

Pakistan lobbying for new avenues to gain EU access

Following the failure of the country to qualify for the Generalised System of Preference (GSP) plus scheme for market access to the European Union, a new scheme—GSP Democracy—is under consideration for securing market access to the 27-member EU block, said Adviser to Prime Minister on Textiles, Dr Ikhtiar Baig.

He said that extensive lobbying for the success of this venture is being done and that he held meetings with EU Trade Commissioner in Pakistan. Further ambassadors of Netherlands, France, Italy, Turkey, Germany and UK in Pakistan assured their full cooperation to help Pakistan for accomplishment of this objective. It is pertinent to mention that European Commission has denied Pakistan the duty-free access for thousands of products under the GSP Plus scheme 2009-2011. Textile and carpet industries are the worst affected by this barrier to entry in the EU markets.

The European Commission has granted GSP Plus status to Armenia, Azerbaijan, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Mongolia, Nicaragua, Paraguay, Peru, Sri Lanka and Venezuela.

Pakistan lost the case of GSP Plus qualification owing to its failure to meet the criterion despite the fact that for the past couple of years, intense efforts at diplomatic level was carried out. This has been termed the trade diplomacy failure of the country in convincing the EU for granting this status to Pakistan. Pakistan lost the access by a narrow margin with only one vote—when Germany opposed Pakistan for this scheme, advisor. However, Baig said that positive signals are emanating from the EU side and hoped that country would be able to receive some “good” on this front.

PBA starts work on relief package for textile industry

Pakistan Banks' Association (PBA) has started working on a possible relief package for the textile industry, as the Chairman PBA Aftab Manzoor has urged the member banks to speed up the process in accordance with the instructions of Governor State Bank of Pakistan (SBP).

It may be noted that the PBA has formed this committee on the instructions of Governor SBP for a relief package on loan recoveries for textile industry. It is also worth mentioning that Advisor to PM on

Finance Shaukat Tarin had promised a workable solution 'within days' for industry. However, the participants of the PBA meeting were confused on the point that how the textile industry could be in problem when its exports and taxes are intact. Similarly, it was voiced in the meeting that the banks' borrowers from textile sector were meeting yet the recovery deadlines therefore there was no emergency like situation in the industry. The PBA has given a few assignments to the textile consultant firm before reaching to any conclusion on volume as well as extension of the relief package to the basic textile sector.

However, the industry sources believe that the banking sector was ignoring the fact that the viability of industry is dwindling fast because of the unaffordable increase in cost of doing business. According to these circles, a world-wide economic meltdown has created new opportunities for the textile sector because of cheap availability of its products that has kept the exports intact.

PTEA for capping of bank credit mark-up at 7%

Pakistan Textile Exporters Association (PTEA) has strongly demanded capping of bank credit mark-up rate at 7%, suspension of mark-up for one year and staggering it over next three years to enable the exporters and industry to face the current world economic recession and attain competitiveness in international market.

Rehan Naseem Bharara, Acting Chairman PTEA emphasised that it was vital for survival of exports and textile industry to provide easy and cheap cash flow. He said that progressive hike in the interest rate will drive the country's textile exporters out from the international markets. The bank mark-up rate was 3% in the country during 2002 to 2005, which is now at the highest point of 18%.

He stressed for a quick review of monetary policy declaring in no uncertain words that the percentage discount rate is telling too much on the business, which has caused closures on a wide scale and may further hit hard to halt the industry. He also mentioned the bank mark-up rates in USA 0.25% and in India 4%. He demanded the government to decrease the bank mark-up rate to 7% immediately.

He said that Pakistani textiles were competitive and the foreign buyers were quite willing to place orders with Pakistani exporters but were apprehensive of the timely dispatch of export consignments on

the basis of severe energy crisis in the country. The foreign buyers are diverting their purchase orders to India, China and Bangladesh. He stated that manufacturing activity having been reduced to half due to this irregular and unscheduled electricity and gas load shedding.

He demanded drawback of protective duty paid on purchase of raw materials like polyester, caustic soda and chemicals in the shape of duty draw back as in China and India and also fair, equal and just treatment to all sectors of textile. He also urged the authorities to zero-rate the textile exports and to provide level playing field to textile exporters to enable them to earn more foreign exchange for the country.

