

APTMA budget proposals for 2009-10

All Pakistan Textile Mills Association (APTMA) has proposed to the Federal Board of Revenue (FBR) to introduce the concept of "deemed duty drawback" where duty drawback be given without payment of customs duty on the import of raw materials consumed in export products. The "deemed drawback" means that the repayment of duty is granted without paying import duty on raw materials used in the export goods. There is a need to re-introduce the concept of "deemed drawback" to zero-rate the exports.

The repayment of customs duty on the import of raw materials used in the manufacturing of export goods should be given to the textile units. The duty drawback should be paid to the exporters to compensate the textile units by reducing cost of doing business.

According to the budget proposals of the APTMA, it has been proposed to allow duty drawback on yarn at the rate of 3%-5%, Greig Fabric @ 4.5% of the turnover value and to the downstream sector on cascading basis. The taxes, duties and other levies are being charged from the industry and exporters which has multiplier effect on the textile value chain and further add to the cost of doing business to the extent of 3% to 5% of the turnover across the textile value chain. In case of Federal taxes, industry is liable to pay withholding tax @ 1%; customs duty on machinery and spares varies from 5% to 25%; 4.5% customs duty on polyester staple fiber and import duty/surcharge on consumption of diesel/furnace oil. The provincial taxes included 0.2% stamp duty on local sales/exports/import bill of exchange and Sindh infrastructure tax on import @ 0.82%. Besides, professional tax, market committee tax etc.

Textile Policy and Federal Budget 2009-10 proposals discussed

The Ministry of Textile has invited the prominent stakeholders to attend the preliminary meeting to discuss proposed Textile Policy and the budget proposals for the Federal Budget 2009-10.

Sources said that the stakeholders have seriously taken up the matter with the Textile Ministry, Prime Minister, and President Zardari to extend similar incentives given to the textile sector by the Bangladeshi Indian and Chinese govern-

APTMA presents proposals for upcoming Trade Policy

All Pakistan Textile Mills Association (APTMA) has presented a document on Trade Policy for the period 2009-2012 with a focus on competitiveness, investment, production of exportable surplus and to generate employment in the country. This document has proposed practical measures to the government with a pragmatic approach in the backdrop of the unprecedented crisis being faced by the textile industry. The extraordinary magnitude of the crisis calls for dynamic remedial measures in three vital areas including supply side constraints, fresh investments and market access, emphasizes the Trade Policy document of APTMA.

APTMA spokesman said the supply side constraints should be removed immediately to achieve industry's competitiveness in the region. As electricity constitutes around 40% of the total operating costs, it is an urgent need of the hour to manage it prudently by extending first priority to the textile industry both the electricity and gas supply. The cross subsidy in gas tariff being borne by the textile industry should be withdrawn immediately. He further urged to rationalize electricity tariff to make textile industry internationally competitive and an attractive option to Small Power Producers (SPPs) should be extended to make investment in electricity generation to meet energy shortage.

In addition, APTMA spokesman said, a redress of raw material constraints is imperative for focusing on issues relating to cotton production, cotton warehousing, abolishment of duties on import of

Polyester Staple Fibre (PSF) and other Man Made Fibre (MMF) besides permission for import of PSF from India. On the financial constraints, under the proposed Trade Policy 2009-2012, the government should make Export Refinance available to all textile exports including yarns and fabrics. Long Term Finance Facility (LTFF) should also be extended to spinning industry to meet vital Balancing, modernization and Replacement (BMR).

In order to encourage investment to produce export surplus, the APTMA has urged the government to ensure import of machinery and spare parts on zero tax rate and the LTFF should be extended to any investment. For creating synergies of operation and economies of scale APTMA has proposed appropriate regulations for encouraging mergers and acquisitions.

The government should introduce 15% tax credit regime to encourage investment in textile industry. The APTMA Trade Policy has also proposed steps to encourage foreign investment in Trade Policy with an emphasis on alliances with prospective countries for relocation of industry.

With respect to exports promotion measures APTMA has proposed to make duty and tax remission schemes workable, easy to operate and manage. Further, it has stressed on industry friendly anti-dumping laws with raw material relating provisions ie "competing interests should be balanced.

ments to arrest falling exports due to the present global recession.

