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New minister optimistic about export prospects

RECORDER REPORT

ISLAMABAD: Minister for Commerce and Textile Pervaiz Malik on Tuesday said that the government has taken a number of steps to increase exports of the country, which may help decrease the trade deficit in coming months.

Responding to a question in the Senate during the question hour, the minister said that the trade deficit remained at 20.18 per cent during the period from July 2016 to February 2017 which was 15.04 per cent during the same period in 2015-16.

Referring to the steps being taken to decrease the trade deficit, he said that the Prime Minister has announced the trade enhancement package of Rs 180 billion.

The salient features of the package included zero rating of machinery imports, withdrawal of duty and sales tax on cotton import, withdrawal of duty on import of MMF, release of pending liabilities of textile policies, release of pending sales tax refunds, drawback of taxes for the export sectors cascaded in terms of value addition.

He further said that under Strategic Trade Policy Framework (STPF) 2015-18, a total of Rs 20 billion will be spent on the development of the export sector over the next three years. The initiatives inter alia include technology up-gradation, an incentive for technology up-gradation in the shape of investment support of 20 percent and mark-up support of 50 percent up to a maximum of Rs 1 million per annum per company for import of new plant and machinery. Other measures included product development, branding and certification development support, and drawback for local taxes and levies (DLTL), he added.

Referring to the short-term export enhancement measures, he said that under short-term export enhancement measures, the four product categories i.e. Basmati rice, horticulture, meat and meat products, and jewellery are being focused with the parallel focus on the following markets of Iran, Afghanistan, China and European Union.

He said that an additional amount of Rs 6 billion is available this fiscal year to exporters through Textile Policy 2014. He said that the sales tax zero-rating regime for five export oriented sectors, i.e. textile, leather, carpets, surgical and sports goods has been introduced with effect from July 1, 2016.

In order to counter the import surge through unfair trade and strengthen trade defence mechanisms, he said that National Tariff Commission Act has been revamped and approved by the Parliament in 2015.

In order to promote exports to new markets, he said that Trade Development Authority of Pakistan is undertaking various export promotional activities through trade exhibitions and delegations.

He further said that the availability of affordable finance for the export sector has considerably improved while the State Bank of Pakistan has further reduced the discount rate to 5.75 percent. Similarly, he added, the export finance rate is currently at 3.5 percent, which is the lowest in a decade.

He said that the ministry is undertaking consistent efforts for getting additional market access for Pakistani products in the potential markets. In this regard, he said that FTA negotiations with Turkey and Thailand are at an advanced stage, negotiations with Iran on FTA are being initiated, and joint research study to assess the potential for a preferential arrangement with Korea is underway.

He said that due to the measures, the rate of decline in Pakistan's exports has decreased from 12 percent in 2015-16 to 3.9 percent in July-February 2016-17. The exports have already showing signs of recovery and it is expected that it would further improve by June 2018, he added.

Meanwhile, Minister In-charge of the Establishment Division told the House that there are a total of 3,193 federal government servants whose spouses have foreign nationalities and of them 68 civil servants are in grades from BPS-17 to BPS-22.

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Zero-rating regime may be revised

SOHAIL SARFRAZ

ISLAMABAD: The government is planning to revise sales tax zero-rating regime for five major export sectors, ie, textile, leather, surgical, carpets and sports goods under SRO # 1125 to abolish any indiscrimination between local and imported products under World Trade Organization (WTO) regime.

Sources told Business Recorder Tuesday that the Federal Board of Revenue (FBR) is expected to start working on the amendments to SRO #1125 to avoid indiscrimination between local and imported products under the WTO regime. The revised SRO # 1125 would be chalked out in line with the provisions of the WTO regime.

According to sources, SRO # 1125 governs five sectors which are of export importance to Pakistan. In these sectors the imported products are being taxes at the rate of 17 percent while the local products @ 5 percent. The FBR is looking the possibility of enhancing the tax on local products.

The FBR has to ensure that National Treatment Clause of WTO is not being violated. While securing the national interest, the FBR would revise SRO # 1125 by first week of September 2017 to abolish any indiscrimination between local and imported products. The FBR will also share proposal for revision of SRO # 1125 with the concerned ministry/departments.

The FBR had issued sales tax notifications to implement budgetary measures for 2017-18 including one percent further sales tax on supplies made to unregistered persons within the five export-oriented sectors under SRO 1125(1)/2011. The FBR has also issued SRO # 584(1)/2017 subsequent to Finance Bill 2017-2018 to amend SRO special regime meant for five export oriented sectors under SRO # 1125(1)/2011.

The reduced rate of 5 per cent sales tax was increased to 6 per cent under SRO # 1125(1)/2011. Further tax at the rate of one per cent is introduced on supplies under SRO # 1125 except on finished good which will attract further tax at the rate of 2 percent. Reduced rate facility was withdrawn from imported finished fabrics.

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Ministry again moves ECC over GST rate on HSFO

ISLAMABAD: After failing to evolve a consensus on 3 percent reduction of GST on High Suplhur Furnace Oil (HSFO) being used by IPPs with Federal Board of Revenue (FBR) despite passage of 16 months, Ministry of Water and Power has again approached the Economic Coordination Committee (ECC) of the Cabinet for re-imposition of General Sales Tax (GST) at 17 percent instead of 20 percent on HSFO, well informed sources told Business Recorder.

Many IPPs generate power through using High Sulphur Furnace Oil (HSF) falling under PCT code 2110.1941. Previously, under the Sales Tax Act 1990(STA), HSFO was subject to a levy of 17 percent of GST which is adjustable against the GST payable on the sale of electricity, while any excess balance is recoverable from the FBR under the STA.

However, on September 30, 2015, FBR issued a new SRO, No.962 (1) 2015, according to which the import and supplies of furnace oil would now be subject to an increased levy of 20 percent GST. Hub Power Company (Hubco) had also approached the FBR seeking a reduction in sales tax rate from 20 to 17 percent on the supply of imported HSFO or enhancing sales tax on electricity from 17 to 20 percent to deal with problems of accumulated refunds and cash flows of the IPP. Hubco maintains that the company is generating electricity (both at Hub and at Narowal) by using HSFO falling under PCT Code 2710.1941. Under the Sales Tax Act, 1990 (STA) HSFO is subject to a levy of GST at 17 percent. This GST paid by the company is adjustable against the GST payable on sale of electricity. Any excess balance is recoverable from FBR under the Sales Tax Act.

Hubco further argued that by virtue of the SRO now the supply of imported HSFO by fuel suppliers would be subject to 20 percent GST instead of 17 percent while the GST rate payable on electricity remains at 17 percent. This will create serious problems as the enhanced rate will increase the amount of cash to be paid to fuel suppliers thus affecting the cash flow adversely.

According to the Ministry of Water and Power, increase in GST will result in an increased amount of cash to be paid to the fuel supplier, thereby affecting the cash flow of the IPPs adversely and will also result in a significant increase in the amount of refund claim from the FBR. The settlement of refunds from the FBR usually takes a long time and the IPPs are agitating at this state of affairs as their working capital requirements are significantly enhanced as a consequence.

The source said, Ministry of Water and Power understands that the enhanced rate of 20 percent GST for supply of HSFO, being a pass-through item, will result in an increase in tariff for end consumers and impact on the general price hike. The Central Power Purchasing Agency – Guaranteed (CPPA-G) Limited has also not supported enhancement of GST rate for supply of fuel to IPPs. FBR advised to move a summary to the ECC.

In a new summary, the ECC was requested to restore the original rate of 17 percent GST on the supply of HSFO for electricity generation and accordingly, SRO No.962(1) 2015 of September 30, 2015 may be withdrawn.

A summary for restoration of the GST rate from 20 percent to 17 percent was submitted to the ECC on April 8, 2016. The ECC after consideration of the summary gave the following decision: “the ECC deferred consideration of the summary and directed the Secretary Water and Power and Chairman FBR to further deliberate on the issue and submit its outcome to the ECC , however, the meeting could not be held and hence no agreement could be reached”.

Water and Power Ministry has again approached the ECC, now headed by Prime Minister Shahid Khaqan Abbasi to take a decision on restoration of the original rate of 17 percent on the supply of HSFO for electricity generation and accordingly the SRO No 962(1) 2015 of September 30, 2015 may be withdrawn.—MUSHTAQ GHUMMAN

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THE RUPEE: Firm trend

RECORDER REPORT

KARACHI: The rupee held its overnight firmness against the dollar on the money market on Tuesday in the process of trading, dealers said.

OPEN MARKET RATES: The rupee stayed put in relation to the dollar for buying and selling at Rs 106.30 and Rs 106.50 respectively, they said.

The rupee was also unchanged in terms of the euro for buying and selling at Rs 124.00 and Rs 125.00 respectively, they said.

INTER-BANK MARKET RATES: The rupee inched down by one paisa against the dollar for buying and selling at Rs 105.40 and Rs 105.41 respectively, they said.

In the second Asian trade, the dollar inched higher against a basket of currencies, with traders focusing on the annual central banking conference in Jackson Hole this week for insights into the outlook for monetary policy.

The dollar index, which measures the greenback's value against a basket of six major currencies, edged up 0.1 percent to 93.169. The near-term focus is on a speech by US Federal Reserve Chair Janet Yellen on Friday at the Fed's annual central banking conference in Jackson Hole, Wyoming.

The dollar was trading against the Indian rupee at Rs 64.120, the greenback was available at 4.280 and the US currency was at 6.658 in terms of the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Tuesday: 80.70-80.70 (previous 80.70-80.70).

