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Withdrawal of zero-rated status of cotton likely

TAHIR AMIN & SOHAIL SARFRAZ

In order to generate additional revenue in remaining months of 2016-17, the federal government is considering withdrawal of zero-rated status of cotton, recently given in the Prime Minister" incentives package for exporters, it is learnt. Sources said that the withdrawal of sales tax zero-rating on cotton is a revenue generation measure to generate additional revenue in the last quarter (April-June) of 2016-17.

There was 4 per cent customs duty and 5 per cent sales tax on cotton import. However, due to decline in cotton production, the government withdrew customs duty and sales tax on import of cotton in the Prime Minister Nawaz Sharif package for exporters. Under FBR"s SRO No 38(I)/2017 and SRO No 39(I)/2017, the Board had exempted customs duty and additional customs duty on the import of 13 items including cotton, artificial staple fibre and other types of cotton during January 17, 2016 and June 30, 2018. Through SRO No 38(I)/2017, the Federal Board of Revenue (FBR) has exempted 13 items from payment of additional customs duty on the import of 13 items including imports of goods classifiable under specified PCT codes.

Through an SRO 36(1)/2017, zero per cent sales tax would be applicable on machinery, not manufactured locally, if imported by textile industrial units registered with Ministry of Textile Industry, as specified in Part-IV of the Fifth Schedule to the Customs Act, 1969, subject to same conditions as specified therein.

The Ministry of Finance had estimated financial impact of withdrawal of duty and sales tax on cotton imports at Rs 5 billion but the ECC later increased it to Rs 10 billion. The official sources revealed that Finance Division had moved a summary to the Economic Co-ordination Committee (ECC) of the Cabinet to withdraw the zero-rating facility and restore 4 per cent customs duty and 5 per cent sales tax on import of cotton. But the Ministry of Textile Industry and Commerce rejected the proposal while saying it would hurt the sector.

However, Finance Minister Ishaq Dar has constituted a committee comprising three secretaries, including secretary textile, secretary commerce and secretary national food and security, and Special Assistant to Prime Minister Miftah Ismail who will head the committee.

The committee would further discuss the issue and present its recommendations to the ECC. The ECC would take final decision in the light of these recommendations. According to sources, zero-rated status of cotton was not part of the package but the concession was announced along with the PM package.

The textile package on exports was announced by the Prime Minister for textile and non-textile sector in January 2017. It will certainly improve the comparative competitiveness of Pakistan"s struggling textile industry viz-a-viz its regional competitors like India, China, Turkey and Bangladesh. The concession has been made available till 30th June, 2018 unless revoked earlier and total impact of concession in terms of customs duty and sales tax has been estimated by the Finance Division at Rs 17 billion. However, it will certainly improve the comparative competitiveness of Pakistan"s textile industry.

The FBR said that the Economic Co-ordination Committee of the Cabinet considered the summary dated January 10, 2017 submitted by the Finance Division regarding "Prime Minister"s Package of Incentive for Exporters" and approved the proposal contained in para-3 of the summary which included withdrawal of customs duty and sales tax on import of cotton and grant of zero-rating on import of textile machinery. In pursuance of the package, sales tax notification SRO 36(1)/2017 has been issued granting zero-rating of sales tax on import of cotton which was otherwise chargeable to sales tax at reduced rate of 5%. Moreover, sales tax-zero-rating on import of textile machinery has also been granted which, otherwise, was chargeable to sales tax at reduced rate of 10%.

Also, the whole of customs duties were exempted by the federal government on the import of raw cotton and manmade fibres (other than polyesters) vide SRO 38(I)/2017 and SRO 39(I)/2017 dated 23.01.2017 on the specified PCT codes, the FBR added.

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Power woes:

Top officials grilled by Prime Minister

MUSHTAQ GHUMMAN

Prime Minister Nawaz Sharif on Friday again grilled the top team of Water and Power Ministry for its sustained failure to meet the targets given in four consecutive meetings of Cabinet Committee on Energy (CCoE). The fourth meeting of CCoE held at Prime Minister's House was attended by the officials of different relevant line ministries with the responsibility of meeting deadlines.

The Prime Minister expressed displeasure at the duration of the current load shedding schedule and stated that it is the responsibility of the government to provide relief to the masses. "Anticipated planning has not been exercised by the relevant Ministries and their organizations for which responsibility must be fixed," says an official statement quoting the Prime Minister.

Sources said the Ministry of Water and Power complained that the Finance Ministry has yet to release the Tariff Differential Subsidy (TDS) despite a decision of the CCoE prompting the Finance Ministry's officials to maintain that since the Water and Power Ministry has not submitted any such claim so far, then how can the Finance Ministry be held responsible? The officials of Water and Power Ministry who attended the meeting were seen running in their Ministry's corridors later muttering "today was a bad day. The Prime Minister was furious."

Energy sector observers who are closely monitoring the performance of Water and Power Ministry for the last three to four years are of the considered opinion that the incumbent team of the Ministry does not have the capacity to deal with the challenge.

According to an official statement, Secretary Water & Power briefed the meeting on availability and utilisation of idle IPPs and captive power plants. He also briefed on issues pertaining to upfront tariff by Nepra and load management plan for the summer. He informed the meeting that power generation amounting to 866 MW has been restored to the system in April and further 400MW would be added by mid May 2017.

Informed sources told *Business Recorder* that at least two idle rental power plants are ready to supply electricity to the national grid on "take and pay" basis but some officials of the Ministry are deliberately creating undue hurdles. Minister Water & Power informed the meeting that power system constraints resolution programme would be completed by December 2017. The Minister for Finance briefed the meeting on his meeting with the President World Bank regarding funding of solar power projects in Pakistan. Prime Minister directed Secretary Water & Power to constitute a dedicated team for hourly monitoring of the power supply situation as well as monitoring of power transmission and distribution system on a weekly basis. The Prime Minister directed Secretary Water & Power, Secretary Finance and Secretary to PM to present a line of action for resolution of issues related to in-operational IPPs and present a report in two days.

The Prime Minister directed Ministry of Petroleum & Ministry of Water & Power to work out a balanced conversion plan of power generation plants from furnace oil to Re-gasified Liquid Natural Gas (RLNG) and coal and present the plan in the next meeting of the Cabinet Committee on Energy. This would help the government to further reduce the cost of electricity for all sectors.

The meeting was attended by Mr. Muhammad Ishaq Dar, Minister for Finance, Shahid Khaqan Abbasi, Minister for Petroleum & Natural Resources, Ahsan Iqbal, Minister for Planning, Khawaja Muhammad Asif, Minister for Water & Power, Muhammad Shahbaz Sharif, Chief Minister Punjab, Maryum Aurangzeb, Minister of State for Information & Broadcasting, Tariq Fatemi, Special Assistant to PM and senior officials.

