BUSINESS
RECORDER
Saturday, 25th March, 2017

Apprehensions rejected:

Pakistan won't be flooded with cheap products: China

RECORDER REPORT

A spokesman of Chinese Ministry of Foreign Affairs said on Friday that China stood ready to work with Pakistan to move forward the China-Pakistan Economic Corridor (CPEC) so as to benefit the peoples of the two countries. "The CPEC is a new cooperation framework set up by China and Pakistan to pursue long-term development. It is also an important project of the Belt and Road Initiative," Chinese Foreign Ministry Spokesperson Hua Chunying said during her regular press briefing here.

She said it was important, not only in promoting common development for China and Pakistan, but also in promoting regional connectivity and common development and prosperity of regional countries. In advancing the CPEC, both China and Pakistan adhered to the principle of extensive consultation, joint contribution and shared benefits, she added.

The Spokesperson said the dividends and benefits brought by the CPEC would be shared by people in China and Pakistan and in the region. Responding to a question, she rejected apprehensions that once the CPEC trade routes officially opened, Pakistan would be flooded with cheap Chinese products, which would make it hard for local Pakistani companies to survive.

About participation of the Guards of Honour of the Chinese People's Liberation Army in the military parade marking Pakistan's Day, she said at the invitation of the Pakistani military, honour guards of the three services of the Chinese People's Liberation Army sent a formation to march in the military parade marking Pakistan's Day. "China and Pakistan are all-weather strategic co-operative partners, and the Chinese and the Pakistani military maintain traditional friendship", she added.

Hua Chunying informed that in 2015 Pakistan sent a formation to take part in China's military parade celebrating the 70th anniversary of the victory of the Chinese People's War of Resistance against Japanese aggression and the World Anti-Fascist War. Joining the Pakistani side in its military parade this time was another vivid testament to epitome of the high-level strategic mutual trust and friendly relations between the two countries and the two military,she added.

BUSINESS
RECORDER
Saturday, 25th March, 2017

Centre, KP take up new:
CPEC projects, PSDP

ZAHEER ABBASI

The federal and Khyber Pakhtunkhwa governments have discussed new projects the provincial government intends to make part of the China-Pakistan Economic Corridor (CPEC) as well as PSDP allocations in the next fiscal year for the ongoing projects in the province, sources told *Business Recorder*. They said a meeting was held between Minister for Planning, Development and Reform, Ahsan Iqbal and Khyber Pakhtunkhwa Chief Minister Pervez Khattak Friday.

The discussion focused on federal Public Sector Development Programme (PSDP) for KP projects as well as new projects to be made part of the China-Pakistan Economic Corridor (CPEC) by the province and country target under Sustainable Development Goals (SDGs). The meeting was taken place in the context of forthcoming One-Road One-Belt Conference to be held in China in May 2017 and it would be very important conference wherein numbers of memorandums of understanding (MoUs) are expected to be signed between Pakistan and China for inclusion of new projects in the CPEC.

The Friday's meeting, sources said, was part of the consultations with the provincial governments as well as AJK and Gilgit-Baltistan to know about the new projects these governments want to make part of the CPEC. The meeting with the KP chief minister was second in the row after a meeting with the AJK government and it would be followed by meetings with other provincial and GB governments.

Sources further stated that Pervez Khattak and Ahsan Iqbal also discussed PSDP allocations for the next fiscal year budget for projects in the province, especially Chashma Power, Suki Kinari Hydropower and Warsik Canal projects. The KP government would finalise and inform the federal government about the projects it wants to be made part of the CPEC in next meeting.

The KP chief minister also briefed the minister on the security arrangements put in place by the provincial government for the security of the CPEC projects in the province. Ahsan Iqbal has reportedly stated that a CPEC project has shortened the distance between Quetta and Gwadar. The minister said the two also held discussions on the SDGs and the projects in social sector infrastructure to be taken under the Prime Minister's Programme.

BUSINESS
RECORDER
Saturday, 25th March, 2017

Supply of diesel, coal:

FBR specifies conditions for allowing ST zero-rating

SOHAIL SARFRAZ

The Federal Board of Revenue (FBR) has specified the additional conditions for allowing facility of sales tax zero-rating on supply of diesel oil and coal by three companies to M/s Liberty Mills Limited. In this regard, the FBR has issued a sales tax general order here Friday to amend the Sales Tax General Order No 133 of 2016 dated 24th November, 2016.

According to the order, the Board has specified purchase of coal, falling under HS Code 2701.0000 and diesel oil falling under HS Code 2710.1931 of the First Schedule to the Customs Act, 1969, supplied by three registered persons to the said mill, as the goods on which sales tax shall be charged at the rate of zero per cent. This is subject to the conditions mentioned in the STGO 107/2016 dated 20.09.2016, with additions of the following:

Firstly, monthly zero-rated supply of coal and diesel oil shall not exceed the quantity mentioned. Secondly, the diesel oil and coal shall only be consumed in the manufacture of goods specified in notification No SRO 1125(1)/2011 dated 31.12.2011. Thirdly, boilers and generators for which diesel oil and coal have been purchased shall be installed at the declared manufacturing premises of registered person. Fourthly, the facility would be available for the period of twelve months (12-months) from the date of issuance of this STGO (24th November, 2016).