Open Bid	Rs. 106.30
Open Offer	Rs. 106.50

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

Bid Rate	Rs. 105.40
Offer Rate	Rs. 105.41

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

The demand and supply situation of the US dollar remained intact throughout the trading session that kept the local currency stabilize. Consequently, no change in its value took place on buying and selling counter as it maintained its opening rates of Rs 106.20 and Rs 106.50 respectively, local currency dealers said.

On the contrary, the local currency showed mixed patterns as it moved both ways against the pound sterling. The British currency was bought and sold at Rs 134.80 and Rs 137.60 against Rs 135.30 and Rs 136.00 of Monday, 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 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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Currency management:

SBP revises reporting format

RIZWAN BHATTI

KARACHI: The State Bank of Pakistan (SBP) has announced revision of the monthly reporting format of currency management strategy for banks.

The currency management strategy is aimed at reforming the currency management function from manual to automated environment, enhance banks' capacity to segregate the fit and genuine banknotes from unfit, soiled and counterfeit banknotes and improve the quality of banknotes in circulation.

According to FD circular Letter No. 03-/2017, upon successful completion of Phase-I currency management strategy, Phase II strategy is being implemented all over Pakistan with wider scope.

In this regard, the SBP has revised reporting format that has been designed for banks to report status pertaining to phase-II of currency management strategy requirements and gauge the compliance of the SBP instruction.

The revised format has been issued for monthly reporting to monitor the implementation of currency management strategy for phase-II.

The SBP has also advised all banks to send the monthly report before 10th of each month following the month of which the report pertains.

The State Bank in consultation with Pakistan Banks Association (PBA) developed and launched currency management strategy in 2015 aimed at ensuring availability of machine authenticated good quality banknotes to general public. For effective implementation of the strategy, commercial banks were also asked to streamline their prevailing currency management processes and automate the same in line with international best practices.

In addition, under the currency management strategy, for selection of cash processing machines, the SBP had already directed banks to finalize up to a maximum of three types (models) of machines that meet the SBP prescribed sorting/authentication standards and arrange a demo of the same at the SBP offices.

Under the strategy, the machine rejected banknotes categorized as suspected counterfeit will be surrendered to SBP-BSC for further examination along with the particulars of banknote(s) and name of branch from whose cash the banknote is detected within 48 hours of detection.

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Sukuk rules unveiled:

Issuer must have investment agent, Shariah advisor: SECP

RECORDER REPORT

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) Tuesday issued Sukuk (Privately Placed) Regulations, 2017, making mandatory for the issuer who intends to issue Sukuk to appoint an investment agent and engage Shariah advisor.

The SECP issued SRO 836(I)/2017 here on Tuesday to notify Sukuk (Privately Placed) Regulations, 2017.

The issuance of Sukuk Regulations, 2015, notified through SRO 112(I)/2015, are hereby repealed.

Under the new regulations, "Sukuk" means an instrument of equal value representing undivided share in ownership of the identified tangible assets, usufruct and services or in the ownership of the assets of particular projects or special investment activity.

The repeal of the Sukuk Regulations, 2015 shall not affect any Sukuk issued under the said regulations and any rights, privileges, obligations or liabilities acquired, accrued or incurred under the said repealed Sukuk Regulations, 2015.

The new regulations shall apply to all issues of Sukuk privately placed by any company, special purpose vehicle or body corporate to the qualified institutional buyers.

These regulations shall not apply to an issue by any company, a special purpose vehicle or body corporate specifically setup by the federal government or any provincial government for the purposes of issue of Sukuk, under any other law.

An issuer that intends to issue Sukuk shall fulfill the following conditions: Prior to issuance of Sukuk, the issuer has appointed an investment agent and engaged Shariah advisor. In case of secured Sukuk, it has arranged appropriate security, in the form acceptable to the Investment Agent;

Provided that the said clause shall not apply to a Sovereign Sukuk and a government guaranteed Sukuk.

For the purposes of this regulation the expression "Sovereign Sukuk" shall include Sukuk issued and guaranteed by the federal government. For the purposes of this regulation the expression "Government Guaranteed Sukuk" shall include Sukuk issued by any corporation or body corporate owned and controlled by the federal government and such Sukuk is guaranteed by the federal government.

As per regulations, the issuer shall, before the issue of Sukuk, engage Shariah advisor and obtain in writing from it/him/her the Shariah Pronouncement. The Shariah Pronouncement must be signed by Shariah advisor ascertaining that the basis on which the Sukuk are structured is Shariah compliant.

The issuer shall before the offer of Sukuk appoint an investment agent. The appointment of investment agent shall be carried out through execution of an investment agency agreement which shall contain at least such clauses as notified by the Commission from time to time.

The investment agent shall endeavor that assets are transferred to Sukuk holders through a Special Purpose Vehicle (SPV) and in case the Sukuk is issued without establishment of SPV then Shariah advisor should give reasons referring to Shariah principles for allowing issuance of Sukuk without establishment of an SPV. The investment agent shall not be associated company or associated undertaking of the issuer.

The Shariah advisor providing the initial Shariah Pronouncement shall state in their Shariah Pronouncement, whether or not Shariah audit of the issued Sukuk is required. The compliance of features and Shariah requirements of Sukuk shall be audited on annual basis, where applicable. The issuer shall appoint its own statutory auditors or another firm of chartered accountants to perform Shariah audit. The Shariah audit report, where required shall made part of the annual financial report of the issuer.

The issuers of Sukuk shall, while preparing their financial reports, ensure that all the relevant standards, notified by the accounting and auditing organization of the Islamic financial institutions and the Islamic financial accounting standard as notified by the Commission for adoption, from time to time relating to the financial reporting and accounting treatment of Sukuk are complied with, the SECP added.

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Export sector:

FPCCI for Rs3 per unit reduction in power tariff

M RAFIQUE GORAYA

LAHORE: President Federation of Pakistan Commerce and Industry, Zubair Tufail has demanded that price of gas should be brought down significantly while the power tariff for the exports sector should be immediately slashed by Rs3 per unit so that export sector can be revived as future of the country is linked with exports.

Speaking at a seminar regarding export competitiveness in the FPCCI, Zubair Tufail said that regional countries are providing incentives to their export sector. He informed that the price of gas and electricity is 50 percent less than Pakistan while their labour is also cheap.

He said that energy is cheap as compared to Pakistan in the competing countries like Sri Lanka, Indonesia and that Indian textile exports have surged by over 31 percent in one year.

Former Governor of State Bank of Pakistan Dr. Ishrat Hussain Prof Dr Sarosh Hashmat Lodi, Vice Chancellor, NED University of Engineering and Technology, Prof. Dr Javed Ashraf, VC, Quid-e-Azam University, Islamabad, Prof Sikandar Mehdi, Senator Javed Jabbar, former federal minister, leaders of the business community and others were also present on the occasion.

Dr Ishrat Hussain said that exports play a very important role in keeping the economy stable therefore this sector should be facilitated.

Reasons behind dwindled exports include cost and availability of energy, want of skilled labour and lack of interest in imparting training to the staff on the part of export industries, he said.

Dr Ishrat Hussain said that energy prices and some other reasons result in high cost of doing business which causes loss of competitiveness and retreat in the international market.

Other speakers said that law and order situation also contributed to the increased cost of doing business while some conflicting policies should be rectified.

Our exports are falling since 2013 while some other regional countries have doubled their exports during the same period, they added.

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Gwadar Port to be fully operational within 3 to 4 years: envoy

BEIJING: Pakistan Ambassador to China, Masood Khalid on Tuesday said the development work is in progress on Gwadar Port and expressed the confidence that it would be fully operational in three to four years.

A power plant is being set up there to provide electricity to the city and to the port and existing airport and highways are being expanded and built in Gwadar.

"In three to four years, Gwadar will become a different city, and Gwadar Port will be fully operational, he said during an exclusive interview with China.org.cn.

"In fact, ships have now started arriving and they are bringing cargo and equipment for the work on the port. All in all the progress is good. We need to work faster on the airport. We need the airport as soon as possible, and the roads," he added.

On how would Gwadar contributes to the region's economy and security, he said Gwadar is an important port in terms of its location and it is very close to the Persian Gulf and the Middle East, and it will link up with China.

"We already have a highway to China, and we are working on upgrading and improving it so that it can become the main artery for trade and business between Pakistan and China," he added.

Ambassador Khalid said the idea is that exports from China pass along this road, reach Gwadar, and are then transhipped to Africa and Europe. In terms of distance and cost, Gwadar will be very competitive, adding, "I am confident that it will gain momentum in the years to come."

He said the port will serve the commercial and business interests not only of Pakistan but also of China and of the other countries in the region.

"The whole of Central Asia is landlocked, and these countries need access to the seas for commerce and trade, we are in the ideal location to provide this."

He said one company from Xinjiang has started to import seafood into China, but this industry needs to be upgraded. So the local fishermen can use modern technology to catch fish and to process and export them. So fishery, minerals, marble and granite, there is great potential to exploit these resources in the future.

Pakistan and China are mutual neighbours of several Central Asian countries, so Gwadar port will give a big impetus to the economic development of the entire region, he said.

Ambassador Khalid said the port will play an important role in promoting China's commerce, trade and business through Pakistan to the outside world, and also the reverse and added, "In fact, we have a plan in the future to link Gwadar with Kashgar through energy pipelines and communication infrastructure."

He said there are projects, there are jobs, and the infrastructure has improved, so the CPEC is contributing to the socioeconomic development of Pakistan and to the welfare of the Pakistani people.

About the opportunities brought by the Belt and Road Initiative to Pakistan's economic and social development, and cooperation between China and Pakistan, he said during Premier Li Keqiang visit to Pakistan in 2013, an understanding was reached between Pakistan and China to create the China-Pakistan Economic Corridor (CPEC).