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Dasu hydropower project:

Guarantee for $350 million financing approved by ECC

ZAHEER ABBASI

The Economic Co-ordination Committee (ECC) of the Cabinet has approved the government guarantee for commercial financing of US $350 million from the international market under the World Bank partial guarantee for the Dasu hydropower project. A meeting of the ECC presided over by Finance Minister Ishaq Dar on Friday was sought by Ministry of Water and Power to approve the government guarantee for repayment of US $140 million loan - 40% of loan $350 million - and was informed that the World Bank will provide guarantee for the remaining $210 million.

The ECC also approved mark-up payments for the entire loan amount of US $350 million except for 3rd year of loan on which no guarantee from any agency is required. The meeting was told that Credit Suisse, a Swiss bank, through competitive bidding has quoted the lowest internal rate of return (IRR) of 5.736% for US $350 million loan of 10-year tenor with an interest rate of Libor +3%, US $ swap rate of 2.40%, arrangement fee of 1.5% of the loan amount, commitment fee of 40% of the spread and capped transaction cost of US $250,000. Additionally, WAPDA will also be required to pay a guarantee fee @ 0.75% per annum on the IDA partial credit guarantee (PCG) of US $210 million provided for US $350 million loan. WAPDA, as a borrower of $350 million, is responsible to repay this loan amount from hydel power sale income.

The Ministry of Water and Power stated that after lengthy deliberations with international banks along with the World Bank, it was agreed that Wapda would raise US $350 million upfront through the international capital market for a 10-year tenor by using PCG of up to 60%, which is US $210 million equivalent to four times of surrendered IDA credit of US $52.5 million and the remaining amount (both principal and interest) would be guaranteed by a government guarantee.

However, to provide standalone exposure to Wapda in the international capital market, the interest during the construction of 3rd year would be exclusively on Wapda's balance sheet with no guarantee. The Ministry of Water and Power stated that the remaining Foreign Commercial Component of approximately US $500 million would be raised either through loan or bond in early 2018 by using the remaining partial credit guarantee of US $250 million ($460 million minus $210 million).

The ECC also approved the Ministry of Industries' proposal for the reduction in the imported urea price to Rs 1,000 per 40-kg bag for Kharif crop to offload surplus stock. Sources said the proposal for a reduction in urea price was also submitted to the ECC meeting in January 2017, which was withdrawn after the meeting remarked the price reduction was not a solution.

The ECC was submitted that the disposal of imported urea at the current price of Rs 1,200 per 50-kg bag was very difficult and the ministry wanted the price of imported urea stock of National Fertiliser Marketing Limited (NFML) may be reduced to Rs 1,000 per 50-kg bag. The ECC approved the proposal of Economic Affairs Division (EAD) for grant of exemption to Japan International Co-operation Agency (JICA) from all levies and taxes for the loan extended by the government of Japan/JICA on concessionary terms, amounting to JPY 2.665 billion (equivalent to US $26 million approximately), for the Islamabad-Burhan Transmission Line Reinforc-ement Project.

The main objective of the project is to improve the reliability of the national grid and meet the growing demand for electricity transmission through reinforcement of transmission lines necessary for power supply to Islamabad capital territory and surrounding areas, thereby contributing to the improvement of economic infrastructure of Pakistan. The ECC also considered and approved the draft standard Power Purchase Agreement (PPA), proposed by the Ministry of Water & Power, which will be used as standard template for future PPAs. The draft PPA is a tripartite agreement among Central Power Purchasing Agency, Guarantee Ltd (CPPA) on behalf of ex-WAPDA Distribution Companies, National Transm-ission and Despatch Company Limited (NTDCL) and the Power Producers.

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SECP directs NPOs to provide details of foreign funding

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The Securities and Exchange Commission of Pakistan (SECP) has directed non-profit organizations (NPOs) to provide details of foreign funding including donor's particulates, banks/transaction details of foreign currencies in cases of funds received of Rs 5 million and above. In this regard, the SECP has issued SRO.285(I)/2017 here on Friday.

According to the SECP, the SECP is hereby directs that all the associations licensed by the Commission under section 42 of the Companies Ordinance, 1984 (the Ordinance) and registered with the Commission, are required to provide information regarding cumulative funds received amounting to Rs 5 million or above from any single source of funding during a financial year on the given format.

The aforementioned information shall be submitted on monthly basis within ten days from the close of every month, SECP said. The requirement of the said SECP directive is not applicable to public sector companies as defined in the Public Sector Companies (Corporate Governance) Rules, 2013 and licenced by the Commission under section 42 of the Ordinance. Details of funding including company name, donor name/address, transaction date, amount received, in foreign currency, if any, US$ etc, equivalent in Pak rupees, bank branch name where funds are received, bank account number where funds are received, SECP added

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THE RUPEE: Rates firm

RECORDER REPORT

Firmness prevailed on the money market on Friday as the rupee sustained overnight levels versus the major currencies in the process of trading, dealers said. The rupee did not move any side in terms of the dollar for buying and selling at Rs 104.79 and Rs 104.81 respectively, they said.

INTERBANK MARKET RATES: OPEN MARKET RATES: The rupee held the overnight levels in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said. The rupee, however, lost 50 paisas in relation to the euro for buying and selling at Rs 115.00 and Rs 116.50 respectively, they said.

In the final Asian trade, the dollar edged up but was on track for a losing month against a basket of currencies, while the euro shed some of its monthly gains after the European Central Bank maintained its easing bias.

The dollar index, which tracks the greenback against a basket of six major rivals, edged up 0.1 percent to 99.205, but down 0.8 percent for the week and 1.1 percent for April. The euro was down 0.1 percent at $1.0863, but up 1.3 percent for the week and two percent for the month.

ECB chief Mario Draghi said on Thursday after the central bank's policy meeting that removal of the bank's easing bias was not discussed, stressing the barriers the ECB still faces before beginning to tighten its ultra-loose financing conditions.

However, he also said that euro zone's recovery was increasingly solid and downside risks had diminished. "My feeling is that Draghi's statement will be an important factor to set the tone for the euro's movement next month," said Masashi Murata, currency strategist for Brown Brothers Harriman in Tokyo. "He said the ECB is unlikely to start its exit strategy this year." Against its Japanese counterpart, the dollar inched 0.1 percent lower on the day to 111.30 yen, up 1.9 percent for the week but still down 0.2 percent for the month. The dollar was trading against the Indian rupee at Rs 64.235, the greenback was available at 4.347 in terms of the Malaysian ringgit and the US currency was at 6.892 in relation to the Chinese yuan.

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.79
Offer Rate	Rs. 104.81

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

According to currency dealers, the demand and supply situation of the US dollar remained intact that kept the local currency stabilise.

At the close, no change in its value took place as it sustained its opening trend of Rs 105.80 and Rs 106.10 on buying and selling counters, they added. Moreover, the national currency remained under pressure for the second consecutive day against the pound sterling. The pound's buying and selling rates further drifted from Thursday's closing rates of Rs 135.30 and Rs 136.10 to Rs 135.60 and Rs 136.30 respectively, they said.

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Senate body questions logic:

Government's PSE approach skewed against PSM?