BUSINESS
RECORDER
Saturday, 25th March, 2017

Imran says PTI to move court against LNG deal

HASSAN ABBAS

Pakistan Tehreek-e-Insaf (PTI) chairman Imran Khan on Friday announced that he would file a case against ruling government over giving the contract of Port Qasim to Qatari "business partner" for Rs 200 billion. Imran Khan was talking to media at Lahore Air Port. He said after the Panama verdict, his party would file a petition seeking a probe into multi-billion dollar liquefied natural gas deal. Imran said that verdict of Supreme Court on Panama Leaks case is expected next week.

The entire nation is waiting for the Supreme Court verdict. He maintained that it was for the first time in history that a powerful class in Pakistan was being held accountable. "Everyone knows the Qatari letter was brought to hide the money trail. None of the powerful has been held accountable in our system. The case would not have gone to the Supreme Court if the institutions were working," he said. Prime Minister Nawaz Sharif thought that the letter will save him the same way it saved him when the helicopter scandal surfaced, Imran added. The PTI chairman said that according to estimates every year ten billion dollars were repatriated from Pakistan. Imran Khan termed that the disclosures made by Husain Haqqani were an act of 'treason'. He also called it a conspiracy against the armed forces.

Imran Khan commented, "It is an old habit of our politicians to give hidden messages to India and America telling that we were with you, but the army opposed us." The Memogate, the Dawn Leaks and what Ussain Haqqani said constituted one objective: defame army. The Chairman of Pakistan Tehreek-e-Insaf (PTI) asked the politicians not to defame the army. "If there is any trouble, talk to the forces", he said.

While agreeing with PPP Co-chairman Asif Ali Zardari's statement regarding National Accountability Bureau (NAB) chairman Imran Khan said that when NAB could not initiate proceedings against Ishaq Dar, how could it launch investigations against Asif Ali Zardari as NAB chairman's appointment enjoyed the blessings of both Nawaz Sharif and Asif Zardari.

Earlier, while talking to media after PTI Lahore urban meeting, Imran Khan said that after the Supreme Court decision on Panama election campaign will be kicked off in the country. He appreciated the role of PTI Lahore president Waleed Iqbal and General Secretary Mian Hammad Azhar for strengthening the organisation in Lahore. Imran claimed that PTI will win all national and provincial assembly seats in Lahore. "The party who wins Lahore wins Punjab and made government in Pakistan. Lahore is the heart of Pakistan," Imran concluded.

BUSINESS

RECORDER

Saturday, 25th March, 2017

Forex reserves down by $224 million

RECORDER REPORT

The country's total liquid foreign reserves decreased by $224 million to $22.050 billion during the week ended March 17, 2017. According to State Bank of Pakistan report issued on Friday, the foreign reserves held by the SBP decreased by $278 million to $16.961 billion on account of external debt servicing. However, net foreign reserves held by commercial banks increased by $53 million to $5.089 billion during this week.

BUSINESS

RECORDER

Saturday, 25th March, 2017

THE RUPEE: steadier trend

RECORDER REPORT

The rupee managed to hold steadier trend against the dollar on the money market on Friday in the process of trading, dealers said. The rupee inched up by one paisa versus the dollar for buying and selling at Rs 104.84 and Rs 104.85 respectively, they said.

INTERBANK MARKET RATES: OPEN MARKET RATES: The rupee sustained overnight levels in relation to the dollar for buying and selling at Rs 106.40 and Rs 106.60 respectively; however it lost 30 paisas in terms of the euro for buying and selling at Rs 114.30 and Rs 115.80 respectively, they said.

In the final Asian trade, the dollar edged up against the yen and euro, pulling away from recent lows, but gains were capped as investors focused on a showdown between US President Donald Trump and members of his own party over a new healthcare bill.

Trump warned House Republican lawmakers that he will leave Obamacare in place and move on to tax reform if they do not get behind new healthcare legislation and support it in a vote on Friday. Postponement of the vote from Thursday initially knocked the dollar and stock markets, but the dollar was given breathing space as Treasury yields turned higher after Wall Street shares trimmed losses to close little changed. Equities in Asia took heart and firmed on Friday, with Japan's Nikkei rising 1 percent.

The dollar had been sold on the assumption that the healthcare bill would not pass, but some of those positions look to have been unwound. The market focus appears to have shifted to how Trump can pass the bill, from if he can push the bill through," said Bart Wakabayashi, branch manager for State Street Bank and Trust in Tokyo. The dollar was up 0.35 percent at 111.340 yen, pulling back from a four-month low of 110.620 struck overnight.

The US currency was still on track for a 1.2 percent loss against its the yen this week, during which the safe-haven yen benefited from equity market volatility. The yen has also gained from a scandal involving a land deal that has chipped away support for Prime Minister Shinzo Abe.

The dollar was trading against the Indian rupee at Rs 65.46, the greenback was at 4.4270 in terms of the Malaysian ringgit and the US currency was at 6.8956 versus the Chinese yuan.

Open Bid	Rs. 106.40
Open Offer	Rs. 106.60

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

Bid Rate	Rs. 104.84
Offer Rate	Rs. 104.85

RUPEE IN LAHORE: The Pakistani rupee moved both ways against the US dollar on the local currency market on Friday.

According to currency dealers, the US dollar commenced trading on a mixed note as it moved marginally by five-paisa on both sides during the day's trading session. At the close, it ended at Rs 106.40 and Rs 106.70 on buying and selling sides, respectively, as compared to Wednesday's closing rates of Rs 106.45 and Rs 106.65 respectively, they added.

Moreover, the local currency depreciated on buying side while it stayed unchanged on selling side against the pound sterling. The British currency was bought and sold at Rs 131.80 and Rs 132.50 against last closing trend of Rs 131.55 and Rs 132.50 respectively, they said.

