Bedwear exporters have rejected the Federal Budget-2009-010

The bedwear exporters have rejected the Federal Budget-2009-010 announced by the State Minister for Finance, saying there is nothing positive to generate employment, increase exports and earn more foreign exchange. Shabbir Ahmed, Chairman Bedware Exporters Association (BEA) said that the budget speech by State Minister on Finance disappointed the exporters as there was no positive indicator to increase country's exports.

He said that all the targets announced by the Minister are not likely to be achieved. He was of the view that there was no step to reduce country's imports and it seems that the imports would increase which would push up inflation in the country. On the other hand, utility charges will increase that would certainly affect local industry negatively.

Urge to revisit tax anomalies in budget

The Council of All Pakistan Textile Association (CAPTA) urged the government to revisit tax anomalies in the proposed budget 2009-10, saying that stiff taxation will altogether collapse the already dwindling textile industry.

Speaking at a press conference along with the representatives of member associations at the PHMA House, Chairman CAPTA Zubair Motiwala declined to approve the Federal Budget 2009-10 and said that it lacks support for textile industry to survive. He pointed out some tax anomalies in the budget which include subsection (4) of section 154 of income tax ordinance 2001 amended "inwards final tax is substituted as minimum tax".

He demanded that 1% income tax should be reduced to 0.5% and exporters should have the option either to pay it as full and final liability at the time of receipt of foreign exchange or opt for regular filing of the income tax return.

Withdrawal of subsidy from electricity will result in increase of 40% in its rates, which will give rise to the cost of production particularly to the output of value-added sector. He said that several changes have been made in the income tax act i.e. in section 113 minimum tax has been reintroduced, the section 21-4B gives sweeping powers to call for records.

New textile policy with long-term vision shortly

The textile sector of the country plays pivotal role in the country's economy and the government is committed to giving it due attention. Prime Minister Syed Yousuf Raza Gilani stated this at the launching ceremony of the Infrastructure Development of Pakistan Textile City at Port Qasim Industrial Area.

He said that, for the first time, the present government has formulated a textile policy in consultation with all stakeholders. He pointed out that the policy would shortly be considered by the Cabinet and put in place without further loss of time.

In the policy, he said, while fully recognizing the pivotal nature of textile sector in the country's economy, the government has given a long-term vision of the sector that aims at creating a fully integrated value chain from improved quality of cotton down to the most value added subsectors such as garments.

The Textile City project is a major intervention of the government. It is a joint venture among Federal government, Provincial government, public sector corporations and private sector. It will be a benchmark industrial estate providing state-of-the-art infrastructure to the value-added textile sector. Once fully operational, it would help increase our exports significantly as more than 277 new units will be established in an area of 1250 acres.

Textile industry worried over tax offices' hostile attitude

The textile industry is worried over the hostile attitude of the regional offices of Federal Board of Revenue (FBR) operating in isolation to negate the policies and vision of the high command of FBR.

The Income Tax Department has started issuing notices to garment manufacturers against the research and development (R&D) fund, a subsidy offered by the government.

A number of complaints have been received by the office of the Mirza Ikhtiar Baig Federal Advisor on Textile on this count where the exporters, particularly those from the Pakistan Bedwear Association and Pakistan Knitwear Association, complained about the letters received from Income Tax Department.

Dr Baig said in a statement that the issue would be taken up at appropriate level to avoid any untoward situation for the value-added sector, already under heavy burden due to adverse business circumstances.

Earlier, Customs Department had issued notices to the spinning sector for payment of 0.5% withholding tax, which was exempted through SRO 576. This attitude on the part of regional offices of FBR is quite worrisome and according to industry sources, the tax mafia is active against the FBR Chairman and is trying to let him down by all possible means.

APTMA rejects federal budget

All Pakistan Textile Mills Association (APTMA) has rejected Federal Budget-2009-10, as the Chairman APTMA Tariq Mehmood is of the view that the budget has nothing for the textile industry. There is something for downstream industry and that's all. He also expressed his disappointment with the Federal Advisor on Finance for his failure in meeting commitments made with the industry. About 30% of the industry has closed down in the absence of a timely relief, which means about 30% labour force has been retrenched.