APTMA lobbying against procurement of pure cotton

All Pakistan Textile Manufacturers Association (APTMA) is lobbying against procurement of 100,000 bales of contamination free cotton by the Trading Corporation of Pakistan (TCP) on the instructions of Federal government. The Association has written letters to different Ministries stating that procurement of 100,000 bales of contamination free cotton by the TCP is apparently an effort to increase price in the local market as there was no production of such cotton in Pakistan.

TCP plan will backfire because contamination free cotton is not available in Pakistan and TCP will end up paying a premium for what can at best be termed low contamination, said one of the APTMA office bearers. According to stated government policy, cotton import and export should be free of any barriers. Under this dispensation, domestic industry should get cotton at a rate, which competes with exporters of cotton. The domestic rate, therefore, always corresponds to the international market. He was of the view that during current season commodity markets across the world collapsed.

New York cotton market, which was about 70 cents per pound, fell below 40 cents. Consequently domestic prices came down from Rs 4,200 per maund to Rs 2,800 per maund. When the government decided to intervene, APTMA kept silent because of the unusual movement in the market price and acknowledged the need to support farmers.

However, as TCP procured cotton APTMA observed that (i) farmers were not the beneficiary as they had already sold

the crop; (ii) New York prices moved from 40 cents to 50 cents and domestic prices moved from Rs 2800 to Rs 3400, so TCP intervention became unnecessary; (iii) there were rumours of up to Rs 150 per maund commissions involved in the transactions; (iv) it is feared that there will be quality and weight claims when this cotton is eventually disposed of. APTMA is therefore of the opinion that specially since the market has moved favourably and since the farmer has sold his entire crop, TCP intervention should be stopped. According to him, TCP's certification of a cotton lot as contamination free cotton will never be acceptable to traders, domestic or foreign. This premium will go to waste because TCP will not be able to get a premium when it disposes of the cotton.

Textile most important sector of economy

Federal Minister for Textile Industry Rana Farooq Saeed Khan has said that textile is the most important sector of our economy and we are committed to overcome all crises on emergency basis.

He said that present government is aware of all problems in textile sector and is very much concerned with the problems of industrialists and exporters and said that we are in contact with all stakeholders and industry will see positive steps being taken by government in coming days. He further said that global economic crisis, law and order situation are also main causes of these crisis and government is making concrete efforts to promote textile industry.

Govt in talks to buy Bt cotton seed

Pakistan is in the process of signing a \$1 billion agreement for the purchase of Bt cotton seed from Monsanto, a seed developing company of the United States, to increase its production by 40%. Bt (*Bacillus thuringiensis*) is a live microorganism that kills unwanted insects from forests and agriculture crops. Provided in the cotton seed, it boosts the yield and protects the crop from most of the pest attacks.

Currently, farmers are using Bt cotton seed on around 2.7 million acres of land against total cotton cultivation over 8 million acres in the country. Bt cotton seed being sold in the country was smuggled and therefore illegal, said Federal Textile Adviser Dr Mirza Ikhtiar Baig. Bt cotton seed being produced and consumed in Pakistan is from its first generation and plant insects can develop resistance power

against it. Experts say once Bt cotton lost its resistance, the insect could damage the crop and the seed itself. Bt cotton seed requires continuous improvement in order to cope with growing immune power of insects.

India has boosted its cotton production to 30 million bales from 18 million bales. Pakistan can increase it to around 18 million bales from the current 12 million. The Textile Adviser said they were going to improve the supply chain. In the last couple of years, cotton production was low and industrialists suffered due to imports. Our requirement is 16 million bales but production was nearly 12 million bales, thus, import reaches around 4 million bales and we can save \$5 billion annually by increasing the yield.

The package would include latest Bt cotton seed with weed control technology called 'Bollguard II with round-up ready flex', which would save up to \$250 million spent on pest control.

Textile industry in deep quagmire

In view of the inherent capacity of the textile industry to bring about meaningful improvement to the economy, it is important to see that this capacity is not compromised, APTMA spokesman said. The spokesman was of the view that keeping into consideration the inherent capacity of the textile industry to bring about meaningful improvement to the economy, the government must act to prevent compromise of this capacity and provide breathing space to the industry to overcome liquidity problems, relax prudential regulations, restructure outstanding bank loans, reduce interest rates for raw material procurement and incentives mergers and acquisitions to enable realisation of economies of scale.

