (PJDP), the petitioner. It is pertinent to mention here that Muhammad Nawaz, a worker of the Pakistan Justice and Democratic Party (PJDP), through his counsel Sheikh Ahsanuddin, had approached the IHC challenging the government's decision, urging the court to declare the move unlawful.

In the petition, he argued that the government's move violated Articles 153 and 154 of the Constitution, which deal with the CCI role in issues relating to gas, electricity and petroleum.

Subsequently, Justice Athar Minallah of the IHC annulled the alleged impugned notification of the government placing Oil and Gas Regulatory Authority (Ogra), National Electric Power Regulatory Authority (Nepra), Pakistan Telecommunication Authority (PTA), the Frequency Allocation Board (FAB) and Public Procurement Regulatory Authority (PPRA) under the relevant ministries.

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Gifts worth over Rs 102 billions:
FBR looking at details of 2,785 individuals

RECORDER REPORT

The Federal Board of Revenue (FBR) has informed the Senate Standing Committee on Finance that the Board is looking into details of 2,785 individuals who provided gifts of over Rs 102 billion in one financial year to evade taxes. A meeting of the Senate Standing Committee on Finance presided over by Senator Saleem Mandviwalla was briefed by FBR on Tuesday about the case of gift arrangements by 2,785 individuals through money laundering.

Senator Kamil Ali Agha of PML-Q stated that one individual has given gift in the range of Rs 500 million to Rs 1 billion which seems quite fishy and awkward. The committee was also briefed by chairman FBR Tariq Pasha regarding a case dealt in within the precincts of the Anti-Money Laundering Act and Combating the Financing of Terrorism (AML/CFT). The chairman stressed that FBR must not try cases of tax payers under the abovementioned Act.

The Senate Standing Committee on Finance directed Securities and Exchange Commission of Pakistan and State Bank of Pakistan to provide a reply about manipulation of shares of Punjab Bank in the next meeting. The chairman took up the issue of alleged manipulation of share prices by Bank of Punjab in order to offload shares and take 70 percent control of the Bank rights. The shareholder accused that bank management had purchased shares at Rs 8 and in a few months later sold them at Rs 12 per share. Shareholders suffered huge losses due to decrease in the price of shares, said Ali Nadeem, a shareholder who was also invited in the committee.

The committee after hearing the complaint of the shareholder directed the SECP and SBP to provide a reply in the next meeting. While considering a private member bill for amendment in the Financial Institutions (Recovery of Finances) Ordinance 2001, the panel was informed by the representatives of SBP that similar amendment was incorporated in one such bill. This led to withdrawal of bill by mover Senator Azam Khan Swati.

The committee also discussed the private member bill introduced by the chairman of the committee to bring about amendment in Protection of Economic Reforms Act, 1992. The meeting, after discussion, decided to send the recommendations to the Finance Division. The deputy governor State Bank of Pakistan briefed the committee about the current laws in the country to counter money laundering, loan default and other financial crimes. The committee was informed that more than 200 cases have been forwarded by the Finance Monitoring Unit (FMU) to Federal Board of Revenue (FBR).

Mandviwalla observed that the FBR had framed charges of money laundering against genuine businessman Bashir Dawood who also contacted to the committee and complained about it. Khawaja Tanveer Ahmed, newly appointed FBR Member Inland Revenue (IR) Operation said that the SBP framed these charges against the concerned businessman which was also upheld by the High Court after hearing both sides. "Now this case has been settled as the taxpayer deposited over Rs 6.2 billion into the national kitty and charges were withdrawn," he added.

The senators were perturbed over FBR's move for implicating businessmen into money laundering charges as they argued that they had opposed to include tax evasion as part of Anti-Money Laundering (AML) amended law during the last financial year and now the tax machinery started framing charges on the same grounds.

FBR Member IR Operation Khawaja Tanveer Ahmed assured the committee that there was nothing specific as the FBR was very particular about Anti-Money Laundering Law. He assured the committee that FBR could brief the committee in details about all cases related to money laundering. The meeting was attended among others by members including Ilyas Ahmed Bilour, Muhammad Mohsin Khan Leghari, Kamil Ali Agha, Saud Majeed and Muhammad Azam Khan Swati.

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UfG benchmarks:

Final report to be submitted to Ogra in three weeks

RECORDER REPORT

A final report on Unaccounted for Gas (UfG) will be submitted to the Oil and Gas Regulatory Authority (Ogra) in three weeks to determine the real benchmarks for gas companies - Sui Southern Gas Company (SSGC) and Sui Northern Gas Pipelines Limited (SNGPL). A spokesman for Ogra told *Business Recorder* that the firm KPMG was commissioned to carry out a study to find the exact gas losses and determine a reasonable UfG benchmarks for SSGC and SNGPL, which will be acceptable to all stakeholders.

Regarding the UfG study, he said following the submission of the report, the OGRA will hold an in-house committee meeting. After examining the recommendations of the KPMG, the committee will lay its own findings for final approval before the authority, he added. Sources in the Ogra revealed that the quorum of Ogra has been completed and it can give final verdict on the report of KPMG. The authority would take the decision to determine the UfG benchmark for five years. Recently, Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi claimed that the gas losses of the SNGPL are around 10 percent, while overall 40 percent losses and theft cases have been reduced by the SSGC.