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

The dollar opened at Rs 106.50 (buying) and Rs 107 (selling) against last rate of Rs 106 (buying) and Rs 106.50 (selling). It closed at Rs 106.50 (buying) and Rs 107 (selling).

Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

BUSINESS
RECORDER
Saturday, 25th March, 2017

Government urged to modernise textile industry on scientific grounds

RECORDER REPORT

Rector University of Management and Technology (UMT) Dr Hasan Sohaib Murad said on Friday that government should own textile industry by modernising it on scientific grounds. Textile and agriculture sectors are as important for Pakistan as nuclear technology for national security.

He was addressing the two day fifth international conference on textile and clothing organised by University UMT. A good number of professionals from the textile industry, domestic market and researchers attended the event and shared their latest research and innovative ideas on textile products. "Economy cannot move ahead without taking responsibility to lead it successfully through thick and thin", said Hassan.

He also said that role of textile industry in Pakistan's economy is very critical. He said Pakistan was the fourth largest producer of cotton with the third largest spinning capacity in Asia after China and India. "If the interest is taken, the textile could contribute a lot to GDP and enhance the exports," He said. He said Pakistan was producing one of the world's best cottons that could manufacture the finest clothing to be sold abroad. He said we needed to improve the quality of our textile products, bringing it up to international standard in order to attract direct foreign investment. He said new and effective policies regarding textile industry were need of the hour.

The speakers from UK, Romania, Czech Republic, Egypt and Italy talked about the relationship between creative ideas and the use of technology on popular fiber, clothing, modern and ancient textile. The moot tried to search for synergies and solutions to the complex issues surrounding technology in a forum encouraging serious and thoughtful exchange between academic members of the global business community and practitioners in the fields of industry, business and environment.

BUSINESS
RECORDER
Saturday, 25th March, 2017

Cotton yarn demand rises on modest trade activity

RECORDER REPORT

Cotton yarn demand improved on the cotton market on Friday amid modest trade activity, dealers said. The official spot rate was unchanged at Rs 6800, they said. In Punjab, prices of phutti were at Rs 3700-3800, as per 40 kg, they said. In ready session, around 5000 bales of cotton changed hands between Rs 5935 and Rs 7075, they said.

According to market sources, cotton prices were steady on persistent demand by mills and spinners. Cotton analyst, Naseem Usman said that encouraging factor is that demand for cotton yarn from India improved in the process of trading. Influenced by the international track and shortage of cotton lint may cause firmness in the local rates, he added.

The United States of Agriculture Department (USDA) weekly reports showing an increase of four percent, may help the rates to sustain present levels in the coming days, he said. Other experts said that only four lac bales of cotton left with the ginners, so ginners may refrain from haste selling. They said that as a result of dry and hot weather in the country, cotton stock would lose their moisture and reduce the weight of bales, which was not in ginners' interest.

In the meantime, exports of textile and clothing dropped over two percent, they said. The Punjab Agriculture Department (PAD) has advised the cotton growers to sow their crop between April 15 to May 15 and only use approved varieties of BT or Hybrid cotton seeds.

Besides, the PAD spokesman warned the owners of ginning factories, kilns and oil factories owners to complete destroy their ginning waste by March 31 so as to avoid the attack of pink bollworm.

Adds Reuters: ICE cotton futures were subdued on Thursday on muted speculative activity ahead of a federal acreage report due next week. The May cotton contract on ICE Futures US settled down 0.07 cent, or 0.09 percent, at 77.27 cents per lb. It traded within a range of 77.23 and 77.97 cents a lb.

Total futures market volume fell by 8,283 to 19,113 lots. Data showed total open interest gained 1,573 to 279,703 contracts in the previous session. The following deals reported: 300 bales of cotton from Shahdadpur at Rs 5935-5975, 1400 bales from Dharki at Rs 6975-7075 and 600 bales from Rahim Yar Khan at Rs 7000-7050, 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 22.03.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,800	135	**6,935**	**6,935**	NIL
40 Kgs	7,288	145	**7,433**	**7,433**	NIL

BUSINESS
RECORDER
Saturday, 25th March, 2017

New York cotton nearly flat in muted trading

RECORDER REPORT

ICE cotton futures were subdued on Thursday on muted speculative activity ahead of a federal acreage report due next week. The US Department of Agriculture will release its prospective crop plantings report on March 31. "We are coming to an index fund roll period and an acreage report on the 31st. This is not a level where many want to come in and get long in this market," said Louis Rose, an independent cotton trader and consultant with Risk Analytics in Memphis.

"Ahead of the end of the month there's not enough fresh spec money to push it higher," he added.

Weekly export sales data from the US government showed net upland sales totaled 328,200 running bales for the previous week, up 4 percent from the week before.

The May cotton contract on ICE Futures US settled down 0.07 cent, or 0.09 percent, at 77.27 cents per lb. It traded within a range of 77.23 and 77.97 cents a lb.

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BUSINESS
RECORDER
Saturday, 25th March, 2017

Cotton up on mill buying, down one percent for the week

RECORDER REPORT

ICE cotton futures crawled higher on Friday, supported by mill fixations, but were down 1 percent for the week. "The market is supported by the need for mills to fix on-call sales," said Louis Rose, an independent cotton trader and consultant with Risk Analytics in Memphis. However, cautious speculators prevented the market from surging ahead of the index fund roll periods and USDA prospective planting report, Rose added.

The US Department of Agriculture prospective planting report is scheduled for release on March 31. The May cotton contract on ICE Futures US was down 1 percent for the week, in the biggest weekly decline since the seven-day period ending Feb. 17.