Currently, 90% of the operating textile industry is incurring cash losses and facing closure as more than three months' production has been lost due to non-availability of electricity and gas. The textile industry of Pakistan is almost exclusively export-oriented unlike those of regional

competitors that export an exportable surplus. Having to compete in the international textile market, where the competition is cut-throat and operating margins minimal, the textile industry has always been mindful of the need to remain internationally competitive.

SBP scales up export refinance by Rs3 billion

The State Bank of Pakistan has increased the amount of export refinance by Rs3 billion to Rs182 billion. In a meeting with Dr Mirza Ikhtiar Baig, Adviser on Textiles, SBP Governor Saleem Raza confirmed the surge in the present ceiling export finance for banks and said there were still Rs27 billion available with banks.

In a statement, Dr Baig said he explained to the SBP governor the crisis in the textile industry, decline in exports, closure of textile units, impact of global recession, high cost of doing business due to increase in mark-up, power-cum-gas rates and prevailing load-shedding.

He strongly advocated a write-down in the mark-up of banks by at least 2% by reducing CRR (Cash Reserve Requirement) of banks with the SBP that would improve liquidity as the bank's interest free funds with the central bank would be released.

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KCCI seeks President's help to save textile sector from collapse

Acting President of Karachi Chamber of Commerce and Industry (KCCI), Muhammad Jawed Bilwani has sought intervention of President of Pakistan Asif Ali Zardari to direct concerned authorities to save apparel and home textile sector from collapse, which is the most vital export-oriented and largest revenue and employment-generating value added sector.

In a letter to the President, he invited his attention to the most miserable and crucial conditions of the exporters of value added apparel and home textile owing to the severest ever financial crunch and grave liquidity problems just because of the fact that a huge amount of almost Rs 10 billion has been held up by the State Bank of Pakistan since last more than six months in research and development support claims of exporters of the country.

He said that he has met the exporters of value added apparel and home textile recently when this cold hard fact was conveyed to him by these exporters who lamented that in the current scenario, it was indeed most difficult for them to run their factories and continue exports and if such conditions persist the remaining units would also close down.

It is important to note that on the government's firm assurance that 6% Research and Development (R&D) support would be continued from July 2006, large number of exporters made their commitments to their foreign buyers on their costing based on 6% R&D support.

It is noteworthy that due to the severest ever competition in the global market from exporters in neighbouring and other countries owing to the incentives being given by their government's, our exporters are really battling for their survival in the international market, faced with high rates of utilities, electricity, gas etc, frequent load shedding, high interest rates, poor and weak infrastructure, grave law and order situation, negative travel advisory by foreign governments and such adverse factors will lead to the remaining foreign buyers going with their orders to exporters of these countries.

Many of them have already cancelled their orders and there are grave apprehensions that in the current economic scenario, Pakistan will rapidly lose its foreign buyers, with whom business was established after immense amount of planning and strategy.

The acting president said that it is indeed an apathy and great irony that the government does not seem to care in the least about this vital export sector, which not only generates largest employment but also contributes huge amount of foreign exchange to the nation.

Bt cotton gives Pakistan's seeds 40% higher yield per acre

Federal Minister on Textile Industry Rana M Farooq Saeed Khan said that the government was preparing very lucrative working paper to consider some incentive and relief for the textile industry particularly export oriented value added units. He said this while addressing a meeting at the residence of Rana Muhammad Mushtaq Khan Member CEC PHMA and Vice Chairman, Garment City Faisalabad. For improvement of cotton production, the Minister said that by cultivation of Bt cotton, Pakistan's seeds are given 40% higher yield per acre. India had successfully acquired their technology and had improved their cotton production significantly. The participants of the meeting were of the view that in other countries of the world the exporters were given preferential treatment and provided raw material, inputs and utilities at concession rates enabling them to compete successfully in international markets.

They were also of the view that neighbouring countries like India and China were providing visible and invisible incentives to exporters. So the government of Pakistan should continue 6% Research and Development (R&D) supports for the garment industry, which was not a part of any subsidy.