The Ogra has always urged the gas companies to control its UfG losses so that unnecessary burden may not be passed on to the consumers, besides improving financial health of the gas companies. Sindh, the major share holder in the natural gas supply, and Khyber Pakhtunkhwa are contesting the UFG losses claimed by the SSGC and SNGPL as gas development surcharge (GDS) decreases the share of both the provinces. According to the KP government, reduction in GDS will affect the economic stability of the province, and has demanded to fix UfG for SNGPL at four percent.

Due to different perspectives about the gas losses, the Ogra decided to carry out a study to determine reasonable UFG benchmarks for natural gas sector. The study shall include proposals for incremental improvements in all components of UfG control. The objective of the study, according to the Ogra, is to assist the Authority in determining and fixing the UfG benchmark (s) for the gas utilities, ie, SNGPL and SSGC for next five years and thereafter development of a formula to calculate UfG on yearly basis keeping in view all the relevant factors as well as international best practices.

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Pakistan comes knocking to IMF

BR Research

The IMF is expecting the external financing needs of Pakistan around 7.5 percent of GDP in the medium terms. The question is that who would fund that gap? Would it be multilaterals led by the IMF or CPEC and international debt market would be enough to plug the hole?

These are tough questions; but one thing is for sure that the foreign exchange earnings would remain low and FDI would be too less to fill in the current account deficit. The IMF projects the current account deficit to be $10.1 billion in FY18 and $11.6 billion in FY19. The SBP reserves stood at $16.1 billion at the end of FY17.

The reserves are down by $2 billion in FY17 while the CAD is expected to be around $11.5 billion in FY17. The FDI plugged in $2.4 billion and adjusted for portfolio investment, the net inflows are reduced to $2.2 billion. Rest is primarily debt in one form or the other. The debt increase in 9MFY17 stood at $3.7 billion.

Debt related flows are primarily coming from China (under CPEC) and other bilateral, multilateral flows from ADB, WB etc, and bonds/sukkuk from global debt market. The question is that how long the debt flows would keep on coming. History suggests that till the country has clean chit from the IMF, other multilaterals will keep on releasing money to not let the foreign exchange reserves to fall to critical levels.

Now the language in its latest country report is implying that the fund is not happy with the proceedings and is deeming that the stability gain might fast erode. One may wonder what is the shift in the economic policies in the last six months which has compelled the fund to significantly alter its stance from rosy to thorny.

Weren't exports falling six months ago? Was the not FDI hard to come by then? Were imports too low a few months back? The trend is visible throughout this growth momentum that debt is fueling the growth in Pakistan. Higher the economic growth, higher is the import while exports cut a sorry figure.

There is no doubt the growth is broad based, momentum is there, and the economy will continue to grow around 5 percent till the macroeconomic stability is intact. The growth is linked to the confidence and anything that breaks the confidence would be detrimental for growth thesis, such as going back to an IMF programme.

History suggests that whenever Pakistan enters a fund program, growth suffers (see graph). First we need to understand what is fueling latest episode of growth. The fiscal spending is driving the momentum (read: "Government dominated investment" published on June 20, 2017) along with CPEC related investments and flurry of money from donor and multilateral agencies. The feel good factor is there and to see the expansion in infrastructure, many private sector companies in the businesses are in expansionary phase. And the rest of the growth is due to the rising middle class consumerism.

However, both government led growth policies and confidence can erode once the external vulnerabilities reach alarming levels. If the government reenters the fund program in 2018-19, the fund would ask for both fiscal austerity and monetary tightening. Not to mention the currency adjustment would be a prerequisite to entering an IMF programme.

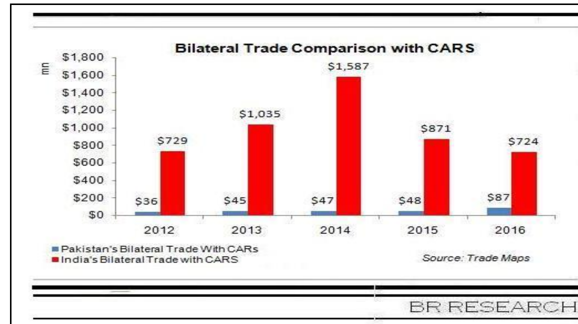
And once the country is back into the IMF programme, the likes of WB and ADB would ask for the letter of comfort from the IMF before releasing their respective promised flows. That is what happened in the past and could well be the case in future. Why are the ADB and WB so inclined to spend money in Pakistan for past eighteen months? Because, the country still has a green signal from the fund. Now the situation may change, if the latest IMF country report is any guide, the fund may soon start tightening the screws.

The global debt capital market would no more be welcoming for Pakistan if the above mentioned scenario becomes a reality. The yields on Euro bonds trading in international market are already heading south due to political weakening.

Can we rely on China to avert a balance of payment crisis? Well, not really, as China has to date given only $500 million to $1 billion for balance of payment support, and seeing the growing size of economy and CAD, the need is greater. What is the alternate for an IMF programme? Probably none.