Speculators cut their net long position in cotton by 4,319 contracts to 109,050 in the week to March 21, US Commodity Futures Trading Commission data showed on Friday. The May cotton contract on ICE Futures US settled up 0.2 cent, or 0.26 percent, at 77.47 cents per lb. It traded within a range of 77.17 and 78.15 cents a lb. Total futures market volume rose by 6,927 to 26,085 lots. Data showed total open interest gained 1,609 to 281,312 contracts in the previous session. The dollar index was down 0.11 percent.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	77.27	78.15	77.17	77.47	14:45 MAR 24	77.47	0.20	10692	77.27
Jul'17	78.47	79.26	78.36	78.74	14:45 MAR 24	78.74	0.26	6088	78.48
Oct'17	-	76.17	76.17	76.17	14:45 MAR 24	76.17	0.08	-	76.09

BUSINESS
RECORDER
Saturday, 25th March, 2017

Widening C/A deficit

It is depressing to see that current account (C/A) deficit of the country continues to increase. According to the latest data released by the State Bank, the C/A deficit widened by more than 120 percent to dollar 5.47 billion during the first eight months of the current fiscal (July-February, 2017) as compared to dollar 2.48 billion recorded in the same period of last year. The increase in deficit was attributable mainly to the rise in trade and services deficits together with a fall in home remittances. The deficit in trade account amounted to dollar 15.4 billion in July-February, 2017, up 26.8 percent from a year ago and this was the result of an increase in imports by 11.2 percent and a drop of 2 percent in exports. Service sector's exports were recorded at dollar 3.5 billion as against the imports of dollar 5.5 billion, resulting in a deficit of dollar 2 billion as against the deficit of dollar 1.9 billion in the corresponding period of last year. Home remittances which have been contributing massive support to C/A balance declined to dollar 12.3 billion in the ongoing fiscal year as against dollar 12.6 billion in the same period of last year. The current account deficit stood at 2.6 percent of GDP in July-February, 2017 as compared to 1.3 percent during the same period of last year and if this trend continues, overall C/A deficit could be nearly as high as 3.9 percent of GDP in 2016-17.

The worsening of C/A deficit is of course a matter of great concern because of its severe implications for the level of foreign exchange reserves of the country, value of the rupee, investor confidence, inflation, etc. The fact that these aggregates were not adversely affected so far was due to certain one-off receipts or short-term borrowings like the receipts from Eurobond and Sukuk auctions, CSF inflows, etc. As these sources are not sustainable, Pakistan obviously has no other alternative but to increase exports, contain imports and raise remittances not only to have a proper balance in the foreign sector but to have enough foreign exchange to service the rising level of external debt. However, the obstacles in making the necessary headway in these areas are quite formidable. Expanding exports, for instance, is going to be quite challenging in view of the protectionist tendencies in the US and the European Union, trade restrictive measures in most of the other countries, subdued productivity of the economy due to a variety of factors and loss of competitiveness in the international market. The government has announced certain relief packages for expert-oriented sectors like textile and clothing but exports continue to slide, nonetheless. As far as imports are concerned, SBP has recently imposed a 100 percent cash margin requirement to contain the imports of about 400 non-essential items such as mobile phones and household electrical appliances but any decline in their import is expected to be offset by higher imports under the China Pakistan Economic Corridor (CPEC). Home remittances too constitute a formidable challenge. Low oil prices have forced oil-rich nations of the Middle East to reduce their spending on infrastructural development, resulting in job losses and reduced disposable income for the Pakistani expatriates.

Although the country is facing a grim situation on the external front, our policymakers do not appear to be much concerned about the vulnerabilities of the foreign sector. They seem to believe that there is no real cause of worry because the challenge of widening C/A deficit could be overcome through more foreign loans. Such a policy is not only unsustainable but will force the country to borrow heavily from abroad, drawdown its reserves and negotiate another programme with the IMF. In our view, government needs to act proactively before reaching such a stage. Exports have to be enhanced substantially by improving the growth rate of the economy by well over 5 percent and by letting the Pak rupee find its true value in the exchange market freely in order to increase Pakistan's competitiveness in the international market. Tariffs and customs duties need to be reviewed to reduce imports, particularly of non-essential items. Pakistan Remittance Initiative has lost its steam and needs to be improved urgently to raise remittances while government should try to negotiate with friendly Middle Eastern countries not to retrench our labour force. In short, authorities of the country need to work harder on a number of fronts to remove the growing weaknesses in the external sector without any further loss of time.

BUSINESS

RECORDER

Saturday, 25th March, 2017

Standby letters of credit in international business transactions

ZAFAR AZEEM

All imports in the country are regulated by the Import and Export Control Act 1950; regulations under the said Act are enacted in the form of Import policy order or notifications. As per para 4 of the import policy order, imports from world-wide sources are permissible except where the said are restricted or banned. However, one important restriction placed by these regulations is that where any change occurs in the status of importability, the same will not affect those imports in respect of which Bills of Lading or Letter of Credit stood issued prior to the commencement of change. In this background, this write-up seeks to throw lights on the various types of actions and instruments that provide protection against future regulatory changes relating to importability of goods.

The most important document establishing the effectiveness of a contract relating to import of goods is Letter of Credit established through a scheduled bank, but there exist multiple Letters of Credit and the question arises which Letter of Credit provides protection to future regulatory changes.