Anti-dumping duties ordinance enables fair trade

Polyester Staple Fibre, Manufacturing Group (PSFMG) has termed the criticism on anti-dumping laws in Pakistan that have been evolved in line with the WTO guidelines, as unjustified. In press release PSFMG maintains that the anti-dumping ordinance clearly states that the imposition of anti-dumping duties to offset injurious dumping is, in fact, in the public interest.

The entire basis for National Tariff Commission (NTC) to initiate an anti-dumping investigation is proof of material injury to the domestic industry. NTC also takes the views of all interested parties (including exporters and importers and importers of the dumped products) during

investigation. Such criticisms are, therefore, incorrect and misconceived. NTC has an impressive track record of conducting fair and transparent proceedings in strict conformity with the law. NTC conducts independent fact-finding investigations, which also entail visits to the exporters.

The purpose of this is to ensure that decisions are based on actual facts and not mere allegations. All stakeholders can, therefore, rest assured that NTC operates autonomously and fairly.

SBP agrees to give one-year moratorium on textile sector's loans

State Bank of Pakistan (SBP) has agreed to give one-year moratorium on payment of principal amount to the textile industry, which is finding it hard to retire their obligations in an environment of unabated gas and power outages and cut-throat competition from China and Bangladesh, said Advisor to Prime Minister on Textile, Dr Mirza Ikhtiar Baig. The moratorium on payment of principal amount has been long pursued by the textile industry and it was often raised with the previous government but was unable to attract any attention. He also asked SBP Chief to give relaxation to the banks for exempting the textile units to provide provision and reporting for Credit Information Bureau (CIB) on said restructuring.

The export-oriented textile industry is passing through turbulent times with the decline in exports, closure of textile units, impact of global recession, high cost of production due to high interest rates, high utilities charges and prevailing load-shedding, which is making it almost impossible for them to serve the orders in time. As the situation is worsening with the each passing day, All Pakistan Textile Mills Association (APTMA) is calling for closure of textile units and is busy in intense lobbying to get these issues resolved before taking any final decision to shut down their units.

SBP Governor said that banks had already increased the ceiling limit of export refinancing and there is still Rs27 billion out of the total enhanced limit of Rs182 billion available with the banks to extend to exporters. The payment of 3% interest differential amounting to Rs 1.2 billion to the spinning sector approved by the Cabinet and payment of R&D claims of shipments made up till June 30, 2008. The Governor was further informed that with the prevailing high banking spread it is very difficult to operate the mills and would result in the closure of more and more industries.

50% spinning units on verge of bankruptcy

50% of spinning sector, particularly the single units, which are on the verge of bankruptcy, feared closures by the middle of this year, said industry sources. The industry circles, criticising the All Pakistan Textile Mills Association (APTMA) for its poor performance said the sitting leadership was waiting for the closure of the units.

It is worth noting that the majority of single units in spinning sector were afraid of the Credit Information Bureau (CIB), as any further delay in reversal of situation would lead to their default on bank payments.

Majority of these units is about a decade-old. Most of the entrepreneurs had entered the spinning business after having lucrative KIBOR rate, ranging between 2% and 4% back in 2005. However, the mark-up rate has now jumped to 20%. At present, it is becoming difficult for most of the single units to meet their bank commitments and is ready to slip in a quandary.

Interestingly, the big units, having economies of scale, are tough in a bigger mess, but still it is comparatively easy for them to manage with the bank liabilities. They are deferring their payments on alternate basis to assure their lenders about their financial health.

The government avoided any tangible relief to the spinning sector, resulting into closure of a good number of single units throughout 2008, and the situation has aggravated further for those, who had survived the mark-up blow at that time.

Textile sector to achieve target despite problems

The fears for the closure of textile sector were unfounded and the government was striving hard to resolve the issues of power and gas supply and banking problems on priority basis, said spokesman of Trade Development Authority of Pakistan (TDAP)

He noted that the problems facing textile sector were of temporary nature. The global recession was also causing problems for textile industry; however, he was confident that despite these problems, textile sector will achieve its targets. The spokesman pointed out that the bumper cotton crop will benefit local textile sector.