BUSINESS
RECORDER
Wednesday, 19th July, 2017

Trade with CARs



BR Research

Earlier this month, Prime Minister Nawaz Sharif left on a two-day visit to Tajikistan to discuss trade cooperation among other issues. In CPEC's backdrop, his visit to Tajikistan understandably laid stress on promoting and expanding connectivity to spur socio-economic growth and trade.

The Central Asian Republics consist of 5 countries: Kazakhstan, Krygstan, Turkmenistan, Tajikistan, and Uzbekistan. Together, they provide a market of $251 billion with a population of $70 million. On average, their per capita income is $3,577 with Kazakhstan and Turkmenistan providing the biggest markets.

Pakistan's $37.4 million exports to CAR in 2016 were less than 1 percent of CAR's total imports which amounted to $46 billion. India's exports to CAR were nearly 9 times more than Pakistan's exports.

Among India's top exports to Central Asian states in 2016 were medicaments (HS Code 300490) worth $9.8 billion, rice (HS Code 100630) worth $ 5.2 billion, and cotton (520100) worth $1.34 billion.

Rice, medicaments, cotton, along with wheat, medical instruments, sugar, and cement are some of the top exports of Pakistan, in terms or quality and/or volume, which are in demand by the CARs. Given the scope of trade available with CARs, to see Pakistan's total export at $37.4 million to CARs is lamentable.

Pakistan can access CAR markets from three sides: Afghanistan, Iran and China. While Pakistan is touting war in Afghanistan the biggest hurdle to trade with CARs, India has made its own routes.

India is a big driver of enhancements to Iran's Chabahar port which is expected to see its cargo volume increase fivefold to 12.5 million tons per year. India is also backing the Kaladan Multimodal Transit Transport Project that will connect Afghanistan through their neighbouring country Myanmar. Furthermore, India is working towards developing the 7,200km multimodal North-South Transport Corridor (NSTC) that will link India with Iran, Russia, the Caucasus and Central Asia.

India's bilateral trade with Central Asian states is a small percentage of its trade with the world, but it is investing not only to improve connectivity for trade but also to gain better access to natural resources of energy that the mineral rich region possesses. Projects such as NSTC will allow it to completely bypass Pakistan to tap new markets for trade, energy and investment.

On the other hand, Pakistan's rhetoric seems to concentrate on stability with Afghanistan for CAR access, which though important, is by no means the only way of accessing those markets. China's Belt and Road Initiative would in the long term enable it to be better connected for access but so far little of the project has been completed outside of China.

In the short term, trade with CARs would rise if Chinese use Gwadar port to trade with Central Asia states and Pakistan uses road links with China to access CARs markets. Iranian free trade zone of Chabahar can be used to reach Central Asia as well. Playing a pro-active role in regional forums like Shanghai Cooperation Organization and the Central Asia Regional Economic Cooperation could also help expand trade volume with Central Asian states.

BUSINESS
RECORDER
Wednesday, 19th July, 2017

Garments export up 4.10 percent

RECORDER REPORT

Pakistan's exports of readymade garments grew to $2.073 billion in July-May 2017, up 4.10 percent. Exports of readymade garments went up by $81.760 million in July-May 2017, from $1.992 billion in July-May 2016, the Pakistan Bureau of Statistics says. Export of quantity, readymade garments went up four percent, or 1.105 million dozens, to 30.689 million dozens in July-May 2017, from 29.584 million dozens in July-May 2016.

Export of readymade garments, however, scaled back to $180.307 million in May 2017, from $194.308 million in May 2016, down 7.21 percent, or $14.001 million. Volume of readymade garments export also plunged 14.17 percent, or 433,000 dozens, to 2,623,000 dozens in May 2017, from 3,056,000 dozens in May 2016.

BUSINESS
RECORDER
Wednesday, 19th July, 2017

Cotton prices firm on modest trade

RECORDER REPORT

Rates maintained firm trend on the cotton market on Tuesday in the process of modest trade, dealers said. The official spot rate sustained overnight level at Rs 6200, they said. In the ready session around 1200 bales of cotton changed hands between Rs 6300 and Rs 6375, they said. In Sindh, seed cotton rates were at Rs 3200-3100 per 40 kg, while in the Punjab, phutti prices were available at Rs 3000-3300, they said. According to the market sources, volume of business could not expand ground due to less buying interest.

Cotton analyst, Naseem Usman said that heavy rains in the cotton belt area forced mills to keep on the sideline. He also said that recent monsoon rains causing a delay in arrivals of seed cotton.

Adds Reuters: ICE cotton futures rose nearly 2 percent on Monday on fears of dry weather causing damage to cotton crops in Texas, major growing belt for the natural fiber. Cotton contracts for December settled up 1.18 cent, or 1.8 percent, at 67.76 cents per lb. It traded within a range of 66.6 and 68.23 cents a lb. Total futures market volume rose by 1,240 to 15,977 lots. Data showed total open interest gained 1,547 to 216,306 contracts in the previous session.