He said the federal textile policy, yet to be announced, is though a visionary paper but industry was desperate for immediate relief instead any long-term policy like the textile policy. There's no use of such a long-term policy when majority of the sector would not be functional to avail the advantage of it.

Senior Vice Chairman of the All Pakistan Textile Mills Association (APTMA), Punjab Chapter, Muhammad Anees Khawaja, has warned that the prevailing gloom in the industrial sector will turn into a disaster as the government has adopted a wrong path for revival of the industry. He urged the government to redress the grievances of spinning and weaving industry.

He regretted that liquidity of spinning and weaving mills had been choked, bank limits frozen or cancelled, and at the same time mark-up rates and spread had been increased manifold.

The trade policy did not contain any provision to give a jump-start to the ailing industry. However, he said new textile policy is a good document but its results will be visible in the long term, while the industries need immediate relief.

Textile sector threatens to close units

Leaders of 10 trade bodies of the value-added textile sector threatened to shut down their units or take away their investment by relocating industry in regional countries in case the government fails to remove budget anomalies affecting export oriented industry.

In a press conference at the PHMA House, leaders of textile apparel industry assembled under the umbrella of Council of All Pakistan Textile Associations (CAPTA) to express their grievances related to budget 2009-2010.

All the leaders were unanimous that the budget proposals were harsh and anti-export trade and industry and would become a major cause of flight of capital and unemployment in the country. These leaders were dismayed over budget proposals and termed them anti-export and industry. If imposed, these leaders said, these proposals would not only discourage capital formation in the country, but would also promote corruption.

The budget is not at all supportive of export trade and industry particularly when 1% income tax on exporters as final discharge of tax liability has been substituted with minimum tax under normal tax regime.

Though there was an understanding with policy-makers to reduce tax by 50%, but when budget was announced, it turned out to be a fire-ball for export trade and industry which is already under crisis.

Instead of reducing cost of doing business, the budget proposals would kill already sick industrial base of the country. The withdrawal of subsidy on electricity would result in an increase of 40% in power tariff. They said that increase in duty on many basic raw material largely consumed by textile industry would further push cost of production.

Cautious buying at the Karachi stock market

Changes to investor portfolios according to expectations of the market about budget sparked cautious buying at the Karachi stock market during the week ended on June 2009. The most likely beneficiaries of the budget among listed sectors may be textile and cement, which remained in focus of buyers throughout and attracted fresh funds. In addition to that, active process of re-introduction of a leverage product at local bourses and recovery in economy also revived positive sentiments.

The law and order situation and target killings in Karachi added to the gloom. As a result, overseas investors remained lukewarm and continued to find an exit route.

By the end of June textile and cement sectors rose on the back of positive expectations from the budget. Proposed reduction in federal excise duty (FED) led the cement sector to perform well and rise 6.1%, whereas likely incentives in the textile policy pushed textile stocks up 7.5%, reported Mustafa Bilwani at JS Research.

Public sector Development textile industry

The government has allocated an amount of Rs.509.746 million for various ongoing schemes of Textile Industry Division, under the Public Sector Development Programme (PSDP) 2009 10.

According to budgetary allocations, Rs.246 million have been earmarked for providing and laying dedicated 48 inch diameter, mild steel water pipeline for Textile City Karachi whereas Rs. 207 million have been allocated for Faisalabad Garment City Project. The govt under PSDP allocated Rs. 25 million for Lahore Garment City Project, 17.330 for up gradation of EDF Funded Textile Institutes, Rs.13.576 million for Export Development Plan Implementation Unit and Rs. 0.84 million for holding of conferences and seminars.

Rs 70 billion package for five export sectors

The government has decided to allocate Rs 70 billion package for the revival of five export sectors in the budget in the shape of reduced gas prices and incentives for value addition, according to the statement released by Dr Asim Hussain, Adviser to the Prime Minister.