Some other textile countries such as Turkey, Vietnam and Macao are also considering extending some facilities to their garments and textile made-ups industry to retain their share in the \$500 billion global textile market, which seems to be shrinking as the major buying countries such as USA, EU and Canada are curtailing textile buying as their consumers are losing their purchasing power.

Federal Minister for Textile Muhammad Farooq Saeed Khan has said that the new textile policy will be announced in a few days on the occasion of next Federal Budget 2009-10.

He said this while addressing at a seminar on 'Current Financial and Energy

Crises: Prospects for Textile and Garments Industry' organized by the Textile Productivity Centre (TPC) University of Management and Technology in collaboration with Pakistan Ready-made Garments Manufacturers and Exporters Association (PRGMEA).

He said that the textile sector is the backbone of economy having 60% share in exports. Government is striving hard for revival of textile industry and President Zardari has talked to the US for providing duty-free access to Pakistani textile products to US markets.

The PM is working on resolving issues of textile industry on priority basis and considering his (the Textile Minister) proposal for providing 2 years relief in mark up on loans for textile sector.

The Minister said that he has also proposed gas supply to the textile sector at rates equal to fertilizer sector. He further said that cultivation of Bt cotton has been started in the country on the direction of PM to increase production of cotton.

Poor domestic situation affects cotton prices

Cotton sowing is going on widely in cotton belts of Sindh and Punjab provinces while in early sowing areas of these two provinces sowing has been completed. This season, the government has banned rice cultivation in some districts of Sindh to promote cotton sowing resulting increase in cotton area. Total cotton area may be between 3.10 million hectares and 3.25 million hectares in 2009-10 season.

Official production target for next cotton season has been fixed at 13.14 million 170-Kg bales. Let us hope for a better crop otherwise there appears nothing new in coming season from the retiring cotton season when we produced only 11.35 million bales and also the same crop previous season.

If the production target of 13.14 million bales is achieved, 2.0 to 2.5 million 170-Kg bales may still be required to meet the shortfall of the total seasonal domestic cotton requirements.

Pakistan was designated as the second largest importer of cotton at 4.8 million 170-Kg equivalent bales (China being Number one importer) of which about 50% was Indian growth while India assumed the position of second largest exporter of cotton at 9.0 million 170-Kg bales, after US.

The domestic consumption of cotton in China in 1997-98 was 19.159 million bales which has jumped to 52.0 million bales in 2007-08. India increased its domestic cotton consumption from 12.675 million bales to 18.3 million bales in last ten years.

During the last ten years, Pakistan increased its domestic consumption from 7.187 million bales to 12.4 million bales. US and European countries would only import textile goods and apparel from South Asian countries.

Pakistan may lose this golden opportunity on two grounds viz: Firstly, Pakistan is not self sufficient in cotton and has to import some 25% to 30% of its consumption and secondly, Pakistan's major problems being power crisis, deteriorating domestic law and order situation, poor boarder security situation and unstable political situation.

France offers buying office to textile sector

The government of France has offered the Pakistani textile sector to open a buying office in France to get business. The French Commercial Counselor in Pakistan Dominique Simon made this offer during his recent visit and meeting with the Faisalabad Chamber of Commerce and Industry (FCCI) and representatives of the textile associations.

French Commercial Counselor in his meeting with the textile sector stakeholders said that the industry had badly suffered due to energy crisis, increase in input costs and economic recession. He offered the textile sector to open a combine buying house for whole textile sector of Pakistan and announced full support of French government in this regard. Dominique Simon offered facilitation for getting visas to people going to France for business purposes.

He mentioned in the meetings that the owing to trade facilities the Bangladeshi producers can send their products to all European markets. Contrary to this despite rich in quality, Pakistani products are not competing due to high cost and no special facility available to Pakistani producers.

Similarly, European companies have opened their buying houses in Bangladesh and quickly updating the Bangladesh textile industry about change in fashion. So new fashion products are being produced in Bangladesh. However, due to law and order situation businessman are reluctant to come to Pakistan. Thus in this scenario only one option is left with Pakistani textile producers to open a combine selling house in France which caters the needs of whole Pakistani industry.