The following deals reported: 600 bales of cotton from Sanghar sold at Rs 6300-6375, 200 bales from Hyderalab sold at Rs 6325 and 400 bales from Shahdadpur sold at Rs 6350-6375, they said.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 17.07.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,200	135	**6,335**	**6,335**	NIL
40 Kgs	6,645	145	**6.790**	**6.790**	NIL

BUSINESS
RECORDER
Wednesday, 19th July, 2017

Cotton up on short-covering, dry weather concerns

RECORDER REPORT

ICE cotton futures edged up for the third straight session on Tuesday as investors covered short positions amid dry weather concerns in major producers like the United States and China. The December cotton contract on ICE Futures settled up 0.46 cent, or 0.68 percent, at 68.22 cents per lb. It traded within a range of 66.78 and 68.42 cents a lb.

Monday's "conditions data suggests the 2017 crop is starting to falter," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia. "Besides the backwardation of the physical crop, the triggered bullish divergence is encouraging shorts to cover and specs to take a small stab at the long side." Federal data on Monday rated 60 percent of the US cotton crop in good to excellent condition, down 1 percentage point from a week earlier. Texas crop stood at 49 percent good to excellent condition compared with last week's 51 percent. Hot and dry conditions have returned across West Texas, with little mention of rain in near-to-medium term forecasts, Louis Rose, co-founder and director of research and analytics at Rose Commodity Group wrote in a note.

Similarly, heat waves might have adverse effects on China's main producing areas for cotton in Xinjiang over the next week, analysts said. A weaker dollar also supported the prices of the natural fibre. The dollar index was down 0.52 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was up 0.57 percent. Total futures market volume rose by 3,974 to 20,046 lots. Data showed total open interest fell 168 to 216,138 contracts in the previous session.

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	68.50	69.10	67.85	68.57	14:45 Jul 18	68.86	0.29	14	68.57
Dec'17	67.84	68.42	66.78	67.76	14:45 Jul 18	68.22	0.46	13171	67.76
Mar'18	67.52	67.99	66.42	67.37	14:45 Jul 18	67.90	0.53	2150	67.37

BUSINESS
RECORDER
Wednesday, 19th July, 2017

An overvalued rupee

RECORDER REPORT

An overvalued rupee has been a consistently favoured policy by the PML (N) government which is cited by independent economists and international donor/rating agencies as the main reason behind our export slide. This policy is, unfortunately, rooted in its finance minister Ishaq Dar's overwhelming focus on the discipline that he qualified for, notably accounting, as opposed to in conformity with basic economic theory which stipulates that the more overvalued the currency the lower the exports due to loss of competitiveness in the international market and the higher the imports which are obviously rendered more attractive. There is no doubt that at the time the PML-N government assumed the reins of government in June 2013, the budget deficit had reached unsustainable levels at 8.2 percent and at the same time foreign exchange reserves had plummeted to less than 3 months of imports. The focus of the newly-appointed Finance Minister at the time was therefore appropriately not only on: (i) accessing a package of 6.64 billion dollars from the International Monetary Fund under the 36-month Extended Fund Facility on 4th September 2013 which required the government to give a time-bound action plan to bring the deficit down to sustainable levels, but also to (ii) strengthen its foreign exchange reserves. To achieve the latter objective, as per economic theory, governments are advised to encourage exports and discourage imports through fiscal and monetary measures. Sadly, though Dar opted to not only borrow directly from international donor agencies like the World Bank and the Asian Development Bank who extend the bulk of their loans at the market rate with their concessional lending limited by the country's performance (and Pakistan's performance has been deemed to be declining) but also began to borrow from the capital market by issuing Eurobonds and sukuk at rates well above the international rates (8.5 percent for a 10-year and 7.5 percent for a five-year Eurobond and 6.5 percent for sukuk). These debt enhancing measures did prop up foreign reserves, acknowledged by the IMF mission chief, however, they also accounted for an erosion of the real effective exchange rate which, as per a deliberate policy of the government, was not allowed to slide as that would have raised debt servicing and payment of principal as and when due in the annual budget accounts to unsustainable levels.

In this context, it is pertinent to mention the recent views of two agencies that are frequently cited by the finance minister as proof of good governance of the economy during his tenure. The IMF in its recently uploaded Article IV Consultations report advised the government 21 times to adopt greater exchange rate flexibility and to desist from administrative measures (defined as artificially keeping the value of the rupee at the current level). Moody's opinion with respect to the rupee plummeting in value by 3.1 percent on 5th July, which had prompted Dar to hurriedly appoint the next Governor of the State Bank of Pakistan and direct him to inquire as to who was responsible for the erosion of the rupee value, was as follows: "on July 5, 2017 after nearly two years of stability, the Pakistani rupee depreciated by about 3 percent following market intervention by the central bank. The intervention responded to mounting external pressures and deterioration of export competitiveness following persistent real effective exchange rate appreciation." We, based on the past four years of flawed policies, are compelled to conclude that as long as the incumbent remains in control of the Ministry of Finance and as long as he remains obdurate as to the economic soundness of an overvalued currency, the rupee would remain overvalued with a consequent negative impact on the country's external account.

Wednesday, 19th July, 2017

Tax collection surges 30pc in 15 days

Mubarak Zeb Khan

ISLAMABAD: The revenue collection recorded a growth of over 30 per cent in the first 15 days of 2017-18.

The spurt is despite the entanglement of the Federal Board of Revenue (FBR) in the Panama Papers investigation. In addition, transfers of some of the board's senior officers also took place recently.