For example, regulatory changes take place and the importability of goods becomes doubtful; the importers may take the plea that standby Letter of Credit was established, hence imports were not affected by the regulatory changes. The claim of the importer requires examination by analysing the nature of Standby Letter of Credit. Standby letters of credits are performance guarantees and this type of credit is payable where agreed performances does not takes place. In fact such a credit is not for the purposes of ensuring that the buyer did perform its agreed obligation in favour of seller regarding supply and shipment of goods. Rather it serves as a form of guarantee or assurance that the seller will perform its obligation to the buyers. (or to a foreign government, developer, etc) Thus where guarantee in the form of performance bond, or insurance policies cannot be made, the same purpose may be achieved through the issuance of standby letter of credit. It is basically a new commercial device and the same is commercially accepted on the basis of its own value as it supplements the performance bond in many commercial transactions.

"A sample of such a guarantee in the form of standby letter of:

Credit is as under:

"... To: The President of Uganda

Uganda

"By order of: MYM Electronics Systems Division of High Fly Corporation of Brazil

For account of same Gentlemen: We hereby establish our irrevocable credit in your favour, for the account indicated above for a sum or sums not exceeding in all four hundred ten thousand four hundred seventy two and 50/100 US Dollars (US$410,472.60)-

Available by your draft at sight,DRAWN ON us.

This must be accompanied by A signed certificate as follows: "The President of Uganda being one of the parties to the agreement dated March 21, 1965 signed and exchanged between President of Uganda and the High Fly Electronics for the permission to set up, purchase and supply of electronic equipment as per schedule thereof for the total contract value of $1,168,632.00, does hereby certify in the exercise of reasonable discretion and in good faith that the High Fly Electronics has failed to carry out its contractual obligations therein under the said Agreement ..."

A review of the said guarantee reveals that such Letters of Credit are issued by the sellers, contractors, and project developers in favour of the buyers committing that payment will be made on demand if obligations under the contract are not met. It is a demanded guarantee binding the supplier, contractor or project operator to commit in good faith that he will meet his obligations and in case of failure to meet obligation under the contract, the other party will get the amount

BUSINESS
RECORDER
Saturday, 25th March, 2017

guaranteed without further delay. These types of transactions are the opposite of the Letter of Credit issued in the documentary sale. In the standby credit, the guarantee is given by the seller to carry out his obligations or performance under the contract, but the important point is that the documents do not control the goods having no independent value of their own.

The standby letter of credits are governed by Article 5 of the UCC and the UCP, as the document falls under the broader category of undertaking by a bank to honour a commitment of performance to the beneficiary .One may note that the current version of UCP 600, addresses such undertakings, which have an express incorporation and the UCP rules in these cases apply. Article 1 in this regard is relevant in addition to URDG 758 of ICC rules addresses the subject which treats it as a civil law instrument.

The obligations under this type of letter of credit are independent of the buyer's and seller's obligations under the sale of goods contract and the bank's payment obligation is not subject to defence arising out of the underlying transaction; in other words, the dispute between buyer and seller will have no relevance for making payment under the guarantee.

The second rule in this regard is that the banks deal only with documents required by and presented under the letter of credit but the presented documents must comply strictly with the requirements of the letter of credit. UCP and UCC Article 5 make it clear that these obligations also apply to standby letters of credit under strict liability principle.

As regards the requirements provided under para 4 of the current import policy order, it is submitted that the same is referring to letter of credit relating to documentary sale, which are issued by the bank to safeguard the payments to the supplier of goods or in other words, standby letter of credit is a performance related guarantee given by the performer to purchaser. The standby letter of credit is not the one referred to in para 4 of the import policy order and does not protect the regulatory changes.

The second condition in para 4 of the import policy relates to issuance of bill of lading. A bill of lading is issued once the goods have been loaded on the ship, meaning thereby that the sales contact stands complete. It is thus evident that para 4 of the import policy order is talking about the guarantee given by the purchaser to the seller in respect of payment of goods.

It is evident from what has been stated above that para 4 of the Import policy order is prescribing requirement on the part of purchaser to issue a letter of credit acceptable to the seller or issuance of bill of lading, which confirms the completion of contract of sale prior to occurrence of regulatory changes.

The standby letter of credit amounts to a promise of performance on the part of seller, and is different from a normal letter of credit relating to contractual sales and have different rights and obligations under the law

(The writer is an advocate and is currently working as an associate with Azim-ud-Din Law Associates Karachi)

BUSINESS
RECORDER
Saturday, 25th March, 2017

Loans upon loans

FARHAT ALI

Pakistan will have to cough up $7 million to the Asian Development Bank as fine if it does not use the $4.5 billion in loans the ADB gave to Pakistan for various projects. The federal government has used less than half that amount, or $1.80 billion. The ADB imposes commitment a fee of 0.15 percent on funds left unused, and this accounts for $7 million. The ADB has cancelled loans worth $29.36 million in the previous year over a delay. The federal government regularly pays annual interest on this loan.

Out of the $2.90 billion loaned to the energy sector, only $400 million has been used to-date. The ADB is assisting Pakistan in 37 uplift projects and in a sector reform programme. The ADB has expressed its concern about the funds that have still not been used. Paying penalties on non-utilisation of loans in a country where people are suffering from lack of basic amenities of life such as education, healthcare, potable water and sanitation. More alarming is the non-utilisation of 60 percent of the granted loan, which works out to $2.7 billion. The government owes an explanation as to why the loans secured in the meantime from China's Eximp Bank for projects financing, or part thereof, is preferred over the ADB loan provided on softer terms.

In February the Pakistani government signed another agreement with the ADB according to which the bank will lend $320.50 million for projects in Punjab and Khyber Pakhtunkhwa. Under the loan development programme, Khyber Pakhtunkhwa will build 1,000 hydropower plants. Similarly, Punjab and KP will, respectively, set 17,400 and 8,187 schools on solar energy.

While a good 60 percent of the previous ADB loan remains unutilised, the rationale of signing up for another loan package with the bank defied understanding. Projects in the energy sector comprise over half the ADB portfolio for Pakistan. In 2015, the bank approved a combined loan assistance of nearly $1.4 billion for two energy sector programmes. The ADB is also helping to decongest Pakistan's overburdened transport systems, upgrading highways and provincial roads to position the country as a future regional trading hub.

Since becoming a founding member of the Asian Development Bank in 1966, the government of Pakistan has worked with the ADB to strengthen the country's key infrastructure, boost social and environmental safeguards, and promote information sharing with other countries.

The ADB remains one of Pakistan's largest development partners and has provided more than $27 billion in loans and over $531 million in grants. In 2015, the ADB approved the country partnership strategy (CPS), 2015-2019 for Pakistan, with a provisional assistance package of $3.65 billion for sovereign operations in 2016-2018.

The new CPS continues a focus on infrastructure development and institutional reforms. It outlines financial assistance in six key sectors: energy; transport; agriculture, natural resources, and rural development; water and other urban infrastructure and services; public sector management; and finance. Cumulative disbursements to Pakistan for lending and grants financed by ordinary capital resources, the Asian Development Fund, and other special funds amount to $19.59 billion.

A multi-trance financing facility (MFF) of $990 million will help introduce an advanced electricity metering system for power distribution companies, reducing losses and boosting revenue collection. Assistance of $400 million was also approved to reform policy and build an affordable and secure energy sector. Then Pakistan is supported by funding from the International Monetary Fund (IMF) which in end 2016, cleared payment to Pakistan of a final $102 million tranche in a $6.4 billion three-year programme. Prime Minister Nawaz Sharif echoed the sentiment, saying Pakistan was able to stand on its own feet economically.

"It is now my desire... that we say goodbye to the IMF," he said, addressing a group of his party's lawmakers in Islamabad shortly after the announcement of the programme's conclusion. Much of the latest wave of loans are from China to fund infrastructure and energy projects in Pakistan, the dedicated value of which could soar to $50 billion, if not more. The IMF, which has been closely monitoring Pakistan's fiscal dynamics from 2013 to 2016, expressed concerns on

BUSINESS
RECORDER
Saturday, 25th March, 2017

this.

"Chinese investments in Pakistan have the potential to lift the economy's output, but the repayment obligations that come with this investment will be serious," it warns in its latest and final review of the just concluded programme. "During the investment phase, as the 'early harvest' projects proceed, Pakistan will experience a surge in FDI and other external funding inflows," says the Fund in a short evaluation of the impact of CPEC related investments on Pakistan. However, the import requirements of these projects "will likely offset a significant share of these inflows, such that the current account deficit will widen" within manageable levels during these years.

The report estimates that CPEC related imports could reach 11 percent of total projected imports by 2020, equal to just over $5.7 billion, while inflows under the corridor will touch 2.2 percent of projected GDP in that year. The gross external financing needs of the country will jump almost 60 percent by then from a projected $11 billion for the current fiscal year, to $17.5 billion in 2020.

Pakistan will see $27.8 billion in "early harvest" projects under the CPEC in the next few years, with the remaining $16 billion coming over a longer timeline stretching out to 2030.

Once the Chinese investors begin repatriating profits "Pakistan will need to manage increasing CPEC-related outflows," warns the Fund, adding that the amounts involved "could add up to a significant level given the magnitude of the FDI." Outflows will also come in the form of repayment obligations on the loans taken from Chinese banks for these projects, which are expected to rise after 2021. Both of these, repayments and profit repatriation, "could reach about 0.4 percent of GDP per year over the longer run."

The Fund acknowledges that CPEC-related growth could cover these payments over the longer term, but warns that this is not guaranteed. "Reaping the full potential benefits of CPEC will require forceful pro-growth and export-supporting reforms," the report says, citing improved business climate, governance and security as necessary preconditions to enable CPEC investments to generate the resources required to cover their own associated outflows. In addition, "allowing greater downward exchange rate flexibility" will also be necessary.

It points out "a need to ensure transparency and accountability in project management and monitoring," pointing specifically at the power purchase agreements being signed with Chinese IPPs, calling on the government to ensure that the cost of power purchase "remains favourable" for the distribution companies and consumers.

In its three-year stint, the PML-N government has obtained $25 billion as fresh foreign loans, in addition to borrowing Rs 3.1 trillion ($30 billion) from the domestic market for budget financing. In dollar terms, the government's total domestic and foreign borrowings amounted to $55 billion during the last three years. Out of the $25 billion in foreign loans the government has obtained from June 2013 to June 2016, an amount of $11.95 billion was spent in repayment of previous loans.

Pakistan's debt pile has soared over Rs 22.5 trillion

There was a net addition of $5.6 billion in the country's external debt during the last fiscal year 2015-16, showing a growth of 28.2 percent over the increase in foreign debt in 2014-15, according to the Finance Ministry. Similarly, in 2014-15, the net increase in debt was $4.42 billion, higher by 53 percent over the increase reported in the preceding year. During the last three years, the government paid $2.74 billion in interest on foreign loans.

Pakistan's foreign currency reserves have largely been built by obtaining expensive foreign loans, which according to independent economists is not a sustainable way to increase reserves. While mounting loans is of serious concern, of greater concern is the declining exports, stagnant FDI and sluggish agricultural and industrial growth limiting the government's means for loan payback and the prime reasons for the increasing external debt.