The office would approach the fashion and garment companies in France, market Pakistani products and get orders. Similarly, it will provide timely updates to the textile industry about the changing fashion trends in France. The French

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Commercial Counselor during his meetings with textile stakeholders showed his government's full support to Pakistani industry. He also mentioned that a delegation of French businessmen would come in September 2009 and meet with the textile industry stakeholders.

Maximum corporate tax be reduced to 25%: APTMA

The All Pakistan Textile Mills Association (APTMA) has sought vital intervention of the government in tax regime to ensure revival of industry. The textile body through its budget proposals has urged the government to reduce maximum corporate tax to 25% in the upcoming budget to attract foreign investment in the sector.

The revenue-neutral and revival-focused budget proposals, prepared by the APTMA, stressed upon a stable environment with more market access to deal with the competitiveness issues amid global economic meltdown.

The budget proposals further urged the government to revive industry in order to generate exportable surplus and create employment through much-needed changes in existing tax regime.

Textile exporters find new markets

The country's export profile of textiles reveals that the country has lost some of its most established markets but exporters have found new export avenues that were neglected in the past.

According to the data available, in cotton yarn Pakistan's exports have increased by 10% in China, Bangladesh, more than double in France, Singapore, Madagascar and Australia during the first seven months of this fiscal year.

The increase in exports to Singapore amounted to \$588,000 against last year's exports of \$74,000. Djibouti, Yemen, Sudan, Qatar and Jordan were the new markets, with Djibouti accounting for the highest exports of \$140,000.

Pakistan lost cotton yarn markets during the same period in over 32 countries. Major declines were recorded in Hong Kong \$44.65 million, Portugal \$13.99 million and Korea \$41.25 million. These losses could be attributed to the slowdown in textile activities in these countries. Other major declines were in Turkey, Italy, Brazil, Poland, Vietnam, Indonesia and Iran.

Pakistan managed to increase its exports in cotton fabric, which is a value-added textile product, in 29 countries

including Turkey, Bangladesh, Italy, Germany, USA, China, Korea, Brazil, Indonesia, UK and Singapore. The new market discovered was in Iraq, where exports were made worth \$5,000.

It is interesting to note that fabric exports increased in many countries where Pakistan lost its yarn market. The country lost fabric markets in the US, Sri Lanka, Spain, Hong Kong, India, Vietnam and 15 other countries.

Readymade garments' exports increased in Europe, Australia, Singapore, China, India and Afghanistan along with Vietnam, which was a new market discovered with exports worth \$8,000. The highest growth in exports of garments was in Afghanistan that increased from \$7,000 in July-January last fiscal year to \$137,000 during the same period this year.

Exporters discovered new markets of bedwear in Iraq, Korea and Thailand. The bedwear market was lost in the US and European Union. Tents and canvas registered a decline of 17.86 but its exporters explored new markets this year in Hong Kong, Sweden, Madagascar, Turkey, Japan, Poland Mexico, Canada, Thailand and Brazil.

He termed the reduction in interest rate from 15% to 14% by State Bank of Pakistan (SBP) inadequate, and urged the government to immediately reduce interest rate to revive the textile industry. The revival of country's economy, mainly for the revival of textile industry and especially for the export based textile units and apparel export based units the interest rate should be further reduced.

He said that though the decrease in interest rate is a good sign in general but the Central bank and the government should give it another thought to bring it to minimum of 10% immediately and then continue to decrease it further.

Demand for disposal of pending R & D claims

The Chairman, Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA), Jamshaid Hanif has demanded of the government to dispose of pending 60% R&D support claims for shipments up to June 30, 2008 ahead of Federal budget 2009-2010.

He said, remaining R&D claims, which the government had promised to pay, are hitting the industry adversely and if the

task of disposing off R&D claims is not completed before the next budget, it may pose serious threats to garment industry.

The PRGMEA Chief pointed out those apparel exporters, who had confirmed the orders of their foreign buyers incorporating the support promised by the government, had suffered huge losses and are unable to honour their commitment because of liquidity crunch. The garment industry is paying huge amount of taxes and as such the government must resolve its hardships on priority basis.

He further maintained that garments manufacturers are facing hardships in the wake of high and unjustified gas and power tariffs. So far, he said, around 300 garments units have been closed down, while many more are facing the danger of imminent closure.