He said that TDAP has set up a facilitation division to help exporters remove hurdles to boost exports of textile sector. Moreover, it has established three market-

ing divisions for Asia, Europe and America to provide quality human resource, finance and administrative support to textile exporters. The average export target of textile products for current fiscal (2008-09) has been set at \$11 billion or to an average \$923 million per month by government will be achieved.

Textile sector: two-year moratorium may avoid heavy closures ahead

Only a financial moratorium of two years to the textile sector may avoid heavy closures ahead, particularly in the spinning sector, already tumbling down amid unprecedented power shortage in the country. Some 200 units, especially those being fed from Wapda feeders, are already closed due to an increase in the mark up regime.

Right now, as the industry circles pointed out, only 70 to 80 spinning units are operational directly through government supplied electricity, but the worst power shortage started from early 2008 till date has put the upside down in the spinning sector, especially the feeder-fed units. The spinning circles are crying since 2007 that the cost of doing business has gone out of proportion and only an injection of government funds, besides a cut in utility rates and a two-year financial moratorium can ensure survival ahead.

It may be noted that majority of the feeder-fed spinning units are single units, as they are not expanded vertically like those being run on captive power plants and owned by major textile business groups.

Since the single spinnings units are owned by individuals not belong to the leading textile families of the country, therefore, the All Pakistan Textile Mills Association (APTMA), presently controlled by the Chinioti business family ignores them.

According to these circles, the government should extend a moratorium of two years to the spinning units, especially those having no private arrangement of power generation, and let the sector flourish to secure jobs of millions

Proposals prepared to bail out textile industry

Pakistan Textile Exporters Association (PTEA) has formulated a consensus dossier to bail out textile industry from current crisis. After chairing a meeting of joint action committee formed on the special directive of Federal Minister for Textile

Rana Muhammad Farooq Saeed Khan, Chairman PTEA Muhammad Yousaf said that various bottlenecks hindering textile exports were discussed and a five point dossier was formulated along with proposals and suggestions to revive the textile sector.

Elaborating the suggestions Yousaf said that most ticklish issue was the actual zero rating of exports. It is internationally recognised fact that exports should be zero rated.

The exports are subjected to various federal, provincial and local duties, levies and taxes. He said that committee has unanimously demanded that exports should be made zero rated enabling our products to compete in the international markets.

Similarly cross subsidies on gas and electricity should also be eliminated. The gas and electricity tariff for textile industry should be revised downward without passing on the impacts of subsidies allowed to other sectors.

He further said that export refinance should be ensured to industrialists and exporters in accordance with their entitlement with effect from January 01, 2009. Committee also demanded immediately payment of pending R&D (Research and Development), rebate and sales tax dues enabling textile exporters to overcome the financial crunch.

Baig spinning wraps up as textile crisis deepens

The energy crisis and high cost of doing business has swallowed its latest victim, Baig Spinning, a big name in the textile industry. Baig Spinning Mills Ltd, which closed its production units in 2006, has now been wound up. Dr Mirza Ikhtiar Baig, Federal Adviser on textile and one of the directors of the company. A liquidator was appointed and all payments of banks were cleared.

The escalation in cost, increase in raw material prices, high bank mark-up, rupee depreciation, increased power tariff and depressed market conditions for yarn were major factors.

The textile industry and especially the spinning industry have been under continuous pressure of various natures, including lack of support from the government for not providing a level playing field to the spinning industry.

Other factors included rising rates of cotton both locally and internationally, increase in fuel and power tariff, rise in mark up rates and no correspondent increase in the prices of finished goods.

APTMA urges government to run textile as 'Pakistan Textile Incorporated'

All Pakistan Textile Mills Association urged the government to run textile sector as 'Pakistan Textile Incorporated' to ensure the country's survival in this industry.

While sharing his thoughts ahead of a formal meeting with the Finance Ministry, APTMA Chairman Tariq Mahmood said the government should guarantee its facilitating role through ensuring a level playing field with regard to the competitive countries.

A long-term economic policy in consultation with all stakeholders for sustained growth of the industry is the need of the hour. When informed about the misuse of the government facilities in the past by the industry, APTMA Chairman said it was due to 'faulty system' of the government machinery, as the absence of 'performance appraisal' of the industry against government facilities and initiatives ebbed the spirit.

