

## Textile products prices continue to decline

The unit price of Pakistani textile products recorded a sharp decline in the financial year 2008-09 due to intense competition and inability of the local export sector to honour their export commitments. Exporters said that though world economic recession has caused some damage in the form of declining demand in the western markets, however, it is more to do with the issues confronting the export sector domestically.

Nisar Sheikhani, Chairman All Pakistan Textile Processing Mills Association, pointed out that some of the orders from the foreign buyers are spill over orders, which bring lesser price. While explaining the spill over orders term, Sheikhani said there is an uncertainty attached with Pakistan export houses, in terms of delivery of orders in time, and in many cases foreign buyers opt for the other destinations to meet their requirements.

Another exporter said that plunge in unit price could be attributed to foreign buyers, who are more interested to import raw materials instead of finished products due to inability of local exporters to deliver the orders in time as well as quality parameters of their customers.

Exporters also cited the infrastructure problems like port congestion and worsening law and order situation, inordinate delay in shipment of exportable goods, subsequently shrinking the demand of the export items. According to statistics provided by the exporters, the unit price of almost all value-added textile products registered sharp decline in the last fiscal over the previous year.

## President to issue ordinance for BT cotton cultivation

President Asif Ali Zardari will shortly promulgate an ordinance to introduce the sowing of Bt cotton with a view to increase crop yield to cater to the textile sector's needs, said Textile Minister Muhammad Farooq Saeed Khan.

He announced that sowing of the newly introduced genetically evolved seeds of Bt cotton would be started from next year. He added that the government would implement the country's maiden textile policy to achieve the set target of \$25 bil-

lion in five years, and Cabinet committee in this connection has been formed to remove hindrances.

The government will provide Textile Ministry Rs 42 billion to carry out the task of encouraging textile trade, as we have also given assurances prior to announcing the first textile policy. However, he made it clear that boost in textile trade with EU and US would be the primary responsibility of textile exporters after the announcement of textile policy. He urged the stakeholders to create a strong lobby for promotion of the country in the global markets.

## Textile policy initiatives to benefit apparel sector

Pakistan Hosiery Manufacturers and Exporters Association (PHMEA) have welcomed the initiatives recently announced in the Textile Policy 2009-2014. In the Annual General Meeting (AGM) of the association, on, PHMEA Chairman, Zia-ur-Rehman Chaudhry said the policy initiatives would help the apparel export sector to overcome its difficulties, if the security situation improves in the country, the textile sector could easily surpass the export target of \$25 billion.

Knitwear exporters expressed their determination to pull the country out of difficulties, and stressed that the industrial atmosphere, for this purpose, needed to be improved by effective planning, good governance and regular supply of energy. They also demanded that the government should intensify diplomatic efforts at the highest level for duty free access for textile products in the markets of the US and the European Union.

## Investment in textile sector need of time

Federal Minister for Textile Industry Rana M. Farooq Saeed Khan has said that government will encourage the investment in textile sector. Rana Farooq told the investors that, in first ever new Textile policy of Pakistan it is mentioned that government will contribute part of the investment financing or part of the investment cost. He further said that government will pick-up 50% of interest cost of new investment in plant and machinery. Moreover, for small investments, government will contribute up to 20% of capital cost as a grant. Government has a budget of Rs.1.6 billion in the current financial year that will increase to Rs.17 billion by 2014.

## Textile exports decline by 12% in July

Exports of textile products decreased to 12% in the first month (July) of the current financial year as against corresponding period of the last year. According to the figures, Federal Bureau of Statistics exports of textile group declined to \$800 million in the month of July 2009 against \$908 million in July 2008 registering a negative growth of 12%. The break-up of textile group shows that in the previous month, export of yarn increased by 13.18%, art silk and synthetic textile 138.09%, made up articles 0.22% and other textile materials 32.96%.

However, the export of raw cotton decreased by 16.85%, cotton yarn declined by 3.21%, cotton cloth 34.73%, cotton (corded) 80.41%, knitwear 11.98%, bed wear 14.87%, towels 15.74%, tents 54.33%, and readymade garments 6.98%.

On the other hand the figures show that the import of textiles machinery also declined by 41.64% during the last month over the same month of last year.

Textile industry was employing 3.5 million labourers, 38% of the country's total labour force. However, the innumerable closure of textile mills had resulted in many direct and indirect job losses. According to conservative estimates, some 100,000 labourers were laid off, directly, which meant that 400,000 indirect jobs, supporting a family of five each, would result in a total impact of around two million families, double the number of the Internally Displaced Persons (IDPs), in the major textile cities

## Prime Minister not in favour of extra concessionary financing

Prime Minister, Syed Yousaf Raza Gilani, has not approved the provision of more concessionary financing to the textile sector in violation of the established market conditions. Presiding over a special Cabinet meeting to approve Textile policy 2009-14, the Prime Minister said the textile sector should be made self-reliant and not dependent on continuous cash support from the government.

