

Textile Policy 2009-14

The government announced the first ever five-year Textile Policy 2009-2014 that aims at taking the country's textile exports from the existing US \$10 billion to \$25 billion by the year 2015. Under the policy, the textile sector would enjoy Rs 42 billion in subsidies and incentives during the fiscal year 2009-2010. The policy also exempts the textile industry from load shedding and allows it prioritized gas supply.

The government has also subsidized the export refinance with a reduced rate of 5% and Rs. 2.5 billion allocation. The policy allocates Rs. 5 billion relief on the existing long-term loans of the textile industry.

The policy offers duty drawbacks of between 1% and 3% for a two-year period for value-added textile exports to help the sector offset its direct and indirect costs. All textile machinery imports will be zero-rated to encourage new investments.

Also, a Technology Up gradation Fund (TUF) is expected to contribute upto 20% of capital cost as a grant. For this purpose, the government allocated Rs. 1.6 billion, which will increase to Rs. 17 billion by 2014.

Textile sector is the backbone of Pakistan export economy. It comprises of 391 textile units. Pakistan is the fourth largest producer of cotton and third largest consumer. It contributes 8.5% of GDP and employs 38% of the workforce in the manufacturing sector.

Its share to the total exports from Pakistan is about 56%. It is ranked twelfth in global textile exports. Export of textile products has reached \$10 billion in 2008-09 from \$7.5 billion in the year 2003-04. During the past five years when the rates of interest were as low as 3% to 5%, this valuable sector made an investment of \$5 billion. However, with more than 200% increase in the credit cost has presently forced this industry to halt investment.

Pakistan textile industry for the past few years was mainly confronted with the major problems like energy crisis, lack of value addition and branding, dearth of latest textile machinery, shortage of skilled manpower and overburdening debts.

With the view to the innumerable problems being faced by the textile industry the government unveiled the first ever five year 2009- 2014 National Textile Policy, setting the export target of \$25 billion and envisaging comprehensive measure to boost textile production. The textile policy was prepared in consultation with industrialists, exporters, agriculture experts, investors, State Bank of Pakistan and other related public and private sector to make it result oriented.

The textile policy offers about Rs 87 billion cash subsidy to the textile and clothing sector to boost textile exports to \$ 25 billion from the present \$10 billion by 2014. An amount of Rs 40 billion TISF would be allocated for technology, standardization and value addition. Also an amount of Rs 44 billion a special drawback rates will be provided to value-added textile exports for two years. An amount of Rs 2.5 billion has been allocated to make export refinance available at 5%

The textile policy target of \$25 billion for the next five years seem to be rather challenging due to present economic environment and indicators. The representatives of the textile sectors have praised the government for announcing the textile policy, which envisages \$25 billion textile export in the next five years. However, there were some voices disagreeing with the government and termed the said target 'ambitious'.

By and large, the textile sector is happy over the textile policy as in a statement Chairman of Council of All Pakistan Textile Associations, Muhammad Zubair Motiwala appreciated the new policy.

President of Karachi Chamber of Commerce & Industry, Anjum Nisar, Central Chairman of Pakistan Hosiery Manufacturers' Association, Muhammad Jawed Bilwani and Chairman of All Pakistan Textile Processing Mills Association, Nisar Sheikhani also express their satisfaction over textile policy.

They were of the view that at least after a long time, the textiles sector has finally received the Textile Policy which has set the target and direction for the next 5 years.

They appreciated reintroduction of duty drawback policy and for giving 1% to the exporter of processed fabric, 2% to home textile, 3% to garment and apparel and another 1% for the 15% better performance than last year.

The associations were all of the view that policy has touched almost all the issues pertaining to textile industry. Allocation of Rs 42 billion is a commendable move and they assured that industry would do its level best to surpass the target. ♦