He said today, Pakistan's textile have tumbled, the policymakers should trust business expertise of the sector and increase their interaction with textile millers. Once the government decides that textile suits our country, it will have to meet the requisites of its realisation by showing trust towards the industry.

Frankfurt textile fair attracts 181 Pak exporters

Direct interaction with buyers is the sole objective that has attracted Pakistani exporters to the Frankfurt international fair of home textiles. Despite all problems at home we are here to showcase our products to strengthen our market presence, retain and seek new clients, said Mohammad Ajmal, an exhibitor from Multan.

He said sales are not allowed at the fair. However, Messe Frankfurt GmbH offers an opportunity of interaction between importers and exporters and deals are made much later after the fair. The direct impact on exports varies from exhibitor to exhibitor.

The fair offers exhibitors, buyers and their representatives to meet under one roof. Foreign buyers are reluctant to come to Pakistan for obvious reasons.

Heimtextil is the biggest international trade fair for home and contract textiles. The fair is being held from 14 to 17 January, it has been the sector's first

trade fair of the year for decades and is the foremost platform for manufacturers, traders and designers from all over the world. Around 2,700 exhibitors from 60 countries presented their products to international trade visitors.

NA body recommends more incentives for cotton growers

The National Assembly's Standing Committee on Textile Industry recommended the government to facilitate the cotton growers by giving them incentives for sowing maximum cotton for the consumption of textile industry.

MNA Haji Muhammad Akram Ansari at the Parliament House said that cotton was cash crop of the country and the main source of foreign exchange earning. Cotton growers were in miserable condition and there was an urgent need to facilitate them.

Through provision of more facilities, the growers would be induced to produce more. Such facilities would help the country to curtail its imports, and it would also help the government in its drive to save precious foreign exchange.

Better seed was playing an important role in the production of cotton and the committee recommended providing good variety of seeds to the farmers for better crops. The Committee was informed that the government was also considering the introduction of Bt cotton. In this regard negotiations were in progress with multinational seed provider companies.

Cotton production to fall short of 3.5 million bales

The country will face a shortfall of 3.5 million cotton bales as its production remained below the target during this season, said Pakistan Cotton Ginners Association and Karachi Cotton Association.

A member on KCA Board, Ghulam Rabbani said due to reduction in the Pakistan's crop, imports of the country would also jump up 25% during 2008-09. Around 45% of the total cultivation in the country is Bt type cotton.

Nearly 90% of this type is cultivated in Sindh and about 30% is cultivated in Punjab. The production remained low on the poor production of quality seeds, inadequate supply of quality inputs and uncertified sowing of Bacillus Thuringiensis (Bt) variety of cotton in the country.

The national seed requirement of cotton in the country is 62,000 tonnes while its availability from local seed sector is about 39,845 tonnes (64% of the total seed requirement). The remaining 36% seed is produced and distributed through informal sector like grower-to-grower exchange.

Chuahry Muhammad Akram Jatt said Pakistan spends about more than Rs 10 billion on import of various kinds of pesticides and about 75% of them were used in cotton.

The county's economy depends to a great extent on cotton and its products. Cotton crop required an intensive use of pesticides as various types of pests that attack these crops cause extensive damage.

APTMA for saving textile sector from total collapse

All Pakistan Textile Mills Association (APTMA)'s Senior Vice President Muhammad Anees Khawaja has reiterated his demand to save the textile sector from total collapse.

He said that now textile production came to a grinding halt due to non availability of electricity and natural gas, High tariff, most expensive borrowing cost and rigid banking practices.

He further said that not less than two million workers would render jobless with the closure of 200 textile mills while more than 5 million people would indirectly affected.

He appealed to President Asif Ali Zardari and Prime Minister Syed Yousaf Raza Gilani to take this issue very seriously and resolve their problems on top-priority basis.

Anees was of the view that in other countries the exporters were given preferential treatment and provided raw material, inputs and utilities at concession rates enabling them to compete successfully in international markets.

He was also of the view that neighbouring countries like India and China were providing visible and invisible incentives to exporters.

So the government of Pakistan should continue 6% Research and Development (R&D) supports for the garment industry, which was not a part of any subsidy and now we are unable to pay government taxes and duties, to pay workers salary & wages and unable to purchase cotton from growers. ♦