There should not be any intervention in the established system as the industry already has access to concessionary financing. The rates should be adjusted by the State Bank of Pakistan (SBP) according

to the market conditions; the sources quoted Gilani as directing the Ministry of Textile Industry. The cabinet was also informed that the Textiles Policy was prepared in consultation with all stakeholders - industrialists, exporters, agriculture experts, investors, SBP and other relevant public and private representatives to make it a result oriented policy.

The cabinet was also apprised of the mission statements which aimed at developing and implementing a Textiles Policy for the promotion of consistency, predictability and transparency in government actions and programmes.

According to the sources declining trend in the textiles sector was due to poor infrastructure, fragmented industry, outmoded technology and machinery, export constraints, unprepared transition to WTO regime, restrictive competition, poor skills pool, regulatory bottlenecks, and absence of a truly zero-rated regime.

It was also explained that textile sectors of China and India were improving by leaps and bounds because of a generous support by their present governments. Due support would be provided for branding, grading, labelling, and the government would also use the information and communication technology to promote this sector. It was also brought to the notice of the cabinet that the job of stitching was being done by children which was against international labour laws.

### Garment orders for Christmas drop by 40%

Syed Muhammad Asim Shah, Chairman of All Pakistan Bedsheet and Upholstery Manufacturers Association (APBUMA), said that export orders for garments for the Christmas season have dropped by 30% to 40% as the production cost has increased due to 10%-15% rise in yarn prices.

He said we are disappointed because despite offering competitive prices to foreign buyers, the importers are reluctant to place orders considering Pakistan an unreliable supplier. His association has also tried to convince foreign buyers that terrorist activities had not impacted productive sectors of the economy. He disclosed that during his recent visit to Europe and the US, the foreign buyers said they could not risk their Christmas sales due to acute power shortage in Pakistan.

Garment orders for Christmas this year were 40% less than last year. Average garment exports for Christmas amount to \$1.2 billion, which will fall to \$750-800 million this year. On the other hand, when

the exporters persuaded the foreign buyers to book some orders, yarn rates increased abruptly in the local market.

### Government urged to curb the export of coarse yarn

Towel Manufacturer's Association (TMA) has urged the government to discourage the export of coarse yarn to protect the country's towel manufacturing sector. TMA said that the coarse yarn export to competing countries in the world market, including China, Sri Lanka, Bangladesh and India, which are trying to drive the country's towel products out from the competition.

The government is requested to discourage the export of coarse yarn, which could be used in the production of value-added textile items locally. It further said that the textile policy's objectives could be then easily achieved if the government facilitates the local industry.

### Textile policy's success linked to its due implementation

The value added and basic textile sectors have mostly welcomed the first five-year textile policy recently announced by the government, but they observe that its success depends on its implementation in letter and spirit. A leading bedwear exporter and Chairman of APBUMA, Syed Muhammad Asim Shah said the duty drawback of 3% on exports for the clothing sector would help the sector overcome the impact of global recession.

He termed the reduction in refinance rate to 5% as a positive step; however, he said it was not clear whether the service charges of banks were included in the subsidy on mark-up. Over the offer of 1% additional duty drawback on 15% increase in exports he said no major exporter would benefit from that concession.

He said the 5% mark-up rebate on upgrading technology was also a positive step, but much would depend on its

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implementation. Rs 5.4 billion earmarked for the payment of pending claims of research and development grant would clear dues of exporters, but no timeframe had been set for the purpose.

Pakistan Powerlooms Association Secretary General Khaliq Qandeel Ansari said the results would depend on the implementation of the policy. He said some of the incentives might not yield positive results and might lead to pilferage or wastage of money like the establishment of warehouses abroad as importing countries were reluctant to even grant visa to Pakistanis and they might not allow warehouse facilities due to terror threat.

Regarding the funds allocated for the training of workers, he said the existing training institutes had not delivered desired results. The policy gave the priority to the textile industry in the supply of power and gas, but mills had received notices for a cut in gas supply in the coming winter.

He said the mills already running on 100% capacity would not be able to get 1% additional rebate on increase of 15% in exports. The fund for technology upgradation would be wasted as it would not be possible to install new equipment in view of ongoing electricity power and gas shortages.

### Textile sector reviews the new trade policy

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.

Bilal Mulla, Chairman of Federation of Pakistan Chambers of Commerce & Industry (FPCCI) Standing Committee said that value-added textile products called the textile export target of \$25 billion 'unrealistic'. He said that the annual rate of growth of the sector was around 10% for the last 15 years, but the textile policy envisages a target growth rate of 25% for the next 5 years, which is impossible.