RECORDER REPORT

The Senate Standing Committee on Finance has questioned the logic of providing support to all the public sector enterprises except Pakistan Steel Mills (PSM) which has been non-operational for more than one year. A meeting of the Senate Standing Committee on Finance presided over by Senator Saleem Mandviwalla wanted to about the latest status of PSM from the officials of Privatisation Commission on Friday. The chairman of the committee said that PSM has been non-operational for more than one year and it should not continue like this.

He added the government is providing billion of rupees support to the PIA and other public sector enterprises (PSEs) but seems uncertain whether to restructure or privatise the PSM. The secretary privatisation said there is an issue of asset disposal of the company because the PSM has liabilities on various heads. He said he has recently assumed the charge of the PC; he is not in a position to give accurate picture about current status of the PSM. He said he would be in a position to give a briefing to the committee after properly studying the status of the corporation.

Upon this, the committee decided to taka a briefing from the PC on the current status of the PSM. The committee chairman and members stated, "We have a very bad experience of Privatisation Commission on the issue of Heavy Electrical Complex (HEC) as no one was able to justify the failed transaction." The proposed law seeks a 10-year punishment and at least Rs 10 million penalty for those involved in money laundering.

Secretary Finance Tariq Bajwa said that in the existing law, there is a punishment from one year to 10 years and a financial penalty of Rs 0.1 million. The committee noted that the law has been passed only one year ago and there is only one conviction so far under the law. He said that as people in the country hardly consider money laundering a crime so the implementation of the law is already difficult, and requested that the amendment may be withdrawn. Azam Swati withdrew his amendment to the AML on the request of the committee chairman. Chief Statisticians Asif Bajwa was unable to explain the reasons when the committee members asked him about a significant increase in expenditure of the Pakistan Bureau of Statistics (PBS).

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Non-filers:
0.4 percent WHT to be charged

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The Federal Board of Revenue (FBR) will charge a reduced rate of 0.4 per cent withholding tax on the bank transactions of non-filers under Section 236p of the Income Tax Ordinance up to June 30, 2017. Through an SRO No 289(I)/2017 issued here on Friday, the rate of tax withholding u/s 236p of the Income Tax Ordinance, 2001 has been reduced to 0.4 per cent from 0.6 per cent on the said bank transactions. Following is the text of the SRO 37(I)/2017 issued here on Monday.

In exercise of powers conferred by proviso under Division XXI of Part IV of the First Schedule to the Income Tax Ordinance, 2001 (XLIX of 2001), the federal government is pleased to direct that in its notification No SRO 37(I)/2017, dated 23 January, 2017, the following amendments shall be made namely: In the aforesaid notification, for the words "first day of January, 2017 to thirty first day of March, 2017," the words "first day of April, 2017 to thirtieth day of June, 2017" shall be substituted.

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Prices of petrol, HSD may be reduced

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The prices of petrol and high speed diesel are likely to be reduced from May 1 while the prices of light diesel and kerosene oil are expected to increase. The Oil and Gas Regulatory Authority (OGRA) has sent its recommendations regarding petroleum prices to the Ministry of Petroleum. According to OGRA's calculation, the prices of petrol and high speed diesel are likely to be reduced by Rs 1.00 per litre each.

However, the price of light diesel is expected to increase by Rs 10 per litre and kerosene oil by Rs 15 per litre. The OGRA will send its summary to the Ministry of Petroleum on today and the new prices will be implemented with effect from May 1, 2017. For the last three months the government has been rejecting the Ogra's recommendations regarding hike in kerosene oil and LDO prices.

According to the summary, a decrease of Rs 1 per litre has been recommended in the price of petrol and if the government approves the same, the price of petrol will come down from the current Rs 74 to Rs 73 per litre. Similarly, after a decrease of Rs 1 per litre in HSD, its price will come down to Rs 82 from the current price of Rs 83 per litre. The prices of kerosene oil after an increase of Rs 15 will go up to Rs 59 per litre from the existing Rs 44 per litre and the price of LDO will go up with an increase of Rs 10 per litre from the current Rs 44 per litre to Rs 54 per litre.

When contacted about the recommended increase in the POL prices despite decrease in the international market, an Ogra official on condition of anonymity said that actually the kerosene and LDO prices are being determined on the average of previous month's import price. The official added that for the month of May, the Ogra will make determination for kerosene and LDO on the basis of the import prices of March. Similarly, the official said that the prices of petrol and HSD are being determined on the basis of five days average of import. Since the prices of petrol and HSD decreased in the international market during the five days under consideration, therefore, the Ogra has recommended a decrease in prices, the official added.

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‘Structural Transformation for Inclusive, Sustained Growth’:

Economist gives presentation

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A presentation on 'Structural Transformation for Inclusive and Sustained Growth' was given by Piergiuseppe Fortunato, an economist at the United Nations Conference on Trade and Development (UNCTAD). Before joining UNCTAD, he was an economist at the Department of Economic and Social Affairs at the United Nations. His research interests include economic development, political economics, international trade and South-South integration.

He has publications on these topics in journals like the Journal of Economic Growth, The Economic Journal and the European Economic Review. He is also deeply involved in policy oriented research; he edited a volume on post-conflict recovery for Bloomsbury Academic, published on policy journals like Global Policy and contributes to several blogs (eg Vox and La Voce). The session was organised by Dr Aadil Nakhoda for his International Trade students to widen their exposure regarding the dynamics of global trade and development.

He began his presentation by discussing globalisation and the increasing interconnectedness between different parts of the world. However, some countries, especially developing nations, have not been able to capitalise on this growth. 'It is expected that global growth will likely drop below 2.5 percent this year, he stated. Moreover, capital flows have become more volatile and debt crises are looming. Among developing regions, only East, South and South-Eats Asia maintain growth momentum.

There are three main reasons why some countries have not seen increasing growth. Firstly, in the last 25 years, the peak manufacturing level has seen a shift. This is because manufacturing tends to move towards countries with cheap labour. Speaking about the importance of manufacturing, he mentioned how Asia has become a central hub for economic activity. In successful economies, productivity expanded rapidly with a dynamic manufacturing sector absorbing labour force from agriculture. This is seen in many economies in Asia, whilst in Latin America and Africa, productivity has remained very low.

Secondly, export-led growth models which were applied in Malaysia, Thailand and Singapore etc do not seem to work as well as they did in the past and have hit diminishing returns. This has been largely because an increase in manufacturing exports by developing countries, but a decline in value added manufacturing from the years 1991 to 2014. A key reason for this is the Global Value Chain (GVC). An increasing value of the GVC has affected the total value added in exports. However, some economies have been able to benefit from the GVC such as China, Malaysia, Indonesia, and Vietnam, whilst others such as Mexico, Argentina and Costa Rica have not benefited. 'The latter countries are the losers from the GVC, Fortunato mentioned. Thus, a country cannot go for an export-led strategy without strategic planning.

Thirdly, investment rates in some countries are extremely low. Investment rates in most developing regions are not high enough to support rapid structural transformation especially in Africa and Latin America. Investments to profit ratios have been declining, while dividends to profit ratios are going up. Therefore, investment in the manufacturing sector has been adversely affected. This has been seen in Brazil and South Africa where investment as a percentage of total capital stock are at their record lows.