"Then we got into the discussions as to how the corridor would take shape. Subsequently there were a number of formal meetings between officials and experts from Pakistan and China to work out a framework to realize the corridor," he added.

As this corridor project is part of President Xi Jinping's the Belt and Road Initiative, so after 2013 both sides worked on the planning of the corridor.

Ambassador Khalid said the actual work started somewhere in 2015. So you can say the delivery has only been two-year project. What we did was that we divided the concept into various

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actionable programs, projects related to the power sector, to infrastructure, to development of Pakistan's port, and to setting up industrial and economic zones.

"Now we are working on these, and the work is going on in a satisfactory manner; we are making good progress and corridor is picking up momentum. This is good for the two countries' bilateral relations," he added.

Commenting on the opportunities for the people living along the route of the corridor, he said the CPEC development is a project because it means concrete on the ground projects and also mentioned infrastructure projects, the port, and power projects.

He informed in the power sector the progress has been good as work is under progress on about sixteen power projects, to add about ten thousand megawatts of electricity by next year, by 2018.

Ambassador Khalid said under this programme, some major projects have already entered service. Last month in July the inauguration of the first coal-based power plant more than 1,300 megawatts took place in the Punjub province. Other similar projects, also big in scale, are likely to be operational by the end of this year.

"Side by side, we are working on hydro projects, solar power projects, and wind power projects. Some of the wind power projects will also become operational soon," he added.

He said the government aims to overcome a power shortfall that the country has been facing for many years, which was impeding our economic development.

"So by generating, by overcoming this deficit of power in our system and in our national grid, we will be able to give a boost to the process of social economic development and to our economy," he added.

Ambassador Khalid said in the last two or three years, Pakistan's economic indicators have improved significantly, and there has been micro-economic stability in Pakistan which has been acknowledged and welcomed by independent analysts and accrediting agencies.

"This is because of the growth in the economic sector. Our GDP has also shown improvement. We hope to achieve more than 5.4 percent or 5.5 percent growth this year," he said and added, last year the GDP grew by 4.7 percent, an unprecedented figure in the context of the last seven years.

Regarding China and Pakistan all-weather strategic partners, he opined One Belt One Road is a far-reaching initiative in terms of its positive applications for the world.—NNI

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— detects Rs275,557m malfeasance by FBR arm

RECORDER REPORT

ISLAMABAD: The Auditor General of Pakistan (AGP) has detected irregularities of Rs 275,557.50 million committed by Inland Revenue Department of the Federal Board of Revenue (FBR) during 2016-17. The malfeasance includes short levy of Super Tax, non-deduction of withholding tax on contractual receipts, inadmissible adjustments, non-realization of sales tax from retailers and non-levy of minimum tax, etc.

According to the AGP report for audit year 2016-17, the AGP has recommended that the FBR needs to devise a mechanism to detect and deter tax evasion by enforcing legal provisions against defaulters; ensure timely production of auditable data/record and initiate strict and appropriate disciplinary and other action under the law against those causing hindrance in the discharge of constitutional functions of the Auditor General of Pakistan being exercised directly or through subordinates; invoke provisions of laws holistically for recovery of duty and taxes; strengthen mechanism for adjustment/issuance of refund of tax; upgrade the existing internal controls to ensure non-recurrence of similar irregularities; improve monitoring of withholding tax which constitutes a major portion of income tax and improve financial management for incurring expenditure according to financial rules.

The report includes audit observations of Rs 275,557.50 million in respect of compliance with authority audit of receipts and expenditure relating to Inland Revenue for the FY 2014-15 and the FY 2015-16, audited from January to November 2016. The observations include cases of non/short assessment of taxes, grant of incorrect exemptions, wrong adjustment of brought forward losses, non levy of default surcharge, non-recovery of adjudged revenue, inadmissible adjustment of input tax, incorrect sanction of refunds, etc. Systemic deficiencies are also identified with recommendations for preventing recurrence thereof in future.

The key findings of the AGP were loss of revenue due to likely fraudulent and collusive non-deduction of withholding tax on contractual receipts – Rs 1,306.82 million, non-production of auditable record/data/documents to audit, non-recovery of adjudged dues/arrears of Rs 55,733.73 million, loss due to non-implementation of statutory provisions/SROs resulting in inadmissible adjustment of input tax - Rs. 4,119.85 million and non-realization of sales tax from retailers - Rs. 2,336.44 million.

The key findings of the AGP also included inadmissible adjustment of input tax against exempt supplies of Rs 2,180.00 million, non/short-realization of the federal excise duty on royalty, technical services fee and franchise fee - Rs.2,577.51 million, non-levy of minimum tax on the income amounting Rs 1,446.37 million, non-levy of tax on concealment of income or assets amounting Rs 16,092.53 million, short levy of super tax for rehabilitation of temporarily displaced persons - Rs.6,243.30 million, non-deduction/realization of withholding sales tax on purchases from registered/ unregistered persons amounting Rs 1,120.98 million, irregular expenditure due to non-observance of PPRA and General Financial Rules amounting to Rs 25.75 million and excess and inadmissible expenditure - Rs 18.54 million.

Audit observations of Rs 13,765.09 million were included in Memorandum for Departmental Accounts Committee (MFDAC). In view of the strategy of cost-effectiveness, it was decided that paras involving amount less than one million rupees would be pursued with the PAO at the DAC level. The FBR and its field formations need to accord priority to the disposal of audit observations embodied therein through gearing up DAC.

The compliance with audit observations involving Rs 0.77 million out of pointed out amount of Rs 89,262.11 million was reported by the principal accounting officer pertaining to MFDAC of previous year (2015-16), however, no response was given for audit observations involving Rs 89,261.34 million, the AGP report added.

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Policy tightening is unavoidable

The current account deficit crossed $2 billion in July, while the financial and capital accounts could only fetch $0.5 billion to leave the gap of $1.5 billion. At this pace, the full year deficit could cross 6 percent of GDP. Contradicting the official line, BR Research opines that higher imports are not purely due to machinery imports which are termed as healthy.

The machinery imports, according to SBP data, are up by 11 percent in FY17 while rest of imports increased by 19 percent. It is the consumption boom that is primarily driving high imports.

The currency has kept artificially pegged which has made imports cheaper. This whilst domestic economic growth has pumped up the demand of goods, especially petroleum products and the transport group, to unprecedented levels. The need of the hour is to curtail demand through policy measures.

The annual petrol consumption in volume terms doubled in FY17 from the levels of FY13 while HSD increased by a quarter. The low prices have resulted in higher consumption while the local refineries production is thinned.

It is imperative to increase the prices—the optimal way to do so is to increase the petroleum levy (PL) which is not part of divisible pool and that would also help in reducing the fiscal deficit which too is expected to grow disproportionately in FY18.

The curtailment of imports should not be confined to petroleum products. The food imports increased by 18 percent in FY17 and constitute 11 percent of total imports. Transportation group imports are up by 42 percent. The economy is showing real growth amid easing monetary and exchange rate policies have enhanced consumer demand.

On the flipside, domestic production is not matching demand as exports struggle to grow. The outcome is burgeoning current account deficit.

True, the inflation is low and economy is growing at a decent pace. On the surface, it appears that dovish stance should continue. But the way current account has slipped in the last few months, the day is not far when forced tightening would be the only option to deal with the mess.

The need is preempt the situation and the new cabinet should have a proactive approach. The administrative measures taken by Dar and company did not really work such as 100 percent cash margins. Meanwhile, the regulatory duties on non-essential imports could not dent the imports growth. While the export package announced by Nawaz in January may have resulted in inching up exports, that is peanuts relative to imports growth.

Exports grew by 21 percent or $314 million in July while the imports are up by a whopping 51 percent or $1.531 million to worsen the trade deficit by 78 percent or $1,269 million. The focus should be on reviving textile exports to generate employment and foreign exchange earnings; but the core of the issue is high imports growth that has to be curtailed on emergency footings.

Thus, the domestic demand has to be managed. SBP should tighten the monetary policy and should also let the exchange rate to slip a bit.

Apart from that, petroleum products prices should be revised up to discourage consumption. The trend may be inflationary in nature and would curb the growth momentum a bit. But beggars can't be choosers.

There is no point saying that SBP reserves are still covering over 3 months of reserves and no immediate crisis is in offing. That is an ostrich approach and is no good for the economy. Immediate actions are warranted to avert crisis.

Apart from tightening policies, the need is to go to the global capital market urgently to raise debt.

The country cannot afford to lose $1.5 billion of reserves every month, at this pace, by Dec; the SBP reserves would be less than 2 months of import cover. It's time to go to friendly countries, including China, for borrowing.

And at the same time steps are required to promote exports.

Tough days are ahead. US bashing on Pakistan is crystal clear. Forget about any CSF money or other form of support from the US.

There is not much juice in remittances to grow at the pace they used to a couple of years back. Promoting foreign investment is key. The new PM should divert from the policies of Dar and must gather his acts quickly before it's too late.

Summary of BoP (million dollars)						
	YoY	**July 2016**	**July 2017**	**YoY**	**FY16**	**FY 17**
Current account balance	-662	-2,053	210%	-4,867	-12,098	149%
Exports of goods	1,495	1,809	21%	21,972	21,660	-1%
Import of goods	3,115	4,969	51%	41,255	48,545	18%

Source: SBP

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CPEC: whose project is this?

Dr Ashfaque H Khan

The current regime which took charge of the state of affairs in June 2013, has been claiming to have launched the China-Pakistan Economic Corridor (CPEC). The then Prime Minister has even called the CPEC as a gift from China to his government. The CPEC has been regarded as a flagship project and one of the greatest success of this regime in strengthening Pakistan's economy.