Tax officials have lately been busy with the JIT and Supreme Court proceedings instead of focusing on revenue policies.

A similar trend exists in key ministries as the Panama Papers case has distracted senior government officers from their regular work.

But the revenue collection from field formations has surprised many at the FBR headquarters. "We have issued most statutory regulatory orders related to budgetary measures," FBR spokesman Dr Muhammad Iqbal told Dawn, adding that no policy measures were left pending because of the JIT probe.

Another tax official had more to add: "We have received more than Rs100 billion in the first two weeks of the current month," the official said, noting that it was the highest monthly revenue collection in the past few years.

Last year, the revenue collection in July was around Rs150bn. "We expect to cross this figure comfortably," the official said.

The FBR usually collects advance taxes in its attempt to achieve annual revenue targets, which are then adjusted in the first couple of months of the next fiscal year.

"The growth shows that the FBR has not taken advance taxes," the official claimed.

The government projected a revenue collection target of around Rs4 trillion for 2017-18 on the pretext that the collection in the last fiscal year would be Rs3.42tr. However, the actual collection in 2016-17 stood at Rs3.37tr, leaving a shortfall of Rs47bn.

FBR Member Operation Inland Revenue Khawaja Tanver told Dawn that it would be a "very ambitious revenue target" for the current fiscal year.

Wednesday, 19th July, 2017

‘LNG being promoted as alternative fuel’

The Newspaper's Staff Reporter

LAHORE: Liquefied Natural Gas (LNG) has become an integrated part of energy consumption and is being promoted as an alternative fuel in the country, SNGPL Managing Director Amjad Latif said on Tuesday.

Meeting with a delegation of Lahore Chamber of Commerce and Industry (LCCI), led by its president Abdul Basit, the Sui Northern Gas Pipeline Limited official said the energy situation has taken a positive turn since the arrival of LNG as it has brought down the production cost of power generation units.

The gas losses have come down to 8 per cent from 12pc while further improvement would be witnessed with the passage of time, Mr Latif said.

“The SNGPL has also started giving new gas connections. This process will be expedited once the second LNG terminal becomes operational in August this year,” he added.

The LCCI president urged the SNGPL chief to expedite the issuance of new gas connection to the industry. “Industrial connections should be re-shifted from temporary RLNG to indigenous gas as it has increased the industrial input cost,” he said.

Old tariffs should be applied on revival of disconnected gas connections, he added.

Export decline concerns: Earlier in a meeting with TDAP Acting Secretary Dr Muhammad Usman, the LCCI president said continuous decline in exports is a matter of concern.

The TDAP should focus on exploring the market for Pakistani value-added items as about one half of Pakistan’s exports go to seven countries only while one fourth exports consistently find their way in European Union, he said.

Trade potential with Saarc, Asean, OIC, Central Asian Republics, Middle East, Africa, China and Iran needs to be explored but unfortunately no strategy has been adopted to tap this potential, Mr Basit said.

Dr Usman shared the aims and objectives of Pakistan Expo 2017 and highlighted the measures being taken by TDAP for boosting exports.

The LCCI chief also held a meeting with Punjab Health Minister Khawaja Imran Nazir. A mobile van service for free chest screening of factory workers was also inaugurated by the minister and LCCI president.

Wednesday, 19th July, 2017

Lacklustre trading on cotton market

The Newspaper's Staff Reporter

KARACHI: The cotton market lacked trading interest on Tuesday as ginning factories continued receiving low quantities of phutti (seed cotton) resulting in slow production of lint.

The current spell of rains hampered flow of phutti supplies in all cotton growing areas especially lower Sindh where the crop matures early, brokers said.

Consequently there were reports that moisture content is high in the phutti coming from Badin district in Sindh. "Therefore, ginners are avoiding to process phutti having high content of moisture as it gives low yield," they added.

Phutti prices also came down with Sindh variety phutti being quoted in the range of Rs2,800 to Rs3,000 and Punjab at Rs3,000 per 40kg.

There was also slow demand for cotton from spinners.

The world leading cotton markets were firm with New York and Chinese markets recording modest rise and India remained steady at overnight level.

The Karachi Cotton association (KCA) kept its spot rates firm at previous level.

The following deals were reported to have changed hands on the ready counter: 600 bales, Sanghar, at Rs6,300 to Rs6375, 200 bales, Hyderabad, at Rs6,325 and 400 bales, Shahdadpur, at Rs6,350 to Rs6375.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi
37.324 Kgs Equivalent	6,200	135	6,335
40 Kgs	6,645	145	6,790

DAWN
Wednesday, 19th July, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.35	105.55	107.00	107.20
UK	137.92	138.18	138.50	139.50
Euro	121.43	121.66	122.70	123.70
S.Arabia	28.09	28.15	28.30	28.55
UAE	28.68	28.74	29.00	29.25
Japan	0.9350	0.9368	0.9398	0.9598

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

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

LIBOR

Special US dollar bonds for July 17

Three months	1.30611 %
Six months	1.45322 %

THE NEWS
Wednesday, 19th July, 2017

Country to have competitive electricity market by 2020

KARACHI: Pakistan has planned to reform its electricity market in line with international practices by introducing a strategy, which will help improve energy efficiency and open opportunities for more foreign and local investors, an official said on Tuesday.