He said that the total impact of this price reduction is estimated at Rs. 30 billion and it would help the industrial growth in next fiscal year. Low gas prices would contribute significantly in reducing the cost of production for the manufacturing sector.

The government has already declared the fiscal year 2010 as the 'year of the industry' after the industrial sector witnessed a 3.3% decline during the current fiscal year and special attention will be focused on the revival of small and medium and the large industries. The government has decided to provide relief to these sectors as they are not only the major foreign exchange earners but also the key employers in the country.

The country was under pressure from the WTO to withdraw the research and development (R&D) support to the textile sector. The government believes that the package would enable the five sectors to become competitive in the international market.

PSF makers seek rise in customs duty

Domestic polyester staple fibre manufacturers have sought an upward revision of the customs duty on import of the finished product from 4.5% to 8% to protect the indigenous industry.

ICI Pakistan Limited, Pakistan Synthetics Limited, Ibrahim Fibres Limited and Rupali Polyester Limited approached the National Tariff Commission for reviewing the duty on finished products.

In the budget 2008-09, the rate of customs duty on import of PSF was reduced from 6.5% to 4.5% in spite of the fact that textile and industries and Production Ministries and the Commission recommended increase in tariff of PSF from 6.5% to 8%.

This change in duty structure was highly shocking and perplexing as PSF was singled out in the entire value chain of polyester industry. The domestic PSF industry accounts for import substitution of approximately $225 million. The domestic PSF industry in recent years has been going through a crisis threatening its survival primarily due to the ever increasing cost of doing business in Pakistan compared to other regional manufacturers.

The export surplus in the region may potentially lower prices of PSF imported from the regional manufacturers of Korea, Thailand, Indonesia and recently China. Domestic consumption of PSF as per cent of total fibre consumption is close to global average of 17% due to high competitive prices, reduction in working capital requirement, in time deliveries and customised products, etc. offered by the domestic PSF manufacturers.

According to the industry, rapid reduction in duty on the import of PSF in the past has reduced the capacity utilisation of PSF industry from 85% in 2003 to 53% in 2009. Operating losses of the PSF industry increased over time and the situation may lead to closure of this strategically critical industry.

Approval of eight BT cotton varieties deferred

Punjab Minister for Agriculture, Malik Ahmad Ali Aulakh has called upon the agricultural scientists to utilise their potential for producing latest variety of Bt cotton, keeping in view the domestic climate and requirement of the international market. While presiding over a meeting in the Punjab Agricultural Research Board (PARB) in which a long-term policy with regard to Bt cotton and latest seed technology was discussed.

Furthemore, the approval for eight different varieties of Bt cotton was also discussed but deferred the approval. The Minister directed the department officials that these varieties should be submitted for approval again in a meeting that would be held in February 2010 after collecting necessary information about laws of the agricultural department and modalities of working.

Meanwhile, according to some reports, Bt cotton seeds of dubious qualities have been sown in the current season by the farmers in Pakistan on a large scale, which has raised concerns amongst agriculturalists.

According to experts, this is a contravention of international agreements and treaties. Most of these seeds have either been imported or grown by the farmers themselves, this has the potential to have an adverse impact on yields and thereby productivity of raw cotton which can have long term effects on overall cotton production in the country and is also leading to a revenue loss to the government in terms of taxes. This has also caused resentment among the legal Bt cotton seed producers who blame the government for the uncontrolled use of doubtful quality Bt cotton seeds and in not educating the ignorant farmers of the pitfalls in sowing these seeds.

Government urged to resume cotton hedge trading

Cotton brokers have urged the government for resumption of 'Hedge Trading' with immediate effect to safeguard the interests of all segments of cotton economy.

Muhammad Naseem Usman, Chairman of Karachi Cotton Brokers Forum, said that Federal Cabinet in its meeting on March 23, 2005 had decided to resume hedge trading in Pakistan through Karachi Cotton Association (KCA). However, hedge trading is still banned in Pakistan, as the resumption case of hedge trading has now been transferred to the Ministry of Textile industry.