How far is this true? What is the reality? Whose project is this? This is the subject matter of this article. Before I delve into the detail, it is pertinent to note that the CPEC is one of the six corridors of the greatest Chinese initiative—the One Belt one Road (OBOR). Over 65 countries accounting for 60 percent of the world's population and 40 percent of GDP are connected through infrastructure development under the OBOR. A project like OBOR or CPEC requires decades of preparation, planning and hard work. Such gigantic project is not launched in a week or a month's preparation.

Pakistan tested its nuclear device in May 1998 but its preparation started in the 1970s, that is, after the first nuclear test of India in 1974. Decades of hard work, planning and preparation enabled Pakistan to successfully test its nuclear device in May 1998. One government alone, therefore, can not take credit of making Pakistan a nuclear power. All the governments that ruled the country during 1974 to 1998 have contributed to the success of making Pakistan a nuclear power.

As it is said, "Rome was not built in a day", a project of OBOR or CPEC's scale could not be launched in a week or a month.

This article presents the factual position in a chronological order of the journey towards the launch of the gigantic project—the CPEC—based on official documents of both the countries as well as the published articles of the scholars from within and outside Pakistan. The basic idea is to straighten the facts.

Pakistan-China strategic alliance has been one of the defining features of the relations between the two countries since the early 1960s. The relationship has been tested for decades and now blossomed into an "all–weather strategic partnership" and more recently to "Tie Ge Men", which means "Real Iron Brothers". On the other hand, the economic relationship between the two countries has not been consistent at all with otherwise deep and strategic nature of relationship between them.

It has long been felt by the leadership of both the countries that economic relations must be made consistent with the type of strategic relationship that the two countries have maintained for decades.

It is in this perspective that a development was made during the visit of President Pervez Musharraf to China on January 17, 2000—right after his assumption of power (see AP Archive, January 17, 2000). During Musharraf's meeting with Chinese Premier Zhu Rongji, he emphasized on stronger economic ties between the two countries.

The two sides signed an agreement on economic cooperation and sowed the seed for expanded economic relations between the two countries.

During the visit of Chinese Prime Minister Zhu Rongji to Pakistan in May 2001, six agreements and one MoU were signed in the areas of railways, tourism, telecommunication, petroleum and mining. President Musharraf took up the matter with the visiting Chinese Premier and requested his support for the construction of Gwadar Port. The Chinese Prime Minister reiterated his support for the Gwadar deep sea port construction and gave assurances towards the continued strengthening of economic relationship between the two countries.

Following Zhu Rongji's reiteration of support for the Gwadar deep sea port, the Chinese Vice Premier Wu Bang Guo visited Pakistan and on March 22, 2002, along with President Musharraf, attended the ground breaking ceremony of the Gwadar Port. This ceremony was held under the banner of "Pak-China Friendship Journey from Karakoram to Gwadar" (DAWN, March 23, 2002).

At the invitation of the

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Chinese President Hu Jintao, President Musharraf visited China in November 2003. During his visit, both the Presidents signed a Joint Declaration on the Directions of BilateralCooperation on November 4, 2003 which spelt out the new focus on economic cooperation.

The Joint Declaration included several aspects of economic and trade relations including the Preferential Trading Agreement with ultimate goal of establishing Free Trade Agreement; agriculture, industry, tourism, transport to expand trade through Karakoram, strengthening of China–Pakistan Business Council etc. (see Joint Communiqués, Beijing, November 4, 2003).

During Prime Minister Shaukat Aziz's visit to China in December 2004, seven agreements pertaining to trade, communication and energy cooperation were signed.

This visit was in line with ongoing efforts to further strengthening economic ties, including cooperation in the field of energy.

After the signing of Joint Declaration in November 2003, the year 2006 will be remembered as the defining year for the ultimate launch of the CPEC in 2013 for two reasons: Firstly, at the invitation of President Hu Jintao, President Musharraf visited China during February 19-23, 2006. During the visit, a Framework Agreement on Energy Cooperation was signed.

Chinese side agreed to assist in the development of oil and gas sector in Pakistan. The two sides emphasized that overland trade through the Karakorum Highway should be promoted and that they were ready to adopt measures to facilitate such trade. In this context, both sides agreed in principle to upgrade the Karakoram Highway (Joint Statement, February 23, 2006, Beijing).

Secondly and most importantly, at the invitation of President Musharraf, Chinese President Hu Jintao visited Pakistan during November 23-26, 2006. Most important developments pertaining to the ultimate launch of the CPEC took place during this visit. These included: i) the signing of an FTA between the two countries; five year Development Programmed on Trade and Economic Cooperation was signed; and iii) financial support for the up gradation of the Karakorum Highway among others (See Joint Statement, November 26, 2006, Islamabad).

The Five year Development Program was the integral component of Pakistan–China Strategic Economic Partnership/Cooperation program. The Pakistani side proposed Pakistan–China Trade, Transport, Energy and Industrial Corridor, commonly referred to as NTC. The NTC was an essential component of the Strategic Economic Partnership/Cooperation.
China keenly supported Pakistan's National Trade Corridor (NTC) project. Both sides agreed to intensify joint study in the various aspects of the NTC (See Dr. Akram Sheikh, Blue Chip, April – June 2016)

In summing up, the scope of the corridor/strategic economic cooperation discussed between the two countries during 2004-2007 included: i) the development of Gwadar as a Deep Sea Commercial Port, Oil city with world class refining and petro-chemical facilities; ii) development of Gwadar (by enhancing its port handling capacity) keeping in view that it serves as an alternative port for China;iii) it was envisaged that in twenty years, Gwadar could be developed like 'Shenzhen' port city of China; iv) development of Special Economic Zones throughout Pakistan; v) development of appropriate road and rail links from Gwadar and Karachi to Khunjrab and Kashgar (German pre-feasibility study for railway link from Havelian to Khunjrab was presented to President Hu Jintao in April 2008); vi) widening and up-gradation of KKH to accommodate oil and gas pipelines and optical fiber link;vii) development of all aspects of the energy; and viii) strategic oil reserves and oil and gas pipelines from Gwadar to Kashgar (See Dr. Akram Sheikh).

The above listed items were part of the discussion between the two countries during 2004-08 under the China–Pakistan Economic Partnership/Cooperation, which also included the concept of corridor. Dr. Akram Sheikh, the then Deputy Chairman of the Planning Commission had remained involved in this discussion during 2005-2008. Anyone who has doubt about what I have stated in this article can confirm with Dr. Sheikh.

The work on NTC remained dormant with the change in government in April 2008.

The momentum that was

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generated during 2004-2008 was slowed. China, on the other hand, continued to work quietly on their side. Besides other work, they continued to develop their human capital which were to be needed for OBOR initiative.

Yet another momentous development took place towards the ultimate launch of the CPEC in January/February 2013. Pakistani cabinet of the previous regime (PPP) approved the transfer of Gwadar Port Operation to China from Singapore on January 30, 2013. The formal ceremony of the transfer took place on February 17, 2013 in Islamabad (See Express Tribune, February 18, 2013). Pakistan described the deal as an energy and trade corridor which would not only benefit Pakistan but would also connect China to the Arabian Sea and Strait of Hormoz via the expanded KKH.

The current Chinese President Xi Jinping took charge of the state of affairs on March 14, 2013 and formally announced the launch of the historic One Belt One Road Initiative in September 2013, CPEC being an integral part of it.

In the meantime, Chinese Premier Li Keqiang visited Pakistan during May 22-23, 2013. The Chinese Premier and his Pakistani counterpart (the caretaker Prime Minister Mir Hazar Khan Khoso) reached an important consensus on building the China–Pakistan Economic Corridor and decided to jointly prepare a long-term plan on CPEC. The central role of the CPEC was clearly defined in April 2015, when President Xi Jinping visited Pakistan during which 51 MoUs/agreements worth $46 billion were signed.

This is the brief journey of the CPEC stretched over 13 years (2000-2013). During 2000-2008, the seed of strong and extended economic cooperation were sowed and nurtured; the CPEC was virtually formalized in the shape of Pakistan-China Trade, Transport, Energy and Industrial Corridor, known as NTC in 2006; the journey towards CPEC continued, albeit,at aslower pace during 2008-13, yet a major development took place with the transfer of Gwadar Port operation to China. During the transition to the next government (May 2013), consensus on building the CPEC was reached. The formal launch of the CPEC took place in April 2015 with signing of several MoUs/agreements during the visit of President Xi Jinping.

It is clear that no single government can take credit for launching CPEC. Several governments contributed to the preparation, development and finally launching of the project.

This is a project for the people of Pakistan, for the future of Pakistan and does not belong to a single individual or party.

How much Pakistan will benefit from the project will depend on its preparedness. Bureaucratic hurdles in terms of lethargic and non-serious attitude, lack of understanding of the complexities of the project, little flow of information from Pakistani side and petty politics have all served as headwinds thus far towards the completion of the project in time.

Simply making noises like “game changer” or “fate changer” and claiming the ownership of the Project will not serve the objectives. We need to prepare ourselves by developing relevant skills, strengthening bureaucracy, and training manpower, particularly in Baluchistan. Thus far we have been talkers only. We need to join the league of doers.

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Cotton prices still on rise amid tight supply

RECORDER REPORT

KARACHI: Prices remain on upward trend on the cotton market on Tuesday amid tight supply of fine quality, dealers said.

The official spot rate unchanged at Rs 6000, they said. In the ready session, over 20,000 bales of cotton changed hands between Rs 6050-6275, they said. In Sindh, seed cotton prices were at Rs 2700-2900 and in Punjab, rates were at Rs 2600-2800 per 40 kg, they said.