The last part of the presentation was on industrial policy. Fortunato said it is important to not 'pick winners' but rather target diversification and upgrade to encourage strong productivity growth. At the end of the day, linkages between different sectors greatly matter. Thus, deciding on an industrial policy involves more than just selecting sectors, linkages have to be built. Furthermore, industrial policy should be coherent and bring together macroeconomic, financial, trade and industrial policies. There should be a special meeting of the cabinet to decide on the consistency of industrial policy.

Moreover, it is critical to build a capable and stable bureaucracy, which is closely linked to, but still independent of, the business community and can discipline firms. This is a key factor in order to have a successful industrialised economy. Finally, developing economies should try to get their voice heard in the global economic system.-PR

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Cotton sowing target fixed at six million acres

RECORDER REPORT

The Punjab government has fixed cotton sowing target at 6 million acres of land with production target fixed at 10 million bales. A spokesman of the Punjab Agriculture Department said on Friday that all resources are being utilised to meet the sowing and production target of this most important crop which constitute around 51pc of the total export receipts. The spokesman urged the growers to follow the guidelines issued by the department for better production.

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Cotton buyers remain on the sidelines

RECORDER REPORT

In the absence of fresh leads, main buyers kept on the sidelines on the cotton market on Friday, dealers said. The official spot rate was unmoved at Rs 6700, they said. In ready session, not a single deal finalised due to less interest for fresh purchasing, they said. Analysts were of the view that ginners despite having limited unsold stock were interested in selling but, on the other hand, the mills were confused due to financial problem and falling demand in the international markets. The ginners were seeking government's concession and other facilities to get some relief under the circumstances, they added.

On the other hand, the Karachi Cotton Association (KCA) also asked the government not to impose new taxes, they added. Cotton analyst, Naseem Usman said that it's look that the local market is on the track of world markets. He also said that arrival of new crop some late owing to hot weather and shortage of irrigation water in the country.

Adds Reuters: ICE cotton futures shed nearly two percent on Thursday, in the biggest one-day percentage decline in over three-weeks, on the back of a negative US export sales report. The July cotton contract on ICE Futures US settled down 1.80 percent at 77.96 cents per lb, marking the largest daily percentage decline since April 3.

The July cotton contract on ICE Futures US settled down 1.43 cent, or 1.80 percent, at 77.96 cents per lb. It traded within a range of 77.85 and 79.36 cents a lb. Total futures market volume fell by 2,899 to 21,170 lots.

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 27.04.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,700	135	**6,835**	**6,835**	NIL
40 Kgs	7,180	145	**7,325**	**7,325**	NIL

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Cotton rises on speculative buying

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ICE cotton futures gained 1 percent on Friday to recover partially from the previous session's decline, on speculative buying and short-covering, but they were down for the week. The July cotton contract on ICE Futures US settled up 1.17 percent at 78.87 cents per lb, after falling nearly 2 percent in the previous session. The contract was down about 0.6 percent for the week after two consecutive weekly gains.

"Today is the end of the month so you're seeing some short- covering and I think people are still buying it for the trend," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia. "We had a very sloppy export number yesterday which broke the market but the trend of the market is still up and so I think the speculators still continue to buy the breaks."

Weekly export sales data from the US Department of Agriculture on Thursday showed sales totalled 115,500 running bales for the previous week, the lowest since late September. Speculators raised their net long position in cotton for the second straight week in the week to April 25, by 10,429 contracts to 95,359, US Commodity Futures Trading Commission data showed on Friday.

The July cotton contract on ICE Futures US settled up 0.91 cent, or 1.17 percent, at 78.87 cents per lb. It traded within a range of 77.65 and 78.97 cents a lb. Total futures market volume rose by 2,877 to 24,094 lots. Data showed total open interest gained 440 to 253,351 contracts in the previous session.

New York cotton

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The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	79.32	80.23	79.32	80.23	14:45 APR 28	80.23	0.91	22	79.32
Jul'17	77.85	78.97	77.65	78.77	14:45 APR 28	78.77	0.91	15468	77.96
Oct'17	75.33	75.99	75.33	75.99	14:45 APR 28	75.99	0.21	1	75.78

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China all set to lead the world

FARHAT ALI

While the United States is moving out of its decades old economic and political philosophy of globalisation to that of 'America First', China is preparing itself to take over the flag of globalisation and lead the world. Soon after World War II, the soft war between the capitalist and socialist way of economic, social and political philosophy of state governance surfaced, influencing many countries to choose one of the two, with capitalism led by the US and radical socialism by the Soviet Union.

The US under the Marshall plan pumped in capital though grants and loans facilitated by the World Bank and the IMF. As an outcome, Central Europe and Japan emerged as strong economies. Thereafter, other nations joined in the league of emerging economies. To find easy access to markets, globalisation of trade was introduced and the WTO spearheaded the process to introduce cross border tariffs and facilitation. Within a period of four decades, the US and its allies emerged as the winner and so did the capitalist mode of economic globalisation.

The recent wave of 'Country first and globalisation second' starting from the UK's Brexit and moving on to 'America first' is a major shift which has jolted much of the world. Other countries in Europe may also become members of this new club. Many countries, whose substantial businesses are in the US, are in a panic. They are desperate to look into new venues and alignments to bridge their expected business gaps. China, being the second largest global economy, has taken the position to lead these nations towards new dynamics of globalisation, opening up new venues and businesses with strategic alignment and leadership moving from the Atlantic to the Pacific, Gulf and the Arabian Sea. It is reported that China seeks to cement globalisation credential at the Silk Road summit being held next month at Shanghai/Beijing. China says its Silk Road initiative is helping create "a new era of globalisation" open to all, according to a draft communiqu for a summit next month as Beijing burnishes its free trade credentials amid protectionist forces elsewhere.

Leaders from 28 countries will attend the Belt and Road Forum in Beijing on May 14-15, an event orchestrated to promote Chinese President Xi Jinping's vision of expanding links between Asia, Africa and Europe underpinned by billions of dollars in infrastructure investment.

This forum is reported to be China's biggest diplomatic event of 2017. It offers Xi a chance to flesh out Chinas global leadership ambitions as US President Donald Trump promotes "America First" and voters in some European nations turn against globalisation. China is trying to build up its credentials, specially towards Western countries, ahead of the meeting to make it a success, offering the right level of comfort about sharing the benefits of economic growth and promising a fair playing field to all.

There are serious apprehensions of many business entities in some host countries that they are being sidelined out of major "One Belt, One Road" projects while Chinas state-owned firms manage to carve out a major share. Many western countries also have apprehensions about the process of transparency in the project floated vide tenders and are suspicious about Chinas broader political intentions behind the Silk Road.

"Our joint endeavour to promote the Belt and Road Initiative provides new opportunities and impetus for international co-operation," says the draft communiqu, as reported by Reuters but open to revisions. "It helps to usher in a new era of globalisation that is open, inclusive and beneficial to all."