Textile exports down 9.27% in 10 months

Due to prevailing power crisis and high interest rates, the export of textile products has declined by 9.27% during the first 10 months (July-April) of the current financial year, making the achievement of the annual export target unlikely.

According to the data by Federal Bureau of Statistics the exports of textiles group declined to \$ 7.898 billion in July-April period against \$ 8.706 billion of the same period of last fiscal year.

The government had set up \$ 11 billion export target for the textile sector in ongoing financial year but due to sluggish growth of the economy, because of massive load shedding and high rates on bank loans, the target is not likely to be achieved. Now the government has to get \$3.102 billion from the textile exports in the next two months in order to achieve the set target, a challenge too big to be achieved.

\$19.9 billion exports target set for fiscal year 2009-10

Total exports of the country are projected to be \$19.9 billion in next fiscal year 2009-10 as against the latest estimates of \$19.5 billion in ongoing fiscal year 2008-09, projecting an increase of just \$400 million.

The exports were projected to be at \$22.9 billion in ongoing fiscal year 2008-09, however, due to the recession around the globe and structural issues in local economy like power, gas shortages and other issues the exports are projected to be around \$19.5 billion projecting a shortfall of \$3.4 billion in 2008-09.

Apparel exporters demand cut in refinance rate

The Pakistan Cotton Fashion Apparel Manufacturers and Exporters Association have asked the government to reduce the export refinance rate from 7.5 %to 3%, particularly for textile and apparel sector to promote exports. Dr Shahzad Arshad, Chairman of the Association said that the apparel manufacturers-cum-exporters have submitted budget proposals for 2009-10.

The proposals said that the whole chain of textile industry is zero-rated as far as all Federal and Provincial taxes and levies are concerned. The export development fund (EDF) be charged on import of luxury and non-essential items, or its collection from textile exporters is suspended for two years as a sizeable utilized balance is available in EDF.

It has also demanded downward revision in the interest rate for the revival of the export based textile industry. He said that it has further proposed that a separate tariff for the textile sector may be introduced. This tariff should be worked out excluding profit, taxes and cross subsidy. Only cost of the gas may be recovered through this tariff.

This shortfall is attributed to the impacts of global financial crisis that hit the US and EU economies, the major trading partners of Pakistan.

The shock waves sent by the crisis are felt by all the developing countries whose economy is exports based. Almost all the sectors services and industry alike have felt the pinch of the crisis emanating from the mass failure of the sub-prime mortgages in the US.

Textile group having major chunk in total exports would be contributing \$10.408 billion in exports in next fiscal year 2009-10 against the target of \$12.991 billion. The textile exports are projected to be around \$10.204 billion in ongoing fiscal year 2008-09 and none of its product is projected to cross \$2 billion export mark in 2009-10.

APTMA team invited to Tunisia

Tunisian Ambassador Mourad Bourehla has asked the All Pakistan Textile Mills Association (APTMA) to send a delegation for exploring trade and investment opportunities in the textile sector in Tunisia. He was speaking during a visit to the APTMA Zonal office.

The European Union (EU) has provided market access to Sub-Saharan countries under the association agreement. Pakistan's textile industry can benefit from the opportunity by either exporting processed fabrics or by setting up joint garment units in Tunisia based on processed fabrics from Pakistan.

The diplomat said that a joint study group meeting would be held in Islamabad in June under the aegis of Pakistan's Ministry of Textile Industry and APTMA representative will also be invited to the meeting.

According to him, Tunisia was progressing fast in the textile sector after signing a market access agreement with the EU.

He said the country's modern infrastructure, favourable laws and climate of stability and growth and favourable geographical situation in the heart of Mediterranean region have made it the first country of the southern shore of the Mediterranean sea to sign an association agreement with the European Union, an agreement designed to enhance Tunisia's integration in the world market and to make it a hub for investment, production and distribution.

He said that Pakistani businessmen could avail the opportunities by initiating joint ventures in textiles with their Tunisian counterparts.

APTMA for including spinning BMR in LTFF Scheme

All Pakistan Textile Mills Association (APTMA) has urged the government to include textile spinning industry Balancing, Modernization and Replacement (BMR) in the Long Term Financing Facility (LTFF) scheme of the State Bank of Pakistan (SBP) as a trade policy initiative.