Presently, textile exports are at the level of around \$10 billion, and are showing a downward trend with each passing day, which implies that textile exports would further decline due to the economic slump. The drawback at 3% on garments, 2% on home textile and 1% on fabric is a step in the right direction and will impede the downward rally. Federation of Pakistan Chambers of Commerce and Industry also appreciated the textile policy 2009-14 providing incentives of export refinance at lower rates, relief on existing long-term loans, restructuring and reorganization of the textile sector, drawback of local taxes, refund of past R&D claims and monetisation of PTA.

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 Sheikhan also express their satisfaction over textile policy.

### Rs 42 billion on export promotion in 2010

Federal Minister for Textile Industry Rana Farooq Saeed Khan said the government is spending huge sums on textile export promotion besides ensuring unhindered power supply to achieve export target of \$25 billion in next five years.

Addressing a post-Textile Policy press conference, the Minister said the textile sector would be excluded from load management of electricity/gas. About increase in cotton crop, the minister said the government is introducing Bt cotton and

claimed that India's cotton production doubled through application of new cottonseed and best cotton growers would be provided premium. Measures have been taken in Textile Policy to address the problems hindering the growth of textile sector and government, through this policy, has provided incentives to investors and taken measures to resolve energy and other problems.

Under Restructuring and reorganization of the Textile Sector Scheme, those textiles units which are suffering from the general market slump but are otherwise technically viable would be helped through transitional support - in the form of loan restructuring, interest rate relief, relaxation of prudential regulations, additional financing, investment tax credit, etc.

Secretary Textile Industry Dr Waqar Masood said after coming into force of Reconstruction Opportunities Zones (ROZs), textile export to the US would be increased. He hoped that Pakistan would be able to get access to the US market through ROZs, for which some legislation is required in the US. About tariff rationalization for textile sector, the secretary said the Ministry was in touch with the Federal Board of Revenue (FBR) and hoped that from next fiscal year relief would be provided to this sector.

### Cotton market welcomes textile incentives

Cotton traders welcomed the new five-year textile policy amid hopes that it would accelerate the pace of mill buying in the coming sessions to match the anticipated boost in exports.

Analysts say the export target of \$25 billion by 2014 is a bit ambitious, but could be achieved if the fallout of the local factors, notably higher input costs and availability of lint at competitive rates are neutralized by the incentive package including a massive subsidy of Rs. 87 billion. The activity is expected to further pick up during the next couple of sessions after spinners and mills are expected to indulge in renewed buying to build-up long positions at the current levels.

Cotton prices, however, remained stable around the previous levels as most of the deals were finalized around an average rate of Rs 3,450 per maund amid relatively slow activity. Most of the deals in the Punjab varieties were quality based but Sindh lint was sold at uniform rate of Rs 3,450 to Rs 3,475 per maund. Official spot rates were marked down by Rs 50 per maund on late selling by some ginners.

### CBFA criticises new five-year Textile Policy

The Cotton Brokers Forum Association (CBFA) has criticized the new five-year Textile Policy (2009-14) saying that it has no incentive to increase the production and future trading of cotton, however, it appreciated the drawback of local taxes, refund of the past Research and Development (R&D) claims and monetisation of PTA.

Naseem Usman, a prominent cotton consultant and Chairman of Cotton Brokers Forum Association, said that cotton is used as raw material for the textile industry and the country would not be able to achieve the export target of \$25 billion without increasing the cotton production and trading. He explained that as per the new policy the cotton crop would be standardized and made contamination-free; how it could be possible when the policy has no incentive to offer to enhance the production of the crop?

He said that in the absence of certified seed and government's failure to introduce Bt Cotton for last five years, Pakistan's cotton production in 2008-09 witnessed a shortfall of 2.8 million bales but the new policy is still ambiguous over the introduction of Bt Cotton.

He urged the government to allow early cultivation of Bt cotton to meet the required target taking strict action against the use of old seed, which is vulnerable to virus. He also appreciated the key initiatives taken for creation of Textile Investment Support Fund (TISF); Technology Up-gradation Fund (TUF); Infrastructure Development; Skill Development; Zero Rating of Exports; Tax free import of machinery and rationalization of tariff structure.

In the new textile policy it is proposed that one bale of cotton will be converted to add value to the textile production. Pakistan converts one bale of cotton into \$1000 whereas our competitors earn about \$4000 per bale of cotton when converted to textile goods of high value. It required that Pakistan textile's value added goods quality should be improved to compete with regional competitors. If government wants high price of their value added fabrics then Pakistani cotton must be free of contamination and of good quality.

Usmani said that the textile policy is optimistic but proper implementation is doubtful but if implemented properly the result will be achieved otherwise like other government policies this will not achieve the laid down objectives.