It is reported that Beijing hopes to make the summit an annual event. Chinese Foreign Minister Wang Yi last week compared the project to a "circle of friends" open to all countries that share the same goals, rather than an exclusive club. But, by and large, Silk Road and how Beijing plans to use it is perceived as a challenge the West, but, accepted by the West as a refuge worth trying in these difficult times of the world's economic woes.

China maintains its pitch that 'One Belt, One Road promises to provide more inclusivity than the Western-led elite clubs which has left

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much of the world in a state of acute poverty. Others think the "One Belt, One Road" forum is something positive for globalisation, as the United States and parts of Europe retreat to more protectionist positions.

Moreover, the uncertainly over Trump and his 'America First' is leading countries to realise they need to be on the right side of China. "One Belt, One Road" initiative is stated to have already become "a major international public good" since its introduction three years ago. The focus was on enhancing connectivity between Europe and Asia but the scheme was "open to the rest of the world". It is reported that the communiqu for the May event expected to be published at the end of the summit, backed "upholding the rules-based, transparent, non-discriminatory, open and inclusive multilateral trading system with the WTO at its core".

The China Pakistan Economic Corridor (CPEC) is one of the major component of One Belt, One Road initiative providing a strategic connectivity between Asia, the Middle East, Africa and Europe and is an essential part of China's endeavours of globalisation and its leadership.

So far, Pakistan has not been able to optimise its strength as it merits and appears reconciled to projects sponsored by China under its funding. The CPEC has the local and global perception of being China-Pakistan centric. Regretfully, Pakistan is passive and reconciled to this position for reasons best known to the government in power.

While China, on the strength of CPEC and other such of its initiatives is positioning itself to take up the leadership of globalisation, whereas Pakistan continues to be shy in being proactive and aggressive in opening up the CPEC and its gains to all countries and foreign investors. They appear confused and apprehensive about the opportunities, transparency and fair playing ground the CPEC offers to their countries. Pakistan has done almost nothing to address these concerns except issuing off and on idle statements of inviting foreign investors to be part of the CPEC.

Pakistan needs to move out of this Ostrich Syndrome and be proactive in reaching out aggressively to all countries and foreign investors and play a much bigger business and political role. The role carved out of the CPEC is much bigger and so are the expectations of the people of Pakistan.

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

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Saturday, 29th April, 2017

Non-textile exports fall

MUBARAK ZEB KHAN

ISLAMABAD: Exports of non-textile products fell six per cent year-on-year to $5.84 billion in the first nine months of 2016-17, according to data released by the Pakistan Bureau of Statistics.

Exports of petroleum crude dropped 37pc, however, petroleum products and naphtha exports grew during the period. Carpet and rug exports dropped 17.3pc.

Besides, exports of sports goods fell by 4pc year-on-year. Proceeds from footballs were down 10pc.

Exports of tanned leather declined 5.7pc in July-March while those of leather products decreased 6.3pc.

Exports of footwear dipped 8.9pc, mainly because of a 3.3pc fall in the exports of leather footwear. Exports of surgical goods and medical instruments went down 4.6pc and those of engineering goods dipped 6.2pc during the nine-month period.

Year-on-year exports of cement dropped by 22.8pc, gems by 21.8pc and furniture by 11pc.

In the food basket, exports of rice dropped 15pc. The decline was witnessed in the exports of both basmati and non-basmati rice. Exports of spices, wheat, oilseeds and fish grew during the period.

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ECC decides to cut fertiliser rates, issue $350m bond

KHALEEQ KIANI

ISLAMABAD: The government on Friday decided to cut fertiliser prices, issue a $350-million international bond for 10 years and waive taxes on a Japanese loan.

The Economic Coordination Committee (ECC) of the cabinet, presided over by Finance Minister Ishaq Dar, took these decisions besides approving a draft standard power purchase agreement.

The cut in the urea price by Rs200 per 50-kilogram bag, involving a Rs950-million subsidy, is aimed at disposing of about 235,000 tonnes of public-sector stocks losing shelf life and effectiveness.

Cabinet body also waives taxes on Japanese loan amounting to $26m

The urea quantities lying with the National Fertiliser Marketing Company Ltd (NFML) were imported by the government with a subsidy and then its sales were made on repeated subsidies – reducing the price from Rs1,700 per bag to Rs1,350 per bag in August last year, then to Rs1,200 per bag in September and now again to Rs1,000 per bag.

Meanwhile, natural gas supplies were increased to domestic fertiliser companies at a subsidised rate. They were asked to sell urea at subsidised rates last year, which was followed by the permission for its exports involving subsidies.

The ECC was informed that only 42,000 tonnes of urea from the NFML stocks could be sold since December last year despite a series of incentives due to a tough competition from private companies. There are still stocks of 235,000 tonnes that are nearing their expiry.

Therefore, the ECC allowed a Rs200 per bag price cut with immediate effect to offload remaining quantities during the ongoing Kharif season to help NFML reduce the carrying cost by Rs60 per bag and attract "financially depressed farming community by supplying urea at a lower rate".

The meeting was informed that Dasu Hydropower Project – located on the Indus River, 240 kilometres upstream of Tarbela Dam – had an approved cost of Rs486 billion ($4.38bn) and faced a financing gap.

With an installed capacity of 2,160 megawatts for Stage 1, the project will provide 12,225 gigawatt hours of clean electricity to the national grid annually.

The project is being partly funded by the World Bank through the International Development Association (IDA) Credit-1 of $588 million along with the partial credit guarantee (PCG) of $460m. Additional IDA/International Bank for Reconstruction and Development (IBRD) credit of $533m was expected in 2017 with additional PCG of $460m. At present, PCG of $460m is available for commercial financing.

The government and the World Bank had envisioned that commercial loans of $2.446bn for main works would be arranged on the strength of $460m PCG. In addition, the tenor of the loan would be 15-20 years at competitive pricing in the international capital market.

For meeting the local currency component of the project cost out of intended $2.446bn, a commercial loan of Rs144bn ($1.44bn) has been already arranged from local banks without using PCG.

In order to arrange commercial credit of $800m ($300m loan plus $500m bond) under PCG for the foreign currency cost component of the project, four commercial banks were engaged for credit structuring. The World Bank, however, restricted the use of PCG of $180m (60 per cent) for $300m loan and $200m (40pc) for $500m bond, leaving $80m spare for further commercial borrowing.

After a lengthy deliberation with international banks, along with the World Bank, it was agreed that Wapda would raise $350m upfront through the international capital market for a tenor of 10 years by using PCG of up to 60pc ie $210m, which is equivalent to four times of the surrendered IDA credit of $52.5m and the remaining amount (both principal and interest) would be guaranteed by the government.

However, to provide standalone exposure to Wapda in the international capital market, the Interest During Construction (IDC) of one year (third year) would be exclusively on Wapda's balance sheet with no government/World Bank guarantee. The remaining foreign commercial component of about $500m would be raised either through a loan/bond in early 2018 by using remaining PCG of

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$250m ($460m minus $210m), which is equivalent to four times of the surrendered IDA credit of $62.5m.