Cotton analyst, Naseem Usman said that there were several factors, which caused sharp increase in the rates. One of the leading factors is fresh rains in Sindh, creating short supply, besides, virus attack in the Punjab cotton belt, creating uncertainties among mills and spinners. Recently time and again the agriculture dept is advising growers and farmers to carry out spray to save standing crop, other experts said.

The freight costs for the haulage of cotton have also increased due to transportation of sacrificial arrivals from rural areas to urban areas.

Reuters adds: ICE cotton gained on Monday for a third straight session as investors covered their short positions after heavy rains in US growing regions hurt output.

Cotton contracts for December settled up 0.28 cent, or 0.42 percent, at 67.56 cents per lb., trading within a range of 67.17 and 67.8 cents a lb.

Total futures market volume fell by 4,864 to 10,891 lots. Data showed total open interest gained 2,723 to 224,330 contracts in the previous session.

The following deals reported: 2000 bales from Sanghar at Rs 6050/6100, 400 bales from Samundri at Rs 6250, 2000 bales from Shahdadpur at Rs 6050/6100, 800 bales from Burewala at Rs 6200/6275, 800 bales from Mirpurkhas at Rs 6050, 600 bales from Chichawatni at Rs 6200, 2000 bales from Hyderabad at Rs 6100, 600 bales from Mian Chano at Rs 6200, 1600 bales from Kotri at Rs 6050/6100, 800 bales from Chistian at Rs 6200, 2000 bales from Tando Adam at Rs 6100, 1200 bales from Haroonabad at Rs 6185/6200, 400 bales from Moro at Rs 6050, 400 bales from Lodhran at Rs 6200, 600 bales from Sultanabad at Rs 6050, 1000 bales from Vehari at Rs 6200/6250, 400 bales from Shahpur Chakar at Rs 6050, 600 bales from Sahiwal at Rs 6200, 400 bales from Pak Pattan at Rs 6200, 400 bales from Arifwala at Rs 6200 and 1200 bales from Khanewal at Rs 6200/6275, 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 21.08.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,000	145	**6,145**	**6,145**	NIL
40 Kgs	6,430	155	**6,585**	**6,585**	NIL

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Cotton rises on crop damage concerns due to storm in Texas

NEW YORK: ICE cotton gained on Tuesday, propped up by fears of crop damage in South Texas from a potential storm in the region, even as department of Agriculture data showed strong crop progress in the natural fibre growing regions.

"Prices might go a little bit higher over the next two days with the hurricane coming in, but I don't see the market (sentiment) changing at all," said Peter Egli, director of risk management at British merchant Plexus Cotton.

A system associated with the remnants of former tropical storm Harvey, located over the Yucatan Peninsula, has a 90 percent chance of developing into a cyclone over the next two days, the National Hurricane Center (NHC) said on Tuesday.

A tropical depression is expected to form over the southwestern Gulf of Mexico on Wednesday or Thursday and move in the general direction of the Texas coast on Friday, the Miami-based center added.

Cotton contracts for December settled up 0.25 cent, or 0.37 percent, at 67.81 cents per lb. It traded within a range of 67.35 and 67.94 cents a lb, its highest in a week and rose for a fourth straight session.

"I think we're in a trading range for now, but in the long term, it looks a bit bearish," Egli noted.

The US Department of Agriculture's weekly crop progress report on Monday showed 63 percent of the crop was in good or excellent condition against 61 percent a week ago.

Total futures market volume rose by 1,169 to 12,246 lots. Data showed total open interest gained 1,015 to 225,345 contracts in the previous session.

Certificated cotton stocks deliverable as of Aug. 21 totalled 13,520 480-lb bales, down from 13,983 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	68.76	69.07	68.76	68.88	14:45 Aug 22`	68.88	0.17	69	68.71
Dec'17	67.43	6794	67.35	67.81	14:45 Aug 22	67.81	0.25	8360	67.56
Mar'18	67.09	67.66	67.09	67.46	14:45 Aug 22	67.46	0.16	2261	67.30

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External account

In a much-delayed meeting chaired by Federal Finance Minister Ishaq Dar the reasons behind the worsening current account deficit were examined though, unfortunately, no specific decisions targeted to deal with this growing crisis were taken. The three weeks into the job Commerce Minister Pervaiz Malik was present in the meeting with few expectations of any meaningful suggestions from him; however, one would hope that the secretary of commerce and textile industry as well as the representative from the State Bank of Pakistan (SBP) who also attended the meeting exhibited some courage and expressed views that are contrary to the flawed narrative that has been the hallmark of the Dar-led Finance Ministry though their inputs, if any, are not noted in the press release.

Sadly, Secretary Finance reportedly gave a briefing to the participants and parroted the narrative of the past year and a half, ever since the current account deficit began to widen. Imports, he contended, increased due to a rise in machinery imports which, he claimed would fuel domestic productivity and consequently exports. As per SBP website imports rose from fiscal year 2014 to 2017 by roughly 6.9 billion dollars accounted for by: (a) a rise in food imports by 1.2 billion dollars, (b) metal by around 1 billion dollars, (c) transport a little less than one billion dollars at 984 million dollars, (d) textiles by 1.5 billion dollars, and (e) machinery by 2.8 billion dollars with power sector machinery imports rising by 915 million dollars and other unspecified machinery import rise by 1.1 billion dollars though there was a decline in agriculture and textile machinery imports. However, the secretary focused on the rise in textile machinery in July by around 9 million dollars and petroleum products largely accounted for by imports of gas from Qatar to 1.270 billion dollars in July as opposed to 578 million dollars in June of this year.

Exports, Secretary Finance maintained showed a 0.52 percent growth in July 2017 compared to July of the year before. The SBP website indicates that July-June 2016 exports were 21.9 billion dollars while in 2017 the figure was 21.65 billion dollars. Data for July 2017 was not available on SBP website and given the discrepancy between the Pakistan Bureau of Statistics (PBS) and SBP data one wonders whether the discrepancy as pointed out in the SBP first quarterly report last year has narrowed in recent months as it had noted that the divergence in data between the two entities has risen to over 3 billion dollars during the past three to four years while previously it was around 1.5 billion dollars at most. And finally, a 16 percent rise in remittances was highlighted as a step in the right direction though with the Arab countries still in a state of recession one wonders if this upswing is sustainable.

Be that as it may, the outcome of the meeting was a rather inane directive by Dar to the secretaries of finance, commerce, and textiles to remove the impediments that hinder achievement of growth targets. There was no mention of the four-year-long flawed policies by the Finance Ministry that accounted for a rise in the current account deficit – policies that include (i) an overvalued rupee that acts as a disincentive to our foreign buyers (while high end textile sector noted that an overvalued rupee helps its exports given that the electricity tariff is in dollars and cents), (ii) the rising non-payment of sales tax refunds that is creating liquidity issues for our exporters, and (iii) last but not least, the export package announced in January this year to deal with falling exports has the condition of incentivizing only those export units that show a 10 percent rise in exports – a condition that exporters maintain would render the Rs 180 billion package as remaining largely unused.

One can only hope that Prime Minister Shahid Khaqan Abbasi, unlike his predecessor, looks at the real impediments to exports and prevails upon his Finance Minister to revisit the government's policies and take appropriate action.

DAWN
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Textile exports inched up to $1bn in July

Mubarak Zeb Khan

ISLAMABAD: Exports of textiles and clothing grew three per cent year-on-year to $1.006 billion in July from $979.414 million in the same month last year, the Pakistan Bureau of Statistics (PBS) said on Tuesday.

An official said one of the reasons for revival in textile exports was the release of pending refunds and uninterrupted supply of electricity and gas to the sector. The cash subsidy under the prime minister's package helped in promoting exports.

Exports of ready-made garments edged up 20.47pc while exports of knitwear fell 5.8pc during the last month. Last year, exports of ready-made garments also witnessed a nominal growth despite fall in proceeds from all other products.

Exports of bed-wear edged up 0.57pc, while those of towels fell 13pc.

In primary commodities, exports of cotton yarn witnessed a year-on-year increase of 6.3pc while those of cotton cloth and yarn (other than cotton) dropped 8pc and 34pc, respectively.

Exports of made-up articles, excluding towels, increased 4pc and those of tents, canvas and tarpaulin grew 26pc. Proceeds from art, silk and synthetic textile exports increased 340pc while exports of raw cotton also recorded a year-on-year decline of 70pc.

One reason for the decline in Pakistan's textile exports is that the preferential access to the European Union under the GSP+ scheme hasn't boosted proceeds due to a slump in demand.

The overall export proceeds surged by 10.58pc to $1.631bn in July as against $1.47bn over the corresponding month of last year.

Foodstuff, oil and machinery imports

The import bill of machinery, oil and eatables increased 33pc to $2.49bn in July from $1.872bn in the same month last year.

The import bill of food products rose 43pc to $534.693m from $373.512m, mainly driven by imports of tea, spices, sugar, soybean oil and pulses.

Oil imports up 21.72pc to $946.958m in July this year from $778.009m last year. The surge in imports of raw and petroleum products was witnessed during the period under review. At the same time growth was also notice in import of liquefied natural gas (LNG).

The imports of machinery mainly driven by generators and machinery went up by 41pc to $1.01bn in July 2017 as against $721.460m over the corresponding month of last year.

However, the imports of textile and office machinery witnessed a negative growth during the month.

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AGP finds Rs1.3tr irregularities in power sector

Khaleeq Kiani

ISLAMABAD: The auditor general of Pakistan (AGP) is reported to have found more than Rs1.32 trillion worth of embezzlement, irregularities, recoveries and overpayments by companies and organisations under the Water and Power Ministry during 2016-17.