Naseem said that hedge trading is a special segment of the cotton trade and it provides a cover against the risk of fluctuations in price, thereby facilitating smooth flow of national and international trading in cotton. He said that cotton marketing involves a tremendous business rise; therefore, it is necessary that there should be some form of price insurance to reduce the risk of volatile fluctuations.

Following the nationalisation of export trade and establishment of Cotton Export Corporation of Pakistan in the public sector, hedge trading in cotton was suspended by an administrative order of the Government of Pakistan in 1976. In 2002, the Ministry of Commerce constituted a formal committee headed by chairman KCA to prepare regulations and time frame for re-starting of forward trading is cotton market.

The Committee held various deliberations and deeply examined the merits and demerits of resumption of hedge trading in cotton and recommended that the government should allow the KCA to resume hedge trading, however, it has still not resumed.

Exports of value added textile products from Faisalabad

Pakistan's textile exporters should export finished products to foreign countries instead of shipping raw cotton so that maximum foreign exchange should be earned for the country, said Federal Minister for Textile, Rana Farooq Saeed.

While addressing the members of Faisalabad Chamber of Commerce and Industry (FCCI) and local exporters, he said we are purchasing semi-finished cotton and selling it at higher prices after processing, therefore, it is imperative that we should only export finished textile products to the western and European Union countries.

The Minister stressed upon the cotton growers to cultivate the Bt cotton in abundance to harvest maximum yield. He told that out of total of the world's cotton production, only 9% cotton is produced in Pakistan, but after switching over to cultivation of Bt cotton, we could augment this ratio.

He announced that under the new Textile Policy, maximum possible relief will be afforded to the industry.

United States likely to allow duty-free import of some textile items

An amendment made to the aid to Pakistan bill authorises the US president to proclaim duty-free treatment of certain textile and apparel products from Pakistan.

The amendment, debated in the US Congress, also authorises duty-free treatment of non-textile and non-apparel products, from designated Reconstruction Opportunity Zones within or through September 30, 2024.

The inclusion of textile and apparel products is a major achievement for Pakistan as it was strongly opposed by the textile lobby inside the US, which feared that it might have a negative impact on the American textile industry.

The amendment authorises the US president to designate Reconstruction Opportunity Zones within Afghanistan or Pakistan, provided (1) certain eligibility criteria are met, including that such countries establish, or make continual progress towards establishing, a market-based economy, instituting rule of law, protecting core labour standards and acceptable conditions of work.

The US president will also declare (2) the designation of the Reconstruction Opportunity Zone (ROZ) in an area as 'appropriate', taking into account factors such as the desire of the country to have an ROZ designated in the area, the ability to set up a labour rights monitoring programme in the area, and the potential of generating employment.

The amendment also sets forth requirements to prevent unlawful trans-shipment of such products. It permits duty-free treatment to products of an ROZ in Afghanistan or Pakistan after a set-up period only if the US president certifies that the country has (1) established a labour monitoring programme in the ROZ, (2) designated a labour official responsible for, among other things, overseeing the implementation of the monitoring programme, and (3) agreed to require textile or apparel producers to participate in the labour monitoring programme.

The amendment authorises the president to waive, withdraw, suspend, or limit the application of duty-free treatment under this act. The bill's total cost is $105 million over a ten-year period. These costs are paid for by increasing customs user fees.

Textile investment support fund to be set up

A 'Textile Investment Support Fund' has been proposed in the new textile policy to achieve 25% growth rate in exports in the next five years. Sources said that the new textile 'fund' would be equally contributed by both public and private sectors. It would be a public-private partnership, based on 50-50 equity share, to raise the dismal performance of the textile sector.

The Textile Ministry has also proposed establishment of this 'fund' to the Prime Minister, who has directed the ministry to start the consultation process. Textile Ministry is still to consult the stakeholders on the fund, and it is expected that the new textile policy will be announced after the 2009-10 budget. Five areas are being focused in the new textile policy, to enhance the growth of textile industry. Measures will be proposed to attract foreign investment to set up manufacturing textile plants, and the existing ginning units would be upgraded, which would help in making contamination-free ginning of cotton.