According to the APTMA spokesman, the government had introduced LTFF scheme in December 2007 to encourage investment in plant and machinery to increase exports. Under the scheme, the participating financial institutions provide to the borrowers long term financing at concessional rate of finance with a grace period of 2 years for tenure varying from 3 years to 10 years. Regrettably, the spinning industry was not eligible to LTFF scheme even for BMR. He pointed out that 45% of the \$5 billion investment in the textile industry, since 2001, was made by the textile spinning industry.

The textile industry was facing unprecedented crisis since 2006 and consequently the spinning industry could not undertake necessary and vital BMR. In the absence of due BMR to the spinning sector will result into redundancy of installed machinery leaving Pakistan uncompetitive in the face of heavily subsidized investment facilities by regional competitors. The energy generators and conservation equipments should also be included to the LTFF scheme in the wake of severe energy shortage in the country.

Textile producers not to set up units in NWFP ROZs

Pakistani textile manufacturers are least interested in setting up industrial units in the proposed Reconstruction Opportunities Zones in NWFP because of unattractive incentives being offered by the United States and critical law and order situation in terror-hit NWFP, said Akbar Sheikh President All Pakistan Textile Mills Association, Punjab.

He said it would be very risky to establish industrial units in the proposed ROZ in NWFP as the province is in grip of war-like situation. The incentives being offered by the United States are unattractive while law and order situation in NWFP is extremely critical there.

Sheikh is a member of APTMA team that discussed the creation of The US authorities promised to provide major relief in customs duty on the import of textile and other products from the units to be established in the ROZs.



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Textile quality improves with R&D fund, but efficiency declines

With substantial improvement in quality, Pakistan's textile sector efficiency remained low in the region despite over Rs50 billion research and development (R&D) support extended by the government since 2005. The Federal government has been providing Rs20 billion annually under the head of research and development (R&D) support, at the rate of 6% of the value of exports to EU and USA to units manufacturing and exporting textile garments since 2005.

The R&D support was made available for research and to some extent to cut down high cost of doing business, which had increased over the years due to increase in bank mark-up, utility bills and raw material. Labour productivity was very low, as the regional competitors took 75 minutes to complete and produce one piece whereas Pakistan took 133 minutes for the same work and also wasted 30% in finishing and 12% in washing, according to industry circles.

These circles said that Pakistan's regional competitors Bangladesh, India and China were providing R&D to their industry leaving Pakistan a lead of around 15% in the cost of doing business. However, after the R&D support, the quality of Pakistan's products improved, but efficiency remains low. Quality is not the issue; efficiency is low, and waste percentage has increased.

The R&D support was given to the sector under agreement in the WTO

regime that required high standard of Pakistan's goods. It was given 6% on the value of export to the US and European Union on garments and 3% on fabrics export. The R&D support of Rs12 billion was given to textile garments, Rs8 billion on home textile bed linen and Rs0.7 billion on denim.

The countries with more support from their governments have been able to give tough time to their competitors. China topped the US market with a share of 36%, followed by Bangladesh 21%, India 18%, Morocco 19%, and Pakistan 13%. Korea, on the other hand, lost 20% to USA market share.

Similarly, in the European market, China topped to gain 29%, with Vietnam 28%, India 19% and Pakistan only 1.5%, whereas Philippines lost 11%. The R&D facility was withdrawn in financial year 2008-09, but the support could not achieve its goals set earlier. The R&D support covered product development, skill development and training, upgrading of information technology and professional consultancy.

Textile circles say that they are facing worst circumstances, especially after withdrawal of R&D support. According to them, at least 30% textile and made-ups industry had faced closure, leaving behind a large number of workers jobless. 90% of industry is already operating on one shift, instead of three shifts previously.

law and order situation for inordinate delay in shipment of exportable goods, subsequently shrinking the demand of the export items. During July-March 2008-09, export fell, however the decrease in terms of percentage was much less compared to the decline in terms of percentage recorded in their average unit price.

According to statistics provided by the exporters, the average unit price of almost all value-added textile products registered sharp decline over the corresponding period of previous year.

Exporters attributed the falling cotton prices in the international market and depreciation of rupee against dollar domestically to the reasons for finished products to fetch less AUP.

However, they noted major reasons is the uncertainties with the timely delivery of export shipments especially for the Christmas season in America and Europe, which is resulting in the low export price of local value-added textile products.