Submitted to the president and laid before parliament, the AGP report put on record that findings were based on the scrutiny of public funds not below the amount of Rs1 million spent or received by these companies and entities on a “test-check basis” and were in no way a complete audit. The audit covered only 191 of 263 formations of the Water and Power Development Authority (Wapda) and power-sector companies.

This appears to be the biggest mismanagement of public funds by one sector that has virtually affected every individual besides pulling down the national economic growth rate by more than two per cent annually for almost a decade. This also explains why chronic circular debt has been rising despite repeated tariff increases and budgetary injections.

The audit observations pertained to Rs957 billion on account weak financial management, Rs103bn worth of weak internal controls, Rs259bn of other losses and Rs945 million of unsound asset management.

The 400-page report summarised the key findings of five different kinds. These include 147 cases of irregular expenditure or unjustified payments and violation of rules amounting to Rs171bn and 68 cases pertaining to weaknesses of internal control systems amounting to Rs103bn.

Another 82 cases pertained to recoveries and overpayments amounting to Rs786bn, 35 cases pertaining to negligence and accidents worth Rs259bn and 14 cases of embezzlement of public money, theft and misuse of funds worth Rs946m.

Says cost overruns caused by poor management are a major issue

This was despite the fact, the AGP lamented, there was a permanent internal audit system within the water and power sector for 100pc audit of public funds under Wapda, Wapda Hydro, Pakistan Electric Power Company (Pepco) and 18 other distribution, generation and transmission companies besides the Private Power and Infrastructure Board (PPIB).

The AGP observed that one of the major issues was the non-recovery of subsidies pertaining to the tariff differential and agriculture from the federal and provincial governments and the refund of general sales tax was also not being made.

Power distribution companies could not collect Rs233bn from defaulters during the year while procurement and consultancy services at various Wapda/Pepco formations involved a violation of procurement rules, provision of PC-1 and contract clauses, competitive bidding and illegal extension of load.

The audit report highlighted that internal control by audit departments of power-sector companies was weak, ineffective and deteriorating by the day as the external audit identified various control lapses. “There was a poor monitoring of the collection of revenue, misappropriation and theft of material and public funds, incorrect billing, non-implementation of commercial procedure and non-adherence to provisions of power policy.”

The audit pointed out Rs39bn worth of the irregular award of contract to the non-responsive bidder for Nai Gaj Dam, Rs20bn for Naulong Dam, Rs13bn loss in Duber Khwar Hydropower project and Rs10bn loss in Winder Dam besides irregular expenditures in Mangla watershed project and Gomal Zam Dam.

The AGP noted that cost overruns were one of the major issues caused by poor management in water and power companies. Wapda needs to adhere to timelines for the construction of major hydropower projects for cost controls, the report said. Pepco also needs to improve the generation capacity.

The principal accounting officer – the federal secretary for water and power – should take steps to stop recurrence of similar irregularities year after year by investigating and fixing responsibility besides improving systems and internal control mechanisms, it said.

Companies should be made to purchase material according to inventory demand. Many distribution companies were found procuring materials not utilised for years. Moreover, managerial capabilities were weak and required strengthening of financial management,

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budgetary and accounting controls.

"Management must place maximum emphasis upon the recovery of outstanding amount at all stages of supply chain of the power sector so that circular debt doesn't accumulate to an unmanageable level."

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FPCCI asks govt to cut energy costs

APP

ISLAMABAD: Business community on Tuesday urged the government to reduce gas and electricity tariff for the export-oriented industry to make local goods competitive on the world markets.

Speaking at a seminar on export competitiveness, Federation of Pakistan Chambers of Commerce and Industry President Zubair Tufail said regional countries were providing incentives to their export sector.

The price of gas and electricity is about 50 per cent less in other countries of the region, besides their labour is also cheap, and due to these inputs, their exports had witnessed significant increase, he observed.

The FPCCI president urged the government to reduce the price of gas, besides slashing the power tariff to give a boost to the industrial sector.

He said these measures would help in reviving the exports sector by rapid industrial growth, which would also absorb the growing labour force.

Addressing the participants, Dr Ishrat Husain, a former governor of the State Bank of Pakistan, said that exports play a very important role in keeping the economy stable and stressed the need to facilitate the sector.

He said the high cost of doing business is the main cause of loss of competitiveness and retreat in the international market for Pakistani exporters.

Reasons behind decrease in exports include the high cost and unreliable availability of energy, want of skilled labour and lack of interest in imparting training to the staff on part of the exports industries, he said.

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Cotton prices steady

The Newspaper's Staff Reporter

KARACHI: Steady flow of buying orders from needy spinners on Tuesday kept cotton prices pegged at overnight level.

Forecast of more rains has been a cause of concern for growers.

Though currently the cotton crop is not facing any major issues but rainy weather and high moisture could affect the quality of phutti (seed cotton) and cause pest attack in the coming days.

Some reports from Punjab indicate pest attacks in early stages while the new spell of rains in Sindh could also affect phutti.

Meanwhile, the transportation issue has also been aggravating with each passing day as more and more vehicles are being diverted towards the haulage of sacrificial animals.

It was interesting to note that much of the trading activity remained around Punjab variety cotton. However, prices of both Sindh and Punjab closed steady at overnight level.

The looms workers in Faisalabad have withdrawn their strike but now owners have decided to keep the operations closed till after Eidul Azha.

The world's leading cotton markets including New York Cotton, China and India closed steady.

The Karachi Cotton Association (KCA) spot rates were firm at overnight level.

The following major deals were reported on Tuesday: 2,000 bales, Sanghar, at Rs6,050 to Rs6,100; 2,000 bales, Shahdadpur, at Rs6,050 to Rs6,100; 2,000 bales, Hyderabad, at Rs6,100; 1,600 bales, Kotri, at Rs6,050 to Rs6,100; 2,000 bales, Tando Adam, at Rs6,100; 1,200 bales, Khanewal, at Rs6,200 to Rs6,275; 800 bales, Burewala, at Rs6,200 to Rs6,275; 1,200 bales, Haroonabad, at Rs6,185 to Rs6,200; 1,000 bales, Vehari, at Rs6,200 to Rs6,250; and 600 bales, Sahiwal, at Rs6,200.

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	**6,250**	**135**	**6,395**
40 Kgs	**6,698**	**145**	**6,853**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	106.30	106.50
UK	135.71	135.96	135.50	136.50
Euro	124.32	124.56	124.00	125.00
S.Arabia	28.08	28.13	28.00	28.25
UAE	28.67	28.72	28.70	29.00
Japan	0.9637	0.9655	0.9580	0.9780

*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 Aug 21

Three months	1.31444 %
Six months	1.45639 %

THE NEWS

Wednesday, 23rd August, 2017

Textile exports up 3pc to $1.006 billion in July

KARACHI: Textile exports rose around three percent year-on-year to $1.006 billion in July as the government's incentive package for the export sector seemed to revive the wilting foreign exchange revenue spinner.

Pakistan Bureau of Statistics (PBS) recorded textile exports of $979.414 million in the same month a year ago.

Exports of textiles, however, fell 17.34 percent from $1.217 billion in June 2017. Readymade garment exports posted a major growth of 20.47 percent year-on-year to $212.521 million in July. Its exports, however, dropped 12.53 percent from $242.951 million in the preceding month.

Exports of bed wear remained flat at $170.443 million in July over the last year. Bed wear exports declined 18.55 percent from $209.258 million in June 2017. In July, knitwear exports decreased 5.8 percent year-on-year and 24 percent month-on-month to $193.749 million.

In January, government unveiled Rs180 billion incentive package for exporters to boost the country's exports by around three billion dollars by end June 2018. Under the package, sales tax and customs duty on import of textile machinery and cotton have been abolished. The country's total exports between 2013 and 2015 declined more than 12 percent.

PBS data further showed that exports from food sector increased 34.74 percent to $250.860 million over the same month a year ago. Food exports, however, decreased 12.3 percent from $286.035 million in the previous month.

In food sector, the major thrust stemmed from a 28.49 percent year-on-year growth in rice exports, amounting to $107.896 million in July. Rice exports, however, fell 24.82 percent in July from $143.523 million in the preceding month. Sugar exports fetched $27.584 million in revenue in July. There was zero sugar export in the same month a year earlier. Exports of sugar soared almost 10-fold from $2.520 million recorded in June 2017.

Moreover, exports of fish and fish preparations rose 12.19 percent year-on-year to $12.473 million in July. They, however, fell 57.45 percent from $29.312 million in June 2017.

In July, non-textile exports also showed uptrend. Exports of engineering goods, including electric fans, transport equipment and auto parts, increased 33.35 percent year-on-year to $19.152 million in July. Engineering goods exports also rose 19.45 percent in July from $16.034 million in the preceding month.

In July, exports of leather goods improved 2.7 percent year-on-year to $42.077 million. Leather exports, however, slid 11.78 percent from $47.695 million in June 2017.

Total exports increased 10.58 percent year-on-year to $1.631 billion in July. The exports, however, decreased 14.7 percent from $1.911 billion in the previous month.

Imports jumped 36.74 percent year-on-year and increased 6.64 percent month-on-month to $4.834 billion in July. Key imports in the month under review included machinery, oil and agriculture and other chemicals.

In July, imports of machinery climbed 40.86 percent year-on-year and 14.91 percent month-on-month to $1.016 billion. Power generation machinery imports held a major chunk in the total machinery imports. The country imported $286.374 million worth of power machinery in July, depicting a 59.85 percent rise in its import bill as compared to the same month a year ago. Power generation machinery import swelled 39.95 percent in July from $204.619 million in June 2017.