17 textile units evade Rs 136 million taxes in cotton import

A huge tax evasion, biggest so far, in cotton import has been detected by the Directorate-General of Intelligence and Investigation (DGI and I), in which around Rs. 136 million income tax has been evaded by some 17 textile units during last ten months.

Sources said that some 17 textile manufacturers, who are also members of All Pakistan Textile Mills Association (APTMA), imported raw cotton without paying income tax at the time of import. They said that the textile sector is already paying only nominal taxes on imports besides enjoying tax holiday on several textile items.

They said that raw cotton with PCI code 52.01 is not exempted from income tax, and textile manufacturers have to pay 1% income tax at the time of its import. They however said that these units misreported cotton consignments in their invoices during July 2008 to April 2009 period causing huge losses to the national kitty.

They said that DGI and I has sent letters to Regional Tax Office (RTO) and Large Taxpayers Unit (LTU), identifying revenue leakages during this period. Sources in RTO said that the department has taken measures in this regard, adding that they had convened a meeting with the representatives of APTMA and asked them to deposit the amount in the national depositary soon.

APTMA has requested the government to withdraw 1% income tax imposed on raw material at the time of imports, saying that authority should remove 1% income tax in forthcoming budget to facilitate textile sector.

Awareness to help avoid levy of anti-dumping duties

Proper awareness can help avoid levy of anti-dumping duties on Pakistan textiles by various countries. Director, National Tariff Commission (NTC), Dr Imran Zia observed this while addressing a training session for stakeholders at Pakistan Textile Exporters Association (PTEA).

He reviewed and discussed in detail the situation in which anti-dumping duties were imposed on Pakistani textiles. He also briefed the managerial staff of the textile exporters about 'SUNSET' reviews of 33% anti-dumping duty imposed by Peru in Latin America. He said that anti-dumping duty was imposed by different countries against Pakistani textiles at different times in the past.

He said that European Union (EU) imposed anti-dumping duty on Pakistani bed linen twice. For the first time, it was imposed for a period of 5 years in 1996 and again from 2004 to 2009. Similarly, South Africa (SA) imposed duty of 43% on bed sheet exports from Pakistan also twice for the same periods.

Again Peru had imposed 33% duty in the first period while for the second period a fixed anti-dumping duty of $1.14 had been imposed. Regarding anti-dumping duty in Peru, he said that period was expiring in 2009 and a SUNSET review of the duty imposed was being undertaken. He emphasised that this duty has been imposed because of the non compliance of the exporters about questionnaire of Peru authorities.

He stressed that if the exporters cooperated and furnished complete information to the country going to impose anti-dumping duty well in time, the likelihood of removal and avoidance of this duty was greater.

Elaborating, he said that Peru authorities because of non availability of information and lack of feedback from Pakistani exporters surmised the duty of $1.14 based on incorrect information downloaded from website. Therefore, the need for serious approach and compliance to the questionnaires was imperative. He also emphasised the proper application and compliance of the rules and regulations of anti-dumping laws with the help of which duty in many cases could be avoided.

Textile industry running short of cotton bales

The textile industry is running short of cotton bales at a time when 178,000 cotton bales are available with the Trading Corporation of Pakistan (TCP). The TCP had procured these bales in 2008-09 to manage the market prices in the interest of cotton farmers.

According to the industry circles the APTMA Chairman had apprised the Commerce Secretary of the shortage of cotton in the market with a request of early disposal of 178,000 cotton bales available with the TCP. The spinning industry is already facing problems due to financial difficulties and electricity load shedding, and shortage of cotton will prove devastating for the industry.

The cotton shortage has reached over 3 million bales, as there is demand of more than 14 million bales against total production of 11.3 million bales in 2008-09. This year again, cotton crop is well short of the local demand, which has necessitated expensive imports of cotton.◆