Foreign buyers, as exporters claimed, are sceptical of the timely shipment of the finished textile products from Pakistan due to infrastructure problems and frequent incidents of terrorism in the country.

Cross subsidy to go in the next budget, Dr. Mirza Ikhtiar Baig

Federal Advisor Textile, Dr. Mirza Ikhtiar Baig has expressed the hope that cross subsidy is all set to get away in next budget and the gas tariff of textile sector will be lowered by 12.5% accordingly.

He said cross subsidy model has failed terribly and the government would have to get it out and we have advised the government to get away from the cross subsidy and instead provide a direct subsidy to the required sectors through budget.

Dr. Baig said the Textile Ministry has strongly advocated zero-rated exports. Also, he added, import of capital goods and spare parts has also been proposed to be zero-rated. According to him, the Research and Development (R&D) Fund is an old story now and the duty drawback regime is likely to replace from next fiscal.

He said he was negotiating with the European Union for increase in benchmark to qualify for GSP Plus from current 1% to 2%. Pakistan's exports are about 1.5% of total imports in the EU therefore, it does not qualify for the GSP Plus. But we are negotiating the issue with the EU officials and it would be highly beneficial to Pakistan textile once it gets through.

He further said that technical textile is the most promising area that needs to be promoted through awareness to remain competitive in the globalize environment. The government would help out the textile sector for setting up "Research and Development Centres" for the promotion of technical textiles.

Government urged to develop training institutions for textile sector

Speakers at a seminar stressed the need for improving productivity through skilled manpower urged the government to develop standard training institutions to cater to the rising demand of required workforce in textile industry.

The Seminar titled 'Implications of Global Recession on Export Earnings of Pakistan,' was organized by Pakistan Institute of Trade and Development with

AUP of textile products falls significantly in 10 months

The Average Unit Price (AUP) of Pakistani textile products fell during the first ten months of current fiscal due to intense competition as well as the economic meltdown in the global markets.

Also, the delay in the shipment of finished products has caused the AUP to plunge during the current financial year as the foreign buyers are more interested to import raw materials instead of finished products due to inability of local exporters to deliver the orders in time.

Although, the fall in the average unit price was recorded in the some export categories, however textile exports bore the brunt of this problem, according to sources in the export-oriented sectors.

Exporters cited the infrastructure problems like port congestion and worsening

an aim to identify the challenges the textile industry was facing in improving its exports.

The speakers stressed the need for focusing on adopting the change through innovation, imagination, process engineering and agility to enhance country's textile exports. Speaking on the occasion, **Textile Expert Phoenix Consulting Lahore**, Khalid M Rasool said that Pakistani firms should adopt global corporate values and principles.

He said that only those companies could survive, which focus on adopting the change through innovation, imagination, process re-engineering and agility. He indicated that as compared to other countries, most of the textile segments of Pakistan were facing economy of scale issue adding that even these firms lag behind the firms of Bangladesh and Sri Lanka in production capacity.

Chairman, Board of Directors, Lahore Garment City, in his detailed presentation said that the current global recession has added miseries to the textile sector. He said that Pakistan's share in global textile has gone down by about 3%, which is alarming and textile sector has acute shortage of trained manpower.

Decreasing share of cotton

According to the Pakistan Cotton Ginners' Association (PCGA) report, Pakistan produced a total cotton crop of 11.349 million bales (around average weight of 163 Kg a bale) bales ex-gin in 2008-09 season while last season it was 11.35 million bales. Apparently, there seems nothing new, which may help in achieving production target of 13.0 million bales next season. For introducing Bt cottonseed, Pakistan has signed a Memorandum of Understanding with the Chinese government and the Chinese agriculture scientists have planned to sow Bt cotton on 800 hectares in Sindh and Punjab on experimental basis.

The plan also includes introduction of coloured cotton in Pakistan, which is not our requirement and we should only concentrate efforts on production of white cotton.

This plan may take 3-4 years to produce Bt cotton commercially. Pakistan's annual requirements for cotton is around 15.5 million bales - 16.0 million bales but due to the global depression Pakistan's cotton consumption may be decreased by 15% for one or two seasons. Even then domestic cotton production may not meet our domestic cotton requirements and have to go for imports.

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