Infrastructure development has caught pace under the $56 billion China-Pakistan Economic Corridor, while energy projects increased the need of power generation equipment. Imports of petroleum products, crude and liquefied gas increased 21.72 percent year-on-year to $946.958 million in July. Oil imports, however, decreased 5.91 percent in the month under review from $1.006 billion in June 2017. Agriculture machinery and chemical imports soared 25.95 percent year-on-year and 11.13 percent month-on-month to $728.243 million in July.

THE NEWS
Wednesday, 23rd August, 2017

Pakistan LNG market likely to reach one bcfd in two years

ISLAMABAD: All Pakistan Compressed Natural Gas Association (APCNGA) on Tuesday hoped that the compressed natural gas (CNG) sector will fully revive with an increase in the import of liquefied natural gas (LNG) during the next two years.

"In 2012, around 3,200 CNG stations were shut down following a ban the supply of natural gas due to the shortage of the commodity, but now after May 26, 2016 around 2300 stations have restarted their operations – thanks to LNG," Ghiyas Abdullah Paracha, the leader of the association, told APP.

"Now a number of private sector investors were taking keen interest in setting up LNG terminals and importing gas and it is hoped that in the next two years the LNG market will reach one billion cubic feet per day (bcfpd)." Currently, Pakistan State Oil is importing 600 mmcfd LNG andits volume would be doubled soon.

Paracha said the CNG stations were operating round-the-clock in a week and getting uninterrupted supply of gas.

"Oil and Gas Regulatory Authority (OGRA) has given us a go-ahead to import lightweight CNG cylinders and latest Electronic Fuel Injection (EFI) compatible kits, but the ministry is dragging its feet on our request of 35 percent waiver on the import duty," he said.

Ghiyas added the duty was imposed to discourage the use of natural gas in vehicles. "With the import of liquefied natural gas (LNG), supply to all consumers has improved significantly, so there is no justification for the import duty," said the All Pakistan Compressed Natural Gas Association chief.

Paracha observed the duty free import of equipment would greatly help provide inexpensive and eco-friendly fuel to consumers.

"Arrangements to start import of new lightweight 22kg CNG cylinders and kits have been fianalised," he said adding, "Two firms from Italy and Singapore have agreed to supply the equipment."

He further said that after the waiver, the new equipment would be affordable for all compressed natural gas-run vehicles. "It will offer around eight to ten percent more mileage, besides saving sufficient amount of money on monthly fuel expenses," said he. The All Pakistan Compressed Natural Gas Association chairman said the new cylinders would have the same (8kg) capacity as of the old 60kg cylinders.

"The new technology would be user-friendly, economical in terms of fuel consumption, and cost-effective," he remarked. Replying to a question, he said the price of new equipment would be determined after its import. In 2012, he said, Pakistan was on top among compressed natural gas-user countries with 3.7 million compressed natural gas-run vehicles.

"Future will be of the inexpensive and environment-friendly fuel, which is almost 30 percent cheaper than the petrol at the existing rates. Currently, CNG stations are consuming 100 mmcfd gas and it will be increased to 250 mmcfd level soon," he remarked.

THE NEWS
Wednesday, 23rd August, 2017

'High cost of doing business main cause of dwindling exports'

KARACHI: Dr Ishrat Husain, former governor of the State Bank of Pakistan, termed lack of energy supply, high cost of doing business and shortage of skilled labour, main causes of dwindling exports.

Speaking at a seminar regarding export competitiveness at the FPCCI, he said exports play a very important role in keeping the economy stable; therefore, this sector should be facilitated, said on Tuesday.

Energy prices and some other reasons result in high cost of doing business, which causes loss of competitiveness and retreat in the international market, he said. Other speakers said law and order situation also contributed to the increase in the cost of doing business, while some conflicting policies should be rectified.

"Our exports are falling since 2013, while some other regional countries have doubled their exports during the same period," they added. FPCCI president Zubair Tufail said that regional countries are providing incentives to their export sector.

The price of gas and electricity is 50 percent less than Pakistan, while their labour is also cheap. Energy is cheap as compared to Pakistan in the competing countries such as Sri Lanka and Indonesia and that Indian textile exports have surged by over 31 percent in one year, Tufail added.

THE NEWS
Wednesday, 23rd August, 2017

Revenue body's online system underestimates tax liabilities

KARACHI: Federal Board of Revenue's (FBR) online system underestimated the tax liabilities during examination of the past income declaration records of taxpayers, officials said on Tuesday.

The officials said the FBR detected calculation mistakes in its online system when it comes to tax demands related to returns or wealth statements. An official at a regional tax office said the office found mistake in calculation by the online software at FBR portal.

"The software erroneously prepared 40 percent less liability in one case," the official said. Officials at Regional Tax Office – III Karachi said the office had started scrutiny of taxpayers' payments of past five years on the basis of income declarations provided at the time of returns filing.

The official, however, said a notice was sent to the taxpayer, asking him to clear the actual tax liabilities to rectify the error. The particular case belongs to the tax year 2014. There are several other cases under scrutiny. Tax experts expressed grave concerns over the malfunction of online portal of the FBR. "Why taxpayers should pay additional amount for FBR's mistake," asked an expert.

A tax practitioner said the calculation mistake raised many questions over the credibility of the FBR's online system. The practitioner asked the FBR to explain what arrangement it made related to the cases where a taxpayer paid additional taxes due to technical error.

Syed Rehan Jafri, ex-president of Karachi Tax Bar Association (KTBA) said the FBR has to address the problems especially after the digitisation of tax system and returns filing on real-time basis.

In the past, the FBR's online system came under severe criticism due to frequent glitches and errors in return forms. The return filing for tax year 2017 has already been started as FBR launched its online return forms on August 19. Though FBR issued draft form for taking inputs from stakeholders, yet the KTBA said the tax practitioners couldn't see changes recommended by them into the draft forms.

Zeeshan Marchant, general secretary of KTBA said the taxpayers would continue to encounter the faults in online system "because the FBR launched the form this year without taking bar's feedback." "As return filing starts for tax year 2017, taxpayers will experience the difficulties because as per observations of tax practitioners many tax rates were not updated in the draft forms," he added.

THE NEWS
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Private sector's credit stands at Rs4.683 trillion in July

KARACHI: Net private sector's credit rose 19.3 percent year-on-year to Rs4.683 trillion in the first month of the current fiscal year as appetite of businesses for bank loans continued to increase in July on growing demand of funds mainly in manufacturing sector.

The State Bank of Pakistan's (SBP) data revealed on Tuesday that private sector's outstanding credit amounted to Rs3.922 trillion in the same month of the last fiscal year. The credit to private sector, however, stood at Rs4.754 trillion in June 2017.

The decades-low interest rate is encouraging private sector to borrow inexpensive funds from banks, which are also turning less risk-aversive to businesses. In July, half of the private sector's credit was accumulated in manufacturing sector. Outstanding position of manufacturing sector amounted to Rs2.236 trillion at the end of July as compared to Rs1.839 trillion in the same month a year earlier, up around 22 percent.

The sector's outstanding position of loans stood at Rs2.299 trillion in June 2017. Large scale manufacturing (LSM) sector, accounting for 80 percent of the industrial sector's 10 percent contribution to GDP, posted a four-year high growth of 5.6 percent during the last fiscal year of 2016/17 as a massive development spending to fill infrastructure gap and a boom in construction boosted demand of iron and steel products.

LSM recorded 3.13 percent growth in FY2016, 3.38 percent in FY2015, 5.39 percent in FY2014 and 4.28 percent in FY2013, said Pakistan Bureau of Statistics. The government set the sector's target at 5.7 percent for FY2018.

SBP data showed that banks' investment in securities and shares of private sector stood at Rs270.730 billion as of July-end compared with Rs255.888 billion a year ago and Rs264.563 billion in June 2017.

Private sector's loans, however, amounted to Rs4.412 trillion in July as compared to Rs3.666 trillion in the same month a year earlier. In manufacturing sector, the biggest borrower was the textile industry, comprising of spinning, weaving, apparel and garments manufacturing subsectors.

The outstanding position of textile sector's loan stood at Rs678.402 billion in July, depicting a jump of around 16 percent from Rs585.224 billion in the same month a year ago. In June 2017, the total loan amount issued to textile sector was recorded at Rs695.106 billion.

The second largest borrower in manufacturing sector was from food and beverages businesses with outstanding loan position of Rs612.655 billion in July, up a staggering 35 percent from Rs452.618 billion in the similar month a year earlier. In June, the loan amount stood at Rs627.642 billion.

The third major borrower was from electricity, gas and water supply sector with outstanding loan position of Rs369.502 billion in July as compared to Rs308.707 billion in July 2016 and Rs368.679 billion in June 2017.

SBP data further showed that banks' net credit to government sector stood at Rs6.563 trillion in July as against Rs5.997 trillion in the same month a year ago and Rs6.790 trillion in June 2017. This was in addition to SBP's credit to government sector, standing at Rs2.630 trillion as of June-end.

THE NEWS
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Pakistan plans $1bln bond issue by November

ISLAMABAD: The government has planned a new $1 billion bond offering, mostly likely Islamic sukuk at the end of October or start of November to fund a record high current account deficit and support depleting foreign currency reserves, officials said on Tuesday.

“Preliminary work has just started by the economic managers for the launch of a new international bond within next couple of months,” said a senior official at Finance Division. “It has not yet been fully decided whether we will launch Sukuk or Eurobond this time but the decision has been taken that one of either bonds will be sold out to potential investors keeping in view favorable market rate and interest shown by investors for subscription of the bond.