"Central Power Purchasing Agency (CPPA) has finalised a Competitive Trading Bilateral Contract Market (CTBCM) plan, which if approved, will transition the country's current single-buyer electricity market into a competitive one," Javed Minhas, Chief Information Officer at CPPA said.

Minhas added that the CTBM plan was being reviewed internally. "The plan would be presented before National Electric Power Regulatory Authority (NEPRA) for approval this month," he said.

Minhas further said complete phase-based implementation of the approved plan would take around three years. "By the year 2020, the transition would be complete, allowing other buyers to enter the market," the CPPA official added.

At the moment, according to analysts, Pakistan's power market is riddled with non-payments and cash flow issues, high losses, long-term generation contracts backed by government sovereign guarantees. "Market's general emphasis is on supply security, while developers compete for long-term contracts in an organised way.

Once these contracts are obtained, they are not exposed to further competitive pressures," an analyst explained. In a single buyer, or principal buyer models, the purchaser i.e., the governmental entity takes the volume risks and hence the efficiency objective is somehow diminished, which is later transferred to the end-user customers. While changing the market model, the overall strategy is to bring efficiency through competition in generation and retail, while transmission and distribution business remains regulated as they are natural monopolies.

As per an official document, with the implementation of the plan, the contractual arrangements in the sector will evolve and market participants could freely decide to agree contracts, which may be of different types. "The final design of the CTBCM will outline the characteristics of the contracts,"the document stated.

It added that the government was already in a process of shifting towards competitive bidding regime from upfront tariff regime, aimed at assuring reduced market clearing price as well as assist in smooth transition towards the competitive trading bilateral contract market, which was a pre-requisite for the establishment of wholesale market regime.

"Under the executive direction from the Economic Coordination Committee (ECC) in April 2015, NEPRA mandated the Central Power Purchasing Agency to propose the characteristics of a competitive trading bilateral contracts market (the CTBCM)," it said.

It must be noted that the current structure of Pakistan's wholesale power market is a single buyer arrangement. Presently, CPPA is involved in all power procurements, maintaining a central power pool. Total power purchase by the CPPA in FY 2015-16 was 101,122.20 Gwh. Total capacity payments and energy payments to purchase this power were Rs279.66 billion and Rs468.56 billion so that the total amount was approximately Rs 840 billion. However, later with the introduction of bilateral contracts and competitive market models, the Central Power Purchasing Agency will have a limited role in power procurement business.

THE NEWS
Wednesday, 19th July, 2017

PBC stresses stakeholders' part in trade policy-making

KARACHI: Businesses community has demanded of the government to take all the stakeholders on board when it gets down to overhaul the strategic trade policy framework (STPF), aimed at energising country's exports drive, an industry official said on Tuesday.

"If the Ministry of Commerce (MoC) wants to energise the STPF, it needs to get buy-in from the other stakeholders. At the moment they are working in a silo and assuming that the others will do what they are expected to do," Ehsan A Malik, CEO Pakistan Business Council, said in an email response.

"The export incentive announced by the government late last year remains largely unimplemented. Tax refunds have not made in full. Value-added exports continue to suffer from input cost disparity with sourcing competitor countries. The exchange rate tool has not been fully deployed to create competitiveness."

Malik added that the net result is a growing trade and current account deficit, the latter acerbated by flat remittances. "An Exim Bank is a pretty dead question....what of our exports will we extend finance for...we do not export machinery or equipment, and EXIM finance is usually not for quick selling consumer goods or commodities, but for purchases that will take time to generate cash-flow surplus...so the PBC doesn't see what the government is trying to achieve here," Malik said, commenting on the unviability of export-import bank. The PBC chief continued that had the country been a big exporter of plant and machinery, the concept of an EXIM bank would have made sense seeing its current export portfolio the justification was not there.

Pakistan's exports continue to fall despite a relief package announced by the government to encourage exporters boost exports. Exports declined 1.63 percent to $20.448 billion during the last fiscal year of 2016/17.

The PBC, in a study published last year, had said that the SPTF should not be viewed as a purely ministry of commerce initiative, but rather as part of a larger initiative, which aims to significantly increase Pakistan's exports, while leading to an increased competitiveness of domestic manufacturing.

The PBC, in its study, said that it advocates a long-term national trade strategy to be developed jointly by all relevant ministries i.e. commerce, industry, textiles, agriculture, planning, labour, finance, etc. "We believe that all provinces buy into the policy; and last but not the least, the implementation of the strategy should be overseen by a high level body accountable to the Prime Minster," the PBC said in the research paper.

Only then, it added, would trade (including exports) receive the priority and focus it deserved. The study pointed out the fundamental issues that need to be addressed to promote exports. "The PBC sees the STPF to address the weaknesses of previous STPFs. The current STPF fails to draw lessons from that period," it mentioned. The paper also argued that aside from restricting security sensitive items, the STPF was silent on how imports would be managed. "The STPF thus fails to qualify as a "trade" strategy," the report deduced.

