UAE HAS ROLLED OVER $2BN LOAN: SBP GOVERNOR

KARACHI: Governor State Bank of Pakistan (SBP) Jameel Ahmad on Wednesday said that the UAE has rolled over $2 billion loan and assured the businessmen of facilitating their imports on a suppliers' credit. During a meeting with the office-bearers and members of the Karachi Chamber of Commerce and Industry (KCCI), he said that the UAE rolled over $2 billion today.

A large number of importers present in the meeting demanded of the central bank for the immediate release of nearly 5700 containers of import goods, which are stuck at seaports and sought the EFI permission for imports. Jameel Ahmad assured the tradesmen that the central bank will be facilitating imports made through a suppliers' credit or on guarantees of international agencies.

However, he made it clear that dollars buying for imports through the local market will make issues further complicated for the country. He acknowledged that the country is facing a number of challenges, which he said, the SBP is trying to solve in collaboration with the businessmen. Replying to the traders' questions, he said that the central bank is seeking a solution to the stuck containers, demurrage issues and LCs.

The SBP has evolved a three-tier import category with essential commodities on the top, followed by pharmaceutical products and medical equipment, and raw materials for the export-oriented sectors on the third place, he said. He reiterated that the SBP will look into the problems to solve them. However, he said that every import is seen important by the importers and their customers. He urged the businessmen community to put forward their suggestions about which sectors should be prioritized on the imports list. Jameel Ahmad said that the central bank has approved 35 percent transfer of the total export proceeds into the IT products exporters' special foreign currency accounts to help facilitate them.

The 35 percent transfer will be mandatory for banks, which the IT exporters can use for a skilled development, marketing and business promotion purpose. He hoped that the move will help grow inflows. Similarly, he said that the exporters can also use their foreign currency accounts with 10 percent of their total proceeds to make imports and open their LCs. He also asked importers to consult with banks before making imports so that problems regarding the foreign exchange availability could be averted. He sought details from the importers on their stuck containers to solve the issue.

President KCCI Tariq Yousuf told the meeting that traders are in a "serious crisis" and fearing a "bankruptcy" from the prevailing economic uncertainty. He said that around 6000 containers are detained at seaports because of unavailability of dollars. He warned that the importers will never be able to meet their orders with the global exporters if the stuck containers were not released. He also urged the central bank to scrape the "preferential import list" and sought all sectors should be prioritised. He showed concerns that the importers' moral and contractual obligations are at the stake from bar on LCs. "Everything is important," he said that the traders need a module for their businesses amid the economic turmoil.

Leading textile maker Zubair Motiwala said that shipments of perishable items are decaying at ports, which he demanded should be cleared immediately. Each port detains about 300 refrigerator containers. He warned that the country is left with a 15 days of anaesthesia stocks, as surgeries may come to a halt afterwards. Similarly, pulses and grains containers toll has grown to 5700 at ports from a dollar dearth to validate LCs through banks. He said that imports of raw materials for making textiles for exports purposes have also stopped, as a result some industries have shut down and others are nearing to closures. Motiwala said that the shipping companies have already warned that they will withdraw the country from its destination list if the stuck containers remained unreleased on ports The country's future textile export is also at stake if LCs not opened, he said and sought help from the SBP in release of containers, waiver or reduction of taxes, duties, demurrage and port levies on stuck consignments and opening of LCs. Javed Balwani, Chairman Pakistan Apparel Forum, former Presidents of the KCCI, Anjum Nisar and AQ Khalil also spoke at the meeting.

DOLLAR MANIPULATION: SBP CONCLUDES PROBE

KARACHI: The State Bank of Pakistan (SBP) has completed the investigation against private banks allegedly involved in the USD dollar manipulation, Governor SBP Jameel Ahmad said on Wednesday. "The central bank is going to take action against banks involved in the dollar manipulations (within their foreign exchange operations)," Jameel Ahmed said while responding to a query raised by a journalist during his visit to Federation of Pakistan Chambers of Commerce and Industry (FPCCI), on Wednesday. "More details about the investigation will be shared with media on January 23," he said.

Governor SBP also recommended a joint committee with FPCCI for the resolution of the huge backlog in LCs. He said that we will discuss individual or sectoral cases in the joint committee with FPCCI.

However, he announced some broad measures to alleviate the concerns of the business community: (i) SBP will be striving to clear the backlog of approximately 11,000 cases, (ii) food products, industrial raw materials, energy producing imports and agricultural raw materials will be given priority when opening LCs, (iii) SBP will share its findings pertaining to the mismanagement of foreign exchange; and, appropriate action will be taken against commercial banks – if required (iv) he will personally interact with the FPCCI committee to reach resolutions fast. Jameel Ahmed also informed that SBP cleared 33,000 cases in the year 2022; and, it took a lot of time, efforts and other resources of SBP. “We are expecting an enhanced inflow of dollars in the coming weeks; and, the situation would see an improvement.