The country last tested appetite of foreign investors in October 2015 when it raised $1 billion through sukuk issue. The fresh plan will mark the return of the country to the international bond market after a two-year absence.

The official said leading foreign banks are lobbying to get the job for Eurobond or Sukuk bond depending upon their strength in different areas. For instance, the international banks having more clientage base in the EU and the US are asking the government for going ahead with eurobond, while banks having penetration in the Middle East are making efforts to convince them for launching sukuk bond.

“We will take decision keeping in view competitive interest rate and offered size of the bond,” the official said. The official said the process of selecting lead managers for the upcoming transaction will kick-start through media advertisement in coming days.

“We are just analysing market appetite for placing right kind of transaction on account of launching the paper,” another official at the Finance Division said. “Efforts are underway to select lead managers with the possibility to launch sukuk or eurobond anytime in the last week of October or first week of November for avoiding dwindling foreign reserves.”

In the budget 2017-18, the government had disclosed its plan to launch $1 billion worth of sukuk during the current fiscal year. The country’s current account deficit had peaked to $2.053 billion in July of the current fiscal year of 2017/18 against $662 million in the same month of the last fiscal, indicating that it widened over 200 percent.

The SBP’s foreign exchange reserves dropped to $14.3 billion during the week ended August 11, equivalent to around three months of imports. The country’s total foreign liquid reserves fell to $19.941 billion during the last week from $20 billion a week earlier. Foreign exchange reserves of banks stood at $5.631 billion.

There is need to shore up foreign currency reserves on immediate basis otherwise Pakistan may plunge into more deep crisis as the multilateral donors such as the World Bank might suspend its program loans if the reserves fell below meeting requirement of three months import bill.

Pakistan’s economic managers were preparing short-term plan to generate additional $4 to $6 billion foreign inflows out of which 50 percent will be obtained through non debt creating inflows, while remaining resources will be generated through launching of international bonds, soft loans, grants and some proceeds through privatization.

The execution of this plan for increasing dwindling reserves is the dire need of the hour otherwise it is written on the wall that Islamabad will have to again knock at the door of the IMF anytime in 2018.

It is yet to see how the politically weak government which is making last ditch efforts for its survival will be able to steer the economy out of abyss for short to medium term period in months and years ahead.

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Cotton unchanged

KARACHI: Active trading was witnessed at the Karachi Cotton Exchange on Tuesday, while spot rates remained unchanged.

Spot rates stood firm at Rs6,000/maund (37.324kg) and Rs6,430/40kg. Ex-Karachi rates also remained unchanged at Rs6,145/maund and Rs6,585/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively.

An analyst said rain was reported from some cotton growing areas, which would badly affect the quality.

“There will be no affect on quantity,” he added.

KCE recorded 21 transactions of around 21,000 bales at a price of Rs6,050 to Rs6,275/maund.

Transactions were recorded from Mirpurkhas, Sanghar, Hyderabad, Kotri, Shahdadpur, Tando Adam, Moro, Sultanabad, Pakpattan, Samundri, Mian Channu, Chistian, Burewala, Sahiwal, Khanewal, Vehari, Arifwala and Chichawatni.

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Wednesday, 23rd August, 2017

Imports of food, oil, machinery jump to $2.5b

Country's total imports swelled to $4.8b in first month of ongoing financial year, Trade deficit up by whopping 55.46pc in July

Imran Ali Kundi

ISLAMABAD - Pakistan's combined import bill of food, oil and machinery groups swelled to $2.5 billion during first month (July) of the ongoing financial year 2017-18.

The import bill of these three groups enhanced by over 33.44 percent as against the same period of the last fiscal year. The country's overall imports ballooned to $4.8 billion during July mainly due to heavy imports of food, oil and machinery goods, according to the latest data of Pakistan Bureau of Statistics (PBS) that was released on Tuesday.

Meanwhile, Pakistan exported goods worth $1.63 billion during July 2017 as compared to $1.48 billion of the same period of last year, showing an increase of 10.58 percent. Therefore, the country's trade deficit was registered at $3.2 billion during the previous month as against $2.06 billion of the preceding month, showing a growth of 55.46 percent. Pakistan's current account deficit widened to $2.1 billion in July this year against just $662 million in the same period last year due to increase in trade deficit.

The government is considering several options to control imports. The ministry of commerce is likely to finalize the tariff rationalisation plan, helping significantly reduce the import bill, in next few days.

According to the PBS, the country spent $946.9 million on imports of petroleum group, which is 21.7 percent higher over a year ago. In petroleum products, the government had imported petroleum products worth $581 million and spent $218.5 million on petroleum crude. Similarly, the country had imported liquefied natural gas (LNG) worth $136 million and liquefied petroleum gas (LPG) worth $11.2 million.

Meanwhile, the country had spent $1.02 billion on importing machinery during first month of the ongoing financial year, which is 40.9 percent higher than the import of $721.4 million of the corresponding period of the last year. The growth was mainly driven by power generating machinery. Its import grew by 59.85 percent year-on-year to $286.4 million, followed by electrical machinery and appliances whose imports rose by 33.9 percent to $167 million and other machinery by 42 percent to $320 billion.

The import bill of construction machinery went up by 46.72pc and agriculture machinery by 48.7pc. The import bill of the telecom sector increased by 53.53pc.

The third-biggest component was food commodities whose imports rose 45.15 percent year-on-year to $534.7 million. This increase can be attributed to massive imports of palm oil, which went up 48.56 percent to $176.6 million followed by the rise of 61.82 pc in the imports of 'other' food items amounting to $168 million.

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Govt asked to lower power tariff to up exports

Our Staff Reporter

ISLAMABAD - Former governor of State Bank of Pakistan Dr Ishrat Hussain has called upon the government to reduce the cost of doing business by slashing the power tariff for making Pakistan competitive in international market.

Pakistan's exports drastically came down to $20.45 billion during last fiscal year 2016-17 from the level of $25 billion achieved a few years back. The government's external sector is under severe pressure due to decline in exports and increase in imports. Pakistan's current account deficit widened to $2.1 billion in July this year against just $662 million in the same period last year due to increase in trade deficit.

"Export sector play a very important role in keeping the economy stable therefore this sector should be facilitated," said former governor of the State Bank of Pakistan Dr Ishrat Hussain while speaking at a seminar regarding export competitiveness. He further said that energy prices and some other reasons had resulted in high cost of doing business which causes loss of competitiveness and retreat in the international market.

Other speakers of the seminar said that law and order situation also contributed to the increased cost of doing business while some conflicting policies should be rectified. Our exports are falling since 2013 while some other regional countries have doubled their exports during the same period, they added.

Speaking at the occasion, President Federation of Pakistan Chamber of Commerce and Industry (FPCCI) Zubair Tufail said that regional countries are providing incentives to their export sector. He informed that the price of gas and electricity in regional countries is 50 percent less than Pakistan while their labour is also cheap. He said that energy is cheap as compared to Pakistan in the competing countries like Sri Lanka and Indonesia and that Indian textile exports have surged by over 31 percent in one year.

Zubair Tufail demanded that price of gas should be brought down significantly while the power tariff for the exports sector should be immediately slashed by Rs3 per unit so that export sector can be revived.

Prof Dr Sarosh Hashmat Lodi, Vice Chancellor, NED University of Engineering and Technology, Prof Dr. Javed Ashraf, Vice Chancellor, Quid-e-Azam University, Islamabad, Prof. Sikandar Mehdi, Senator Javed Jabbar, former federal minister, leaders of the business community and others were also present on the occasion.

Meanwhile, the government has started to take measures to enhance tumbling exports as it decided to make "Pakistan Horticulture Development & Export Board" functional to enhance agricultural products exports.

A meeting, chaired by Federal Minister for Commerce and Textile Pervaiz Malik, considered several options to enhance agricultural products exports. The meeting was also attended by Federal Minister for National Food Security & Research Sikandar Hayat Khan Bosan and secretary Commerce Mohammad Younus Dagha.

PHDEC will be revived and reinvigorated to increase the export of kinnow, citrus fruits and other fruits. Secretary Commerce is the main force behind the revival of PHDEC as he is of the opinion that PHDEC can play a significant role in the export of fruits and that we need to make other specialized bodies for export of rice, mangoes etc. "We will bring best of the best people into the PHDEC who are very professional," said Younus Dagha.

The meeting also decided that PHDEC head office will be shifted to Islamabad. Board has established work plan on what to do in next 5-8 months. Board finalized 3 names for CEO and sent to ministry for selection of CEO.

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FPCCI asks govt not to over-rely on remittances

INP

ISLAMABAD - The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) on Tuesday asked the government not to over-rely on the overseas remittances as it may continue to fall due to changing global scenario. The government should focus on exporting skilled workers and find new markets as conventional markets are becoming crowded with cheap labour from India, Bangladesh and some other countries, it said.

Some nations are not happy with Pakistan's positive role in the recent problem among GCC countries and Qatar while UAE has increased import of workers from India to boost relations, said Atif Ikram Sheikh, chairman FPCCI Regional Committee on Industries. Pakistan receives 63 percent of the remittances or 12.1 billion dollars from GCC countries but over-reliance on this sources in not in the national interest, he added.

Atif Ikram Sheikh said that our country receives 28 percent of the remittances from Saudi Arabia which is reducing reliance on oil income, employing locals in the transport sector and diversifying economy which should be noticed.

He said that KSA has also slapped a tax on the non-earning members of the families of the expatriates which has a discouraging effect. Pakistan used to export 38 thousand workers to Saudi Arabia in one month during 2016 while the number fell to 13 thousand last year.

The business leader said our government should focus on exporting skilled workers, engineers, doctors and IT experts etc to the countries lacking this resource.