The foreign currency commercial borrowing in this phased manner would mitigate the negative impact of IDC on the project. Credit Suisse Bank through competitive bidding was quoted the lowest all-in cost at an internal rate of return (IRR) of 5.736pc for $350m loan of the 10-year tenor with an interest rate of Libor plus 3pc, US swap rate of 2.4pc, arrangement fee of 1.5pc of the loan amount, commitment fee of 40pc of the spread and capped transaction cost of $250,000.

Additionally, Wapda will also be required to pay a guarantee fee at the rate of 0.75pc per year on the IDA guarantee of $210m provided for $350m loan amount. Wapda as the borrower of $350m is responsible for repaying this loan from hydel power sale income.

The ECC decided to provide government guarantee for the repayment of the loan amount $140m ie 40pc of the loan amount of $350m, whereas the World Bank will provide guarantee for the remaining $210m ie 60pc of $350m loan amount. The guarantee will also cover markup payments for the entire loan amount of $350m, except for the third year of loan on which no guarantee from any agency is required.

The ECC also approved the exemption to Japan International Cooperation Agency (Jica) from all levies and taxes for the loan extended by the government of Japan on concessionary terms, amounting to 2.665bn yens ($26m), for the Islamabad-Burhan Transmission Line Reinforcement Project.

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Ogra proposes up to Rs15 hike in kerosene, LDO prices

THE NEWSPAPER'S STAFF REPORTER

ISLAMABAD: After almost eight months of price hike, the Oil and Gas Regulatory Authority (Ogra) on Friday recommended a Re1 per litre cut in the prices of high speed diesel (HSD) and petrol from May 1.

On the other hand, the regulator proposed Rs15 and Rs10 per litre increase in the prices of kerosene and light diesel oil (LDO), respectively.

In a summary sent to the government, Ogra said the adjustment in diesel and petrol prices was required to pass on the impact of drop in the international benchmark crude oil prices during April which declined from $56 per barrel to around $50.

Calculates a meagre Re1 cut in petrol, diesel for May

On the basis of existing tax rates and imported cost, Ogra calculated the new ex-depot price of HSD at Rs82 from Rs83 per litre for May. Likewise, it worked out the ex-depot price of petrol at Rs73 per litre from Rs74.

In contrast, Ogra recommended new ex-depot price of kerosene at Rs59 from Rs44 per litre, an increase of Rs15. Also, it proposed a Rs10 per litre rise in the price of LDO to Rs54 instead of Rs44.

Ogra had calculated the prices on a basis of imports made by Pakistan State Oil (PSO) in April and notified GST and petroleum levy rates on all products.

Finance Minister Ishaq Dar is expected to announce a formal government decision after consulting the prime minister on April 30.

An official said the government was likely to keep the prices unchanged on the grounds of price stability and earn a few billions of revenue direly needed at the fag-end of the fiscal year to minimise fiscal deficit.

The Ministry of Petroleum and Ogra have been recommending for many months a substantial increase in the prices of kerosene and LDO to minimise a huge price differential with petrol.

The price differential of about Rs29 per litre between petrol and the two other products was encouraging dishonest market operators to mix kerosene with petrol for higher profits and resulting in adulterated and poor quality petrol in the market instead of higher grade (92RON) being charged to consumers. The government has been rejecting these calls saying it wanted to protect poor people.

Interestingly, kerosene is the only regulated petroleum product but unavailable at fixed rates anywhere in the country while all other products are deregulated and are available reasonably within the price band announced by the government.

The petrol and HSD are two major products that generate most of revenue for the government because of their massive and yet growing consumption.

For example, HSD sales across the country are now going beyond 800,000 tonnes per month against monthly consumption of around 700,000 tonnes of petrol. The sales of kerosene and LDO are generally less than 10,000 tonnes per month.

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Cotton trading slows

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Trading activity once again dipped on Friday as spinners took to the sidelines. The undertone, however, remained firm and price line was steady.

The short supply of quality cotton and lack of buying interest on part of spinners kept the proceedings devoid of activity. Spinners seem to be waiting for the next crop which is late due to delay in sowing caused by recent heatwave across the country.

Though there are signs of recovery in textile exports but the industry was still faced with cash flow because it has to pay billions of rupees in refunds against customs duty and sales tax.

Cotton sowing for the new season is going on at a normal pace, but in some areas it was being delayed due to late harvesting of wheat, brokers said.

The Karachi Cotton Association left its spot rates unchanged. Barring a few small-lot deals finalised between mills, no official transactions were reported on the ready counter.

The world's leading cotton markets also witnessed slow trading, with New York cotton market experiencing profit-selling.

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	**6,700**	**135**	**6,835**
40 Kgs	**7,180**	**145**	**7,325**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	105.90	106.10
UK	134.96	135.22	136.00	137.50
Euro	113.57	113.78	115.00	116.50
S.Arabia	27.86	27.92	28.15	28.35
UAE	28.45	28.51	28.85	29.05
Japan	0.9403	0.9421	0.9413	0.9613

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.92	6.17
One year	5.97	6.47

LIBOR

Special US dollar bonds for April 27

Three months	1.16956 %
Six months	1.43044 %

THE NEWS
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Businessmen demand tax credit for withholding agents

KARACHI: Withholding agents have demanded tax credit from the Federal Board of Revenue (FBR) for collecting taxes from taxpayers and depositing them with national exchequer, sources said on Friday.

The sources said the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Overseas Investors Chamber of Commerce and Industry sought incentives for withholding agents in form of tax credit against their liabilities. FPCCI recommended around 3-5 percent rebate for withholding agents for their services rendered to FBR, they added.

The business community said with an increasing number of withholding taxes and introduction of different rates of tax for filers and non-filers, the burden on withholding agents has significantly increased.

Withholding tax contributed around 68 percent to the income tax collection during 2015/16. Withholding tax collection grew 20.3 percent to Rs831.4 billion during the last fiscal year.

The community said withholding agents are providing services to FBR free of any charge for the last many decades. They are incurring heavy expenditures in staff hiring and training, tax record storage cost and allied operation.

“Instead of giving relief, FBR is penalising the withholding agents in case of short deduction or late deposit,” the FPCCI said in a statement.

Tax department’s sources said business community as well as tax practitioners complained about difficulties in filing withholding statements on Iris, which is an online return and statement filing system.

The Iris system requires a withholding agent to declare, in the statement, whether the tax collected/deducted by him is a final tax or an adjustable tax.

“The finality or adjustability of the tax withheld cannot be determined by the tax withholding agent and he should not be burdened with a responsibility to determine tax liability of the person from whom he is deducting the tax,” Karachi Tax Bar Association said in a separate statement.

Under Income Tax Ordinance 2001, every prescribed individual is required to collect and deduct withholding tax under different provisions of the ordinance. A prescribed individual includes the federal government, a company, a non-profit organisation, a foreign contractor or consultant, a consortium or joint venture, an exporter (an association of persons), having a turnover of Rs50 million or above post-2007 tax year and an individual registered under Sales Tax Act 1990.