The council's analysts also stressed that a proper exercise to develop a long term trade strategy would perforce address the competitiveness of domestic industries. "In a country with a population of 200 million people, industries should enjoy an inherent advantage of size and scale that could be deployed to limit imports and boost exports," the analysts said.

THE NEWS
Wednesday, 19th July, 2017

Iran regrets lack of Pakistani cooperation to promote trade

LAHORE: Hossein Bani Assadi, Consul General, Islamic Republic of Iran, on Tuesday sounded off that uncooperative Pakistani authorities were regrettably the main hurdle standing in the way of bilateral trade between the two countries.

“Iran is ready to facilitate Pakistani businessmen. We are even ready for banking cooperation; however, there is lack of cooperation from Pakistan,” Assadi said speaking at a farewell reception organised by Federation of Pakistan Chamber of Commerce and Industry (FPCCI).

“Neighbours always take priority in any country’s foreign policy.”“Similarly trade with Pakistan is also a priority of Iran, but there is a dire need for Pakistani high-ups and business community to involve in the promotion of trade actively.” A large number of the business community of Pakistan was there to pay their gratitude to Hossein Bani for his successful tenure.

Moving ahead, Assadi observed that Pakistan’s peace and security were tied to the peace and security of Iran. “Pakistan and Iran are two important countries of the region. They share political and cultural ties. Iran will never like to see Pakistan’s economic and political stability under threat,” the outgoing Iranian envoy emphasised.

He said interaction was always the first step for business promotion. “The business communities in the two countries will have to increase interaction to share their experiences in the larger interests of the people of two brotherly nations”, Assadi advised.

The Iranian diplomat said the volume of mutual trade between the two countries was far below its true potential. “Chambers of commerce in the two countries will have to focus on expansion of trade by holding single country exhibitions and exchanging trade delegations,” Assadi added.

Manzoor-ul-Haq Malik, regional chairman and vice president FPCCI, highlighted many bilateral trade issues hindering the growth including removal of non-tariff barriers.

“Enhancement of private sector cooperation, joint investment, single country exhibition, direct flights, removal of border trade barriers, resolution of bilateral trade transactions in Iranian and Pakistani currencies, facilitating transit trade, engineering & consultant services, are the need of the hour,” Malik said.

He added Pakistan and Iran should work for swift visa policy through White Card Sticker Policy as a member of Economic Cooperation Organization Chamber of Commerce & Industry (ECO CCI).

THE NEWS
Wednesday, 19th July, 2017

Cotton unchanged

Karachi

Dull trading continued at the Karachi Cotton Exchange on Tuesday, while spot rates remained unchanged.

The spot rates stood firm at Rs6,200/maund (37.324kg) and Rs6,645/40kg. Ex-Karachi rates also remained unchanged at Rs6,335/maund and Rs6,790/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said monsoon rains in Sindh reduced volume of trade in the market, while prices are likely to come down Rs50 to Rs100/maund because of moisture created by this weather.

KCE recorded only three transactions of 1,200 bales from the new crop from Sindh. Of these, 600 bales of Sanghar were traded at Rs6,300 to Rs6,375/maund, 200 bales of Hyderabad at Rs6,325 and 400 bales of Shahdadpur exchanged hands at Rs6,350 to Rs6,375/maund.

The Nation on Web
The Nation
Wednesday, 19th July, 2017

Govt taking measures to improve customs procedures: Dar

NNI

ISLAMABAD - Finance Minister Senator Mohammad Ishaq Dar said Tuesday that comprehensive measures were being taken to improve and upgrade customs procedures in Pakistan in line with international standards.

The Minister was talking to visiting Secretary General, World Customs Organization (WCO), Kunio Mikuriya who called on him here Tuesday. Dar said that the government has also taken steps for the facilitation of cross-border and regional trade.

Welcoming the visiting dignitary, Minister Dar stated that Pakistan had a long standing relationship with the WCO and we would continue to play an active role in further strengthening it. He apprised the Secretary General about the measures being taken to improve and upgrade customs procedures in Pakistan in line with international standards. He also shared with him steps being taken for facilitation of border / regional trade and said that regional integration was a priority of the government.

He said Pakistan fully supported all measures for enhancing regional connectivity and cooperation and, promotion of regional trade was a major area in this regard. Referring to CASA 1000, TAPI and the Integrated Transit and Trade Management System Projects, he said that these initiatives would further integrate the Pakistan economy with the region.

Minister Dar shared with the visiting diginitary an overview of Pakistan's economy and said that having achieved macroeconomic stability, the government was now fully focused on higher, sustainable and inclusive economic growth. He also shared with the Secretary General government's efforts for improving the ease of doing business through trade and investment facilitation.

Secretary General WCO, Kunio Mikuriya stated that Pakistan's active participation in the WCO was highly appreciated. He suggested that Pakistan should post permanent representative at the WCO headquarter to further augment this participation.

The Secretary General said that the improvement in system of Customs in Pakistan in the recent years was very visible and impressive . He said his organization would like to enhance cooperation with Pakistan especially in the areas of capacity building and further improvement of the systems in line with WCO guidelines.

Both sides expressed agreement on having greater Pak-World Customs Organization cooperation and linkages in the future.