### Decline in textile machinery imports in fiscal year 2009

Import of textile machinery imports declined by over 50% in fiscal year 2008-09 due to persistent crisis in the textile sector coupled with high cost of production and slow economic activity. Pakistan's textile industry is in crisis and is facing severe problems including high cost of doing business, rising competition in the world market and unclear policies, and these factors have halted new investment in the textile sector.

Since the start of last fiscal year, textile machinery import had been going down, despite government's efforts for the aggrandizing the textile sector growth and machinery import could not move up. Official statistics show that the country's textile machinery imports amounted to \$211.973 million during last fiscal year against \$438.345 million during fiscal year 2008, depicting a decline of \$226.345 million, or 51.64%.

Importers said that the 'high cost of business' has dragged the country's textile industry into severe crisis, adding that industrialists are waiting for relief from government to salvage the industry.

New investment in the textile sector has also plunged and now textile industrialists are concentrating on modification of their existing plants to meet the production demands set by the international buyers.

### Textile mills advised to strive for value-addition

The country's textile mills should strive for sophistication and value-addition of their export goods as also make them cost-effective to attain competitiveness at international market. This was stated by Jesus Felipe, leader of the delegation from Asian Development Bank, in a meeting with leading textile exporters at Pakistan Textile Exporters Association (PTEA).

He said that Pakistan's economy has a major role in Asian economies. Asian Development Bank is helping Pakistan to improve its textile sector by removing its discrepancies. ADB has launched a structural transformation program and in this connection this review and consultation mission is visiting Pakistan.

He said that long-term and short-term measures should have been taken to overcome the present situation and Asian Development Bank is already providing help to fulfill its huge energy needs.

Regarding decline in Pakistan's textile exports, he said that textile exports of Pakistan have good repute in the world and we are ready to share and redress the problems of textile industry promptly because of current war on terror.

### Swiss diplomat puts stress on technology transfer

Deputy Head of Mission Embassy of Switzerland, Nicolas Plattner said that lack of information about business opportunities is the major bottleneck in promotion of trade and economic activities between Pakistan and Switzerland. Speaking at the Lahore Chamber of Commerce and Industry (LCCI), the Swiss diplomat called for more interaction between business communities of Pakistan and Switzerland so that they could be able to take benefit of opportunities in each other's country.

Plattner said there were a few sectors which offered a huge potential to Swiss businessmen, particularly transfer of technology to the textile sector had a lot of scope. Several Swiss companies were already operating in Pakistan and doing a successful business, which was enough to prove that Swiss investment had a bright future in the country. The diplomat expressed the hope that Swiss investment would see a boost in coming months due to liberal investment policies of Pakistan government. He urged the LCCI office-bearers to bring a delegation to Switzerland so both sides could initiate joint ventures.

### Turnover tax also causes a decline in textile exports

Ministry of Textile has informed the National Assembly that the levy of turnover tax on exports is one of the major reasons for decrease in overall exports of the textile industry. In a written reply to Minister of Textile and Industry, Rana Muhammad Farooq Saeed Khan admitted that the exports of textile products have decreased during last one year.

The major reason was decline in global demand as global trade has declined by 9% and Pakistan is also facing the same challenges and global slow-down. Globally, the textile trade is also passing through a process of readjustment after quota phase out and the textile industry in Pakistan is adversely affected by the severe competition faced, thereof. The cost factors viz gas, power, labour and financial cost have increased substantially in last couple of years which have increased the cost of production of

textile products. The textile industry is unable to pass on this increase to its buyers due to the tough competition on one hand and price war on the other. Besides increase in financial cost, the exports are subject to 1% turnover tax and 0.25% export development surcharge on sales. In addition, there is a big impact of labour levies which in current situation are impacting the industry, when it is facing global slow-down.

### APTMA appreciates new National Textile Policy

All Pakistan Textile Mills Association (APTMA) has applauded the first-ever National Textile Policy announced by the government and appreciated the efforts made by the President, Prime Minister, Finance Minister and the Textile Minister. Chairman Aptma Tariq Mehmood also appreciated the role played by the Federal Textile Minister Rana Farooq Saeed, Secretary Dr Waqar Masood and his team in ensuring a balanced relief to the entire textile value-added chain of Pakistan textile.

This long awaited Textile Policy is well researched, outlines the major challenges and proposes befitting measures for stabilization, revival and growth of the Textile Industry of Pakistan. Most importantly, Pakistan not only has well defined and dynamic policy for next five years, and in for the first time focus has been developed on the utilization of women work force and domestic commerce which should be immensely useful for the growth of the industry.

A rightful direction has been established through the creation of Textile Investment Support and Technology Upgradation Funds. It manifests government's vision and intention to harness the full potential of the textile industry of Pakistan. Our textile industry is greatly handicapped by not having duty