The proposed committee to include four or five nominees of FPCCI’s President and, more or less, same number of SBP officials will be nominated by the governor of the central bank, he added. However, President FPCCI Irfan Iqbal Sheikh said the committee on the LC issue will be co-chaired by Suleman Chawla, SVP FPCCI, from the apex body. He advised the entire business, industry and trade community to bring their cases to the aforementioned committee. Collective voice should be raised in a broader national interest, he added. Irfan Iqbal Sheikh explained that delays are causing a plethora of debilitating issues: detention charges, demurrages, shortages of raw materials for industrial production, closure of major industrial units, disruptions in the supplies of agricultural inputs, closure of plants due to unavailability of spare parts of the machinery & equipment, non fulfilment of export orders, loss of revenue due to dwindling production and massive layoffs. He stressed that pending cases falling under three different categories can be resolved immediately:

(i) all import consignments not involving dollar outflow should be cleared with immediate effect,

(ii) SBP should come up with a crystal clear plan on what the importers can order from international suppliers to enable the business community to keep the trust of suppliers,

(iii) Open Account should be completely restored, as currently, it is only good for industries for their raw materials. Mian Anjum Nisar, former President FPCCI, highlighted that there are three different markets for dollars operating in the country; with rupee to dollar rates of their own; namely, inter-bank, open market and grey market. SBP should take regulatory action against commercial banks for speculative trading and causing unbearable losses to the businessmen, he added.

R 19-1-2023

DEMURRAGE, DETENTION CHARGES CAUSE HUGE OUTFLOW OF DOLLARS: CHIEF COLLECTOR

KARACHI: A huge sum of dollars are going out of country because of demurrage and detention charges, said Muhammad Yaqoob Mako, Chief Collector, Customs Enforcement South, Karachi. “The dollars are going out of the country due to demurrage and detention, and the country is currently going through difficult situations in which we all have to play a role,” he said during his recent visit to Korangi Association of Trade and Industry (KATI).

It is worth mentioning that the importers are facing huge amount of demurrage and detention charges because of delay in opening of Letter of Credit (LCs) by commercial banks. The banks are not opening the LCs due to shortage of dollars. But on the other hand the importers are paying demurrage and detention charges in foreign currency. During discussions Mako said that measures are also being taken for innovation in customs, along with providing facilities to traders, the struggle to prevent smuggling is ongoing. He further said that customs was trying to resolve the complaints of industrialists within 48 hours. Information is provided to the complainant along with the reasons within a few hours. Report immediately if any official harasses.

President KATI Faraz-ur-Rehman, Senior Vice President Nighat Awan, Vice President Muslim Mohammadi, Standing Committee Chairman Masood Naqi, Former Presidents Farhan-ur-Rehman, Danish Khan, Ehtshamuddin, Tariq Malik and others were also present in the ceremony.

Chief Collector Customs Yaqoob Mako further said that there is a determination to provide customs facilities. KATI should provide suggestions, and grievances which can be redressed through mutual consultation. The Chief Collector said that despite the problems faced by the customs, there is a continuous decrease in smuggling which is delightful.

Earlier, KATI President Faraz-ur-Rehman said that the steps taken by the customs officials and officers to eradicate the menace of smuggling helping to stabilize the economy despite the lack of resources and manpower is commendable. He said that due to the containers being stuck at the port, the business community is suffering a lot. The State Bank policy should clarify what to do next, and how the losses of traders and industrialists can be avoided from this difficult situation.

Containers are not being cleared despite permission from State Bank, he added. “Demurrage and other penalties are also being levied in dollars, causing foreign exchange losses due to delays,” he added.

President KATI said that trade can be promoted on the barter system considering the shortage of dollars. There is a need for a clear policy for the government and State Bank in this regard. Faraz-ur-Rehman said that the situation is difficult but it is not hard to get out of it.

Chairman Standing Committee and Former President KATi Masood Naqi said that unfortunately, the economic situation has been like this for many years. We are facing a shortage of foreign exchange reserves for which concerted action is needed. Due to the non-issuance of LCs, smuggling is also increasing. Businessmen are facing the most difficult conditions in history.

PR 18-1-2023

RS10 TARIFF RELIEF LIKELY FOR K-ELECTRIC CONSUMERS: NEPRA WILL CONDUCT PUBLIC HEARING AT END OF CURRENT MONTH

ISLAMABAD: The consumers of K-Electric are set to get a tariff relief of over Rs10 per unit on account of fuel cost adjustment for December 2022.

K-Electric has filed a petition requesting the National Electric Power Regulatory Authority (Nepra) to approve a reduction of Rs10.26 per unit in consumer bills under fuel cost adjustment for December.

Earlier, Nepra allowed K-Electric to slash power tariff by Rs7.43 per unit for November 2022, which was reflected in the consumer bills of January 2023.