Special Assistant to Prime Minister on Revenue, Haroon Akhtar Khan, Chairman FBR, Tariq Mahmood Pasha, senior officials of Ministry of Finance attended the meeting.

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CPEC to weigh on foreign currency reserves situation: Moody's

NNI

NEW YORK - Moody's Investors Service has raised several questions pertaining to China-Pakistan Economic Corridor (CPEC) and said the mega project would widen the current account and could weigh on the foreign currency reserves situation.

In a report, Moody's raised four questions related to CPEC and also gave replies or analysis pertaining to these questions.

To a question that how will the CPEC initiative affect Pakistan's credit profile, Moody's said, "CPEC, a large package of Chinese-funded and operated investment projects, will increase Pakistan's competitiveness and lift potential GDP growth by relieving critical infrastructure constraints. Higher capital formation will support the country's economic strength."

"However, CPEC will also increase government debt and external pressures as CPEC-related imports contribute to a widening current account deficit and bilateral loans increased leverage. The terms and conditions of financing inflows will be important mitigates of future balance of payments pressures," it said.

Talking about the impact of the recent widening of the current account deficit on Pakistan's credit profile Moody's said, "The widening deficit adds pressure to Pakistan's balance of payments position and could weigh on future foreign-exchange reserves adequacy, which would increase external vulnerability risk."

About the credit implications of the recent currency devaluation, the corporation said, "We consider the July 5 devaluation and subsequent reversal an indicator of the policy challenges posed by rising external pressure."

"Greater exchange rate flexibility would sustain export competitiveness and contribute to a more durable accumulation of foreign exchange reserves over time, which would help to strengthen external buffers. The resulting reduction in external vulnerabilities would support Pakistan's credit profile. However, we expect any shift in exchange rate management to be gradual," it said.

In response to the affect of completion of the International Monetary Fund (IMF) program on the prospects for further fiscal consolidation, Moody's said, "Pakistan's very narrow revenue base and high debt burden restrict its fiscal strength. The government successfully implemented fiscal consolidation under its most recent IMF program, narrowing the fiscal deficit to 4.4 percent of Gross Domestic Product (GDP) in FY2016 from 8.1 percent at the start of the program in FY2013."

"Moving forward, we expect further consolidation to be challenging, as revenue shortfalls and pressures for higher development spending in advance of the 2018 general election test fiscal discipline. Reforms that improve government revenue generation will strengthen the fiscal position," the corporation said.

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Foreign investment slightly rises

NNI

KARACHI - Foreign investment in the country recorded a small rise of 9 percent during financial year ended June 30, 2017 after security situation improved and fresh inflows from China crossing one billion dollars level.

Foreign investment in Pakistan during July 2016-June 2017 amounted to 2.157 billion dollars as against 1.976 billion dollars of the preceding year.

Major chunk of foreign investment arrived from China amounting to 1.185 billion dollars during the preceding fiscal year. Second country which contributed most was Netherlands which bought Engro Foods worth 463 million dollars during the previous year. Another stepping stone which boosted the investment was buying of Dwalance by Turkey group which helped improved flows amounting to 135 million dollars.

The performance from the foreign investors buying and selling stocks at local capital market was quite poor. Foreign outflow during the preceding year was 531 million dollars as compared to 320 million dollars of the preceding year.

The root cause of foreign selling during the earlier part of the fiscal year was political situation joining to Panama issues and afterwards, the local bourse upgradation from frontier market to emerging market, which led to heavy foreign selling in the month of May.

All eyes are on election 2018, outcome of Supreme Court hearing, rupee fluctuation and performance of the key economic indicator to decide the foreign investment in the stock market and other industrial areas. Investment from China has been pouring in but the amount is limited and burden on the economy has been larger than expected because of widening trade deficit.

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Iranian govt ready to facilitate Pak exporters

Our Staff Reporter

LAHORE - Iranian government is ready to facilitate Pakistani exporters. We are ready for banking cooperation between the two countries however there is lack of cooperation being noted from Pakistan.

These views were expressed by Hossein Bani Assadi, Consul General of Islamic Republic of Iran, during a farewell party arranged at Federation of Pakistan Chambers of Commerce and Industry (FPCCI). A large number of the businessmen of Pakistan were there to pay their gratitude to Hossein Bani for his successful tenure.

Bani Assadi said peace and security of Pakistan is associated with peace and security of Iran. "Pakistan and Iran are two important countries of the region; they share political and cultural ties. Iran will never like to have disturbance in Pakistan economic and political stability. Interaction is first step for business promotion. The business communities in the two countries would have to increase interaction to share their experiences in the larger interests of the people of two brotherly nations," he said.

He said that the volume of mutual trade between Pakistan and Iran does not match their respective potentials. He said that Chambers of Commerce in the two countries would have to focus on expansion of trade by holding single country exhibitions and through sending trade delegations to each other's country.

FPCCI Regional Chairman and Vice President Manzoor ul Haq Malik said Pakistan and Iran are the two biggest Islamic countries in the region, and hence have a lot of responsibilities.

Both countries can work together for a better future not only for the better future of their respective nations, but also for the entire region, he said. He added Pakistan and Iran should work for swift visa policy by upraising White Card Sticker Policy as a member of ECO CCI.