A FBR’s official said some changes would be introduced in the withholding tax regime in the budget 2017/18. However, the official declined to reveal the proposed changes to be incorporated in the Finance Bill 2017.

THE NEWS
Saturday, 29th April, 2017

Non-tariff barriers rising in Southeast Asia: Malaysian PM

Manila: Non-tariff measures in Southeast Asia have nearly quadrupled between 2000 and 2015, presenting a key challenge as the region moves toward further economic integration, Malaysian Prime Minister Najib Razak said Friday.

Speaking at a business forum on the sidelines of the Assocaition of Southeast Asian Nations annual summit, Najib said tariffs in the 10-member bloc averaged around 4.0 percent in 2015.

However, non-tariff barriers and measures soared to 5,975 in 2015 from 1,634 in 2000, he said.

"This has to be checked and reversed," Najib told top business executives and entrepreneurs attending the forum.

ASEAN groups 10 countries with different political systems and varying levels of economic development from affluent Singapore to impoverished Laos.

The group has established a free-trade area among themselves aiming to slash tariffs on most goods to zero and minimise non-tariff barriers as well as facilitate the easier movement of capital and people. It has also signed free-trade deals with key trading partners such as Japan and China.

ASEAN´s combined economy is expected to be worth $9.2 trillion by 2050, which would make it the fourth biggest economy in the world if it were a country, Najib said.

The bloc´s collective economy was worth around $3.0 trillion in 2015, he said. But Najib noted that for ASEAN to reach the 2050 target, non-tariff barriers must be trimmed by 50 percent. "There is no alternative if we wish to be able to seize that prize. So huge, coordinated efforts are required to deal with this problem," he said.

THE NEWS
Saturday, 29th April, 2017

Pakistan must frame IPR policy for competitiveness

KARACHI: Patchy policies governing intellectual property rights (IPR) regime in Pakistan need improvement to boost economic growth in the country, a US patent expert said on Friday.

Haris Bajwa, a US attorney and patent expert, said policies for protection of intellectual property are weak in Pakistan and the government needs to remove handicaps to facilitate businesses and industries in learning the importance of IP rights

“Pakistan only works on IPR in areas where US insists, like in the pharmaceutical sector,” Bajwa said. “Local businesses looking to patent their idea or product are minimal compared to international industries working in Pakistan.”

Bajwa was speaking at the US Embassy’s 2017 Entrepreneurship Speaker Series. He met with students and entrepreneurs in Islamabad, Lahore and Karachi to emphasise the link between protecting intellectual property and economic growth.

He said there was too much negativity connected with the IPR, which discouraged industries and businesses from patenting their ideas. “Even the businesses and industries’ chambers are not aware of IPR and its advantages.”

Pakistan has yet to sign the Universal Copyright Convention and Madrid Protocol which put responsibility on the government to protect innovators, businesses, entrepreneurs, etc. Despite a wave of technological innovation washing over the years, many entrepreneurs, mainly in the IT industry, are working in secret, doing without peer feedback for fear of having their ideas pinched by copycats.

They are wary too of weak national court system that is often largely ineffectual in enforcing IP rights. Giving the example of Iran, Bajwa said Tehran was focusing on IPR and around 100-120 patents were registered by the country in a year. Pakistan only registers two to 10 a year in the US, he added.

“Your competition is with India, China, and Vietnam when it comes to textiles, not the local manufacturers… in textiles, patents also played a role in value-addition.” Many Asian countries have invested in their IP regime for boosting foreign investment and exports of their value-added goods.

“Pakistan has highly talented engineers and entrepreneurs who need strong intellectual property rights to build the knowledge economy of the future,” Bajwa said. “This means enhancing business and innovation in industry as well as agriculture, and protecting the IPR in all sectors.”

Various US programmes assist Pakistani entrepreneurs by increasing their access to financial resources, supporting opportunities for entrepreneurship education, and nurturing an entrepreneurial culture, including the USAID’s Pakistan Private Investment Initiative, which will make over $100 million in equity capital available to Pakistan’s dynamic and fast-growing small and medium-sized businesses.

THE NEWS

Saturday, 29th April, 2017

'FBR's discretionary powers to be removed in Finance Bill 2017'

KARACHI: Senate Standing Committee on Revenue has assured the business community that laws related to discretionary powers of tax officials will be removed through Finance Bill, 2017.

According to a statement issued by Karachi Chamber of Commerce and Industry (KCCI) on Friday, a delegation, headed by KCCI, met the senate committee in Islamabad to discuss the problems caused by the discretionary powers of the Federal Board of Revenue (FBR). The delegation discussed the powers acquired by the FBR officials over the years, which were being used by the officers of Inland Revenue for harassment and extortion of registered taxpayers.

After extensive deliberations, chairman, Standing Committee, Salim Mandviwala, assured the representatives of the business and industrial community that their issues and grievances would be taken up in the parliament, and discretionary powers, which are the root cause of corruption and harassment would be removed through the Finance Bill for the year 2017-18.

Mandviwala directed the FBR chairman to stop raiding the premises of taxpayers and income tax return filers. "Any raids which are necessary should only be authorised by the FBR chairman and FBR member-operations in cases where a substantial amount of evasion is detected and based on hard evidence," KCCI statement quoted the senate committee chairman as saying.

Mandviwala took serious note of the complaints and invited all chambers, associations and affected parties to attend the meeting of the standing committee for a discussion in the presence of FBR officials to decide the future course of action. The chairman of the standing committee expressed dismay and concern over the large number of complaints received from representatives of the business and community on the misuse of discretionary powers by FBR and a very disrespectful treatment of taxpayers. Businessmen Group vice chairman Haroon Farooki, who is also the convener of the action committee of all chambers, highlighted the core issues of harassment of taxpayers which has resulted in declined numbers of taxpayers and failure to broaden the tax base. He pointed out that taxpayers had been made withholding agents for collecting advance tax on behalf of FBR which was causing hardship to the registered persons.

He said taxpayers lacked required tools, capacity and manpower to collect taxes from the entire supply chain, comprising many unregistered persons. As a consequence, the withholding agent became liable to pay tax on behalf of non-filers, he added. The FBR chairman Dr Irshad Ahmad defended the position of the FBR and denied the charges of corruption in the tax offices.

On the occasion, Senator Kamil Ali Agha and Senator Ilyas Bilour stated that they themselves have suffered extortion at the hands of IR officials. KCCI president Shamim Ahmed Firpo, Lahore Chamber of Commerce and Industry president Abdul Basit, Islamabad Chamber president Khalid Iqbal Malik, KPK Chamber president Haji Muhammad Afzal, and other representatives of numerous chambers of commerce and industry as well as trade associations attended the meeting.

THE NEWS
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Cotton firm

Karachi

No trading was witnessed at the Karachi Cotton Exchange on Friday, while spot rates remained unchanged.

The spot rates remained unchanged at Rs6,700/maund (37.324kg) and Rs7,180/40kg. Ex-Karachi rates also stood firm at Rs6,835/maund and Rs7,325/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said slow activity shows less interest of the buyer, as yarn and fabric prices were down and mills were not interested to buy lint on higher rates, while ginners were not ready to reduce prices.