Fuel cost adjustment is reviewed every month as per Nepra’s tariff regime applicable across the country and is usually applicable to consumer bills for one month only. It depends on changes in global fuel prices and is passed on to consumers under the prescribed rules and regulations of Nepra and the government of Pakistan.

For the past few months, prices of different fuels such as liquefied natural gas (LNG) and furnace oil have decreased consistently in the international market, which is benefitting K-Electric consumers as well.

Power tariff is going down also because of the efficient and effective utilisation of K-Electric’s power generation network.

The relief of over Rs10 per unit is likely to be passed on to consumers in the bills of February 2023.

The cost of re-gasified LNG, furnace oil and electricity purchased from Central Power Purchasing Agency-Guarantee (CPPA-G) has gone down significantly in line with fluctuations in global markets.

Re-gasified LNG, furnace oil and power purchase from CPPA-G have become cheaper by 17%, 15% and 29% respectively as compared to September 2022, which is the primary reason for the December fuel cost adjustment.

The regulator will conduct a public hearing on January 30, where it will consider whether the proposed reduction is justified or not.

TR 19-1-2023

COUNTRIES LACKING BANKING CHANNELS: ECC APPROVES B2B BARTER TRADE MECHANISM

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has approved business-to-business (B2B) barter trade mechanism in view of the absence of banking channels in a few countries to facilitate trade.

The meeting of the ECC presided over by Finance Minister Ishaq Dar was informed by the Commerce Ministry that the Federal Board of Revenue (FBR) and the State Bank of Pakistan (SBP) have supported the proposal of establishing a mechanism/ procedure with oversight to ensure sanctions screening (commodities and entities) dispute resolution, and accounting/ settlement of transactions, trade balance and time to time updating of operational modalities.

The meeting was told that Commerce Ministry issued SRO dated 01-04-2022, whereby, provisions with regard to barter trade have been incorporated into Import Policy Order (IPO) and Export Policy Order (EPO). Thus, providing a legal framework for carrying out trade transactions through barter mode. Only to the extent of Pak-Iran trade, the Ministry of Commerce has notified a comprehensive procedure (SOPs) for operationalisation of barter trade mechanism between the two counties. Quetta Chamber of Commerce and Industry (QCCI) from Pakistan side and Zahidan Chamber of Commerce and Industry (ZCCI) from Iran side are responsible for the registration of importers and exporters and recording and monitoring of trade transactions, etc., under the barter system. It is; however, vital that a standardised procedure, with due safeguards, for the regulation of barter trade through B2B mode is notified.

In consultation with stakeholders, the Ministry of Commerce prepared a draft SRO for affecting B2B barter trade and shared it with the SBP and the FBR for seeking their comments thereto.

In view of the absence of banking channels in the few countries of the region and for purpose of facilitating trade in general, it is proposed that a general B2B Barter Trade Mechanism, through a notification, placed at Annex-Ill, may be approved. In terms of section of the Imports and Exports (Control) Act, 1950, the federal government is empowered to prohibit or restrict import and/ or export of any good or class of goods, and to regulate generally all practices, including trade practice and procedure connected to the import and export of such goods. The ECC was submitted draft B2B barter trade mechanism which was discussed with the FBR, the SBP, the MOFA, the Ministry of Law and Justice, the Finance Division, Pakistan Single Window, and AG Office in an inter-ministerial meeting held on 13 January 2023 and requested to approve a general B2B barter trade mechanism, through a notification.

OECD SEES REVENUE GAINS FROM NEW TAX PACT REACHING $250BN

PARIS: New cross-border corporate tax rules could yield about a quarter of a trillion dollars in extra revenue for governments, more than previously expected, the Organisation for Economic Cooperation and Development estimated on Wednesday. Nearly 140 countries are preparing to implement next year a 2021 deal on government's rights to tax multinationals in order to take account of the emergence of big digital companies such as Apple and Amazon, which can book profits in low-tax countries.

The first pillar of the two-track reform aims to re-allocate 25% of profits from the world's largest multinationals for taxation in the countries where their clients are, regardless of the companies' physical location.

The second pillar aims to set a global minimum corporate tax rate of 15% by allowing governments to apply a top-up tax to that level on any profits booked in a country with a lower rate. The OECD estimated that the minimum tax would yield $220 billion, or 9% of global corporate income tax - up from a previous estimate of $150 billion. Meanwhile, the re-allocation of taxing rights under the first pillar of the reform was now expected to cover $200 billion in multinationals' profits, up from $125 billion previously.

The increase was mainly due to higher multinational profits now than a couple of years ago, with 50% coming from large digital groups, the OECD said. As a result of more profit being covered, the second pillar was now seen generating tax gains of between $13 billion and $36 billion. While developing countries have criticised the reform over concerns that they could lose out, the OECD's updated analysis found that low- and middle-income countries would gain the most from the re-allocation of taxing rights. At the same time, low-tax investment hubs where multinationals have booked their profits until now would end up surrendering more taxing rights than they are allocated, the OECD said.

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