(The writer is former President, Oversees Investors Chamber of Commerce and Industry)

DAWN
Saturday, 25th March, 2017

CDNS attracts Rs163bn in fresh investment

APP

ISLAMABAD: The Central Directorate of National Savings (CDNS) attracted Rs163 billion during the first three quarters (up to March 15) of this fiscal year.

The CDNS has projected to raise Rs228bn in 2016-17 compared with Rs218bn it generated in the preceding fiscal year, a CDNS official said on Friday. Applicable from Feb 1, 2017, CDNS had notified upward revision in profit rates for various saving certificates to benefit its investors, especially widows and pensioners, the official added.

"Instant revision was made in the backdrop of current market scenario and in accordance with the government's policy to provide a market-based competitive rate of return to the investors," he said.

As per a notification issued by the federal government, new rates for Defence Savings Certificate, Special Saving Certificate and Account, Regular Income Certificate and Savings Accounts have been revised upward to an average of 7.54 per cent, 6.03pc, 6.54pc and 3.95pc.

The official said the profit rate of return for specialised savings schemes like Bahbood Savings Certificates and Pensioners' Benefit Account had also been revised up and fixed at 9.36pc.

DAWN
Saturday, 25th March, 2017

Reserves drop to $22bn

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Pakistan’s total liquid foreign exchange reserves amounted to $22 billion on March 17, down $223.8 million or one per cent from a week ago, the State Bank of Pakistan (SBP) said on Friday.

During the week, the SBP’s reserves decreased $278m to $16.96bn on account of external debt servicing.

Net foreign exchange reserves held by commercial banks amounted to $5bn on March 17, up 1pc from the preceding week.

DAWN
Saturday, 25th March, 2017

Cotton price edges higher

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Cotton prices moved higher on Friday on the back of rise in yarn exports and local demand.

Importers from Bangladesh have diverted to Pakistan to buy yarn after prices rose in India, brokers said. Indian spinners have also booked around 1.5 million bales for import and plan to import equal quantity in the coming days.

Besides, local ginners have stepped up selling with the start of hot and dry weather as they fear it would deteriorate the quality of cotton and lessen its weight.

Meanwhile, cotton growers in lower Sindh continue to face water shortage which is feared to delay the crop, brokers said.

Separately, ginners met in Multan on Thursday and threatened to close their units if the Federal Board of Revenue continued to harass them.

The Karachi Cotton Association left its spot rates unchanged. Major deals on the ready counter were: 3,000 bales from Shahdadpur at Rs5,935 to Rs5,975, 1,400 bales from Dharki at Rs6,975 to Rs7,075 and 6,00 bales from Rahimyar Khan at Rs7,000 to Rs7,050.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**
37.324 Kgs Equivalent	**6,800**	**135**	**6,935**
40 Kgs	**7,288**	**145**	**7,433**

DAWN
Saturday, 25th March, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	106.40	106.60
UK	130.35	130.60	132.30	133.80
Euro	112.79	113.01	114.30	115.80
S.Arabia	27.87	27.92	28.25	28.45
UAE	28.45	28.51	29.00	29.20
Japan	0.9355	0.9373	0.9513	0.9713

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.84	6.09
Six months	5.88	6.13
One year	5.92	6.42

LIBOR

Special US dollar bonds for Mar 23

Three months	1.15289 %
Six months	1.42794 %

THE NEWS
Saturday, 25th March, 2017

SBP allows non-resident investors to conduct margin trading

KARACHI: The State Bank of Pakistan (SBP) on Friday allowed non-resident investors to conduct shares margin trading in order to increase trading volumes and inflows in the equity market.

“It has been decided to allow movement of funds from SCRA (special convertible rupee account) towards margin requirement for ready/cash market transactions in the Pakistan Stock Exchange,” the SBP said in a notification.

Analysts said the decision followed permission to non-resident investors to conduct margin-based trading.

Earlier, fund transfer from SCRA to meet margin requirement for ready/cash market transaction was not permitted.

Analyst Ahsan Mehanti at Arif Habib Limited said the fresh measure is positive to increase market depth as well as trading volumes at the bourse.

“Earlier, non-resident investors had to pay 100 percent value of the shares they bought,” Mehanti said. “Now they can conduct margin based trading, which would enhance their investment scope.”

Non-residents are allowed to trade in the shares quoted on the local bourse through SCRA opened in local banks. Such accounts are fed by remittances from abroad or transfer from a foreign currency account maintained by the non-resident investor in Pakistan.

The SBP also allowed pledging of securities held in the Central Depository Company’s (CDC) account of non-residents as an alternative to cash to meet margin requirements.

“The securities available in account/sub-account may be pledged in favour of the National Clearing Company of Pakistan Ltd in case of non-availability of funds in SCRA to meet margin requirements against purchase and sale transactions of non-resident investors in ready/cash market till settlement of respective transaction,” said the SBP’s notification.

Separate account or sub-account is to be opened and maintained at CDC for each nonresident investor, eligible for investment in securities quoted on a local bourse.

Chief commercial officer Khurram Schehzad at JS Global Capital said this would encourage foreign investment in the capital market.

“These facilitation measures would provide non-resident investors with more options and encourage inflows,” Schehzad said.

The outstanding amount of margin financing stood at Rs14 billion as on December 2016. Foreign investors, both individual and institutions, hold more than 30 percent of free-float, which is around 24 percent of market capitalisation of $90 billion.

Pakistan Stock Exchange emerged as the best performing stock market in Asia and 5th best in the world in 2016 with the benchmark KSE 100-share Index gaining 43.05 percent.

Analysts said the country’s capital market is expected to continue its upward trend and deliver a healthy double-digit return in 2017.

The view is premised on robust double digit corporate earnings growth, expected foreign inflows as a result of the bourse’s up-gradation to Morgan Stanley Capital International Emerging Market Index, proceeds from PSX divestment, a likely introduction of new margin financing product and attractive valuations, they added.

THE NEWS
Saturday, 25th March, 2017

Tax authorities seek suspicious transaction details from banks

KARACHI: Tax authorities have sought banks' assistance to curb tax evasion by flagging suspicious financial transactions, sources said on Friday.

The source said the Federal Board of Revenue (FBR) asked banks to share with the board details of foreign trade, detected under anti-money laundering laws.

"The purpose for obtaining the transaction details is to spot on tax evasion and make recovery," said a senior FBR official.

The official said the FBR, State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan agreed, under the national action plan, to exchange information to stop terror financing and prevent revenue losses.

Under this arrangement, the banks are also bound to provide details to the respective authorities, including the financial monitoring unit (FMU) of the ministry of finance, the official added.

Recently, the SBP directed banks to improve monitoring on transactions related to both imports and exports under anti-money laundering/combating the financing of terrorism laws.

The SBP said trade transactions have the elements of under- and over-invoicing, which facilitates transfer of value across the borders. "Primary responsibility in this regard lies with Pakistan Customs; however, since documents are negotiated and letter of credit settled through formal banking sector banks are required to enhance their capacity to process foreign trade transactions with extreme care and diligence."

The SBP also directed the banks to enhance diligence of remittances to check illegal transfer.

The FBR official said reports of all suspicious transactions, which the banks are required to share with SBP and FMU, must be submitted to the FBR under the law.

Banks are required to provide a copy of each currency and suspicious transaction reports to the FMU under the Anti-Money Laundering Act 2010.

The SBP asked the banks to implement an in-house system to detect differences between the values declared in the documents and prevailing market prices. "In addition, banks need to set out escalation procedures to manage transactions where significant differences in prices are identified," the SBP said.

The FBR official said the latest SBP's directives regarding the customs valuation monitoring to identify under- and over-invoicing will help the revenue authority to revisit its mechanism to fixing customs valuation.

THE NEWS
Saturday, 25th March, 2017

Forex reserves fall to $22.050 billion

KARACHI: Pakistan's foreign exchange reserves fell to $22.050 billion during the week ended March 17 from $22.274 billion a week ago, the central bank said on Friday.

The reserves held by the State Bank of Pakistan (SBP) declined $278 billion on the back of external debt servicing.

The central bank's reserves stood at $16.961 billion as compared to $17.238 billion in the preceding week.

Net forex reserves of commercial banks amounted to $5.089 billion against $5.035 billion recorded during the previous week.

THE NEWS
Saturday, 25th March, 2017

Cotton firm

Karachi

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

The spot rates remained unchanged at Rs6,800/maund (37.324kg) and Rs7,288/40kg. Ex-Karachi rates also stood firm at Rs6,935/maund and Rs7,433/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the season is almost over, while preparations continued for the new crop. Cotton sowing continued partially in lower Sindh, where harvest of wheat had started, he added. “Some early sowing of cotton was damaged, as well because of unfriendly weather,” he said. “Sowing will start in Punjab after April 15, as the government has banned early sowing because of its being vulnerability against the pest attack.”

KCE recorded three transactions of 5,000 bales from Shahdadpur, Daharki and Rahimyar Khan at the rate of Rs5,935 to Rs7,050/maund.

The Nation on Web

The Nation

Saturday, 25th March, 2017

Depleting foreign reserves

Govt obtained $300m loan in Februray

Imran Ali Kundi

ISLAMABAD - Pakistan had taken another $300 million as loan during February amid depleting foreign exchange reserves of the country.

The country had received $4.9 billion during eight months of the ongoing financial year 2016-17, which is 61 percent of the annual projected loan of $8 billion. The government is taking loans amid decline in the country's foreign exchange's reserves. The reserves had come down to $22.1 billion from historic level of $24 billion due to the heavy repayment to the foreign loans.

The break-up of $22.1 billion showed that State Bank of Pakistan's (SBP) reserves is $17 billion and commercial banks reserves are $5.1 billion. Two major components of the loans of $4.9 billion were issuance of Sukuk bond worth of $1 billion and $1.2 billion borrowing from the commercial banks. The government had taken these loans to bridge its budget deficit and building the country's foreign exchange reserves.

In the budge 2016-17, the government had estimated to generate $1.75 billion from issuance of bonds in international market. Therefore, it could issue another bond to build its reserves.

Pakistan had borrowed $1.02 billion from China in the first eight months of current fiscal year, which is higher than the Chinese commitment of $572.3 million. The Asian Development Bank (ADB) has given $726.6 million against the budgeted estimates of $1048.2 million.

Similarly, Pakistan has received loan worth of $212.4 million from IDB (S-Term), $146.5 million from International Bank for Reconstruction and Development (IBRD), $131.8 million from International Development Association (IDA), $136.7 million from UK, $63.46 million from IDB and $42.8 million from Japan in the eight months of the ongoing fiscal year.

The government received no assistance from EU, France, Korea, Norway, Oman, Saudi Arabia, UNDP and Organisation of the Petroleum Exporting Countries (Opec) during the period under review.