According to the latest data released by the Trade Development Authority of Pakistan (TDAP), Pakistan registered cottons exports of 131,711 bales of 2015/16 and 2016/17 crops till April 7.

A total of 111,298 bales were shipped during this period. Pakistan imported 272,461 bales till March 31, 2017.

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PIAF chief calls for tax-free budget to 'achieve growth'

Our Staff Reporter

LAHORE - Pakistan Industrial and Traders Association Front (PIAF) Chairman Irfan Iqbal Sheikh has urged the government to announce a tax-free budget for the year 2017-18 to achieve high economic growth; as increase in number of taxes always discourage people to stay out of the tax net while cut in tax rates always expand the tax base.

The PIAF chairman raised this demand during a meeting held to discuss the upcoming federal budget 2017-18. He also called for simplification of taxation system and said a simplified and friendly taxation system would encourage businessmen to come into the tax net. "Our government should rationalise tax tariffs instead of making any increase in their rates," he added.

The PIAF chairman said the economy cannot grow amid major issues including double taxation and undue delay in refund claims, therefore, the government must resolve such issues as soon as possible. He urged the Federal Board of Revenue (FBR) to pay attention towards issue of double taxation which has become a major hurdle in the running of smooth businesses. After the 18th Amendment, provinces have developed their own legislations and rules for the administration of sales tax on services.

He also urged the FBR to expedite releasing the stuck-up sales tax and income refund claims that is creating liquidity crunch for the industry. The FBR is hampering the growth of the most productive sectors by denying the exporters and manufacturers their right of refund of Sales Tax and Income Tax, he added. He said that the delay in release of huge funds that runs into billions has triggered serious liquidity crunch for the exporters and manufacturers that might lead to closure of several industrial units.

The Nation on Web

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ECC approves guarantee for repayment of $140 loan

Dasu Hydropower Project Guarantee for remaining $210 million loan will be provided by World Bank

Imran Ali Kundi

ISLAMABAD - The Economic Coordination Committee (ECC) has approved the government's guarantee for repayment of loan amount of $140 million – which is 40pc of $350 million loan - for the Dasu Hydropower Project.

The ECC meeting chaired by Finance Minister Ishaq Dar on Friday approved the proposal of Ministry of Water and Power for Government of Pakistan's guarantee for the Dasu Hydropower Project. The World Bank will provide guarantee for the remaining $210 million loan amount.

The Ministry of Water and Power, in its proposal, stated that the PC-I of the Dasu Hydropower project was approved by ECNEC at a cost of Rs486 billion in March 2014. The project is being funded by the World Bank through IDA Credit; $573 million credit is operational while the additional IDA/IBRD credit of $273 million is expected in the 2017 cycle along with a Partial Credit Guarantee (PCG) of $920 million ($460 million x 2) to raise the foreign cost component (FCC). For the local commercial requirement, a loan agreement of Rs144 billion comprising both conventional and Islamic Finance Facility has been agreed with a consortium of seven local banks. Out of this amount, Rs88 billion would be raised against the GoP guarantee while Rs56 billion would be against Wapda's balance sheet.

For the foreign cost component, it was agreed after lengthy deliberations with international banks along with the World Bank, that Wapda would raise $350 million through the international capital market for a tenure of 10 years by using PCG of up to 60 percent ie $210 million and the remaining amount (both principal and interest) would be guaranteed by the GoP.

The ECC also approved the request of the Ministry of Industries & Production to reduce the price of imported Urea fertiliser lying with National Fertiliser Marketing Limited (NFML) to Rs1,000 per 50 kg bag in the interest of the public for disposal during kharif 2017. Earlier, in January 2017, the ECC had allowed the export of 300,000 tons of urea fertiliser till April 28, 2017 without any subsidy.

The ECC approved the proposal of Economic Affairs Division (EAD) for grant of exemption to Japan International Cooperation Agency (JICA) from all levies and taxes for the loan extended by the Government of Japan/JICA on concessionary terms, amounting to JPY 2.665 billion (equivalent to $26 million approximately), for the Islamabad – Burhan Transmission Line Reinforcement Project. The main objective of the project is to improve the reliability of the national grid and to meet the growing demand for electricity transmission through reinforcement of transmission lines necessary for power supply to Islamabad Capital Territory and surrounding areas, thereby contributing to the improvement of economic infrastructure of Pakistan.

The ECC also considered and approved the draft standard Power Purchase Agreement (PPA), proposed by the Ministry of Water & Power, which will be used as standard template for future PPAs. The draft PPA is a tripartite agreement between Central Power Purchasing Agency, Guarantee Ltd (CPPA) on behalf of ex-Wapda Distribution Companies, National Transmission and Despatch Company Limited (NTDCL) and the Power Producers.

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Ogra recommends Rs15/litre increase in kerosene oil

Authority also proposes Rs1/litre cut in petrol, HSD

Fawad Yousafzai

ISLAMABAD - The Oil and Gas Regulatory Authority (Ogra) has recommended the government to reduce Motor Gasoline (Petrol) and High Speed Diesel (HSD) prices by Rs1 per litre each for May.

The authority also proposed Rs 15 per litre increase in kerosene oil for the month of May. As per the working paper sent to the Ministry of Petroleum and Natural Resources, the Ogra has proposed to reduce petrol and diesel prices by Rs1 per litre each. However, the authority suggested increasing Kerosene price by Rs15 and light diesel oil (LDO) by Rs10 per litre.

In case the government approves the Ogra determination about the increase and decrease in prices of various petroleum products, petrol price will go down to Rs73 per litre from the current Rs74 and diesel to Rs82 per litre from current Rs83 per litre. The prices of Kerosene Oil after an increase of Rs15 will go up to Rs59 per litre from the existing Rs44 per litre and the price of Light Diesel Oil (LDO) will go up with an increase of Rs10 per litre to Rs54 from existing Rs44 per litre.

It is pertinent to mention here that last month the Ogra has advised the government to increase Petrol and High Speed Diesel (HSD) prices by Rs2 per litre, respectively. The Ogra's summary also recommended an increase of 29.5 percent or Rs13 per litre in the price of Kerosene oil and 17.6 percent or Rs7.75 increase in the price of Light Diesel Oil (LDO).

Currently, the government is collecting 29.5 percent GST on High Speed Diesel and 15.5 percent GST on Motor Spirit excluding High Octane Blended Component (HOBC), while there is zero GST on Kerosene and LDO.

The government will announce its decision regarding the Ogra's recommendation on Sunday. Since February, the government has three times increased the prices of the Petrol and HSD in the country.

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3,073MW power shortfall recorded

APP

ISLAMABAD:- No unscheduled power load-shedding is being carried out except areas of high losses as the power shortfall on Friday was recorded as 3,073MW. According to the data, the total generation remained 13,915MW against demand of 16,988 during the said period. As many as 3,726MW was generated through hydel, 2,417MW by Genco's and 7,772MW by Independent Power Producers (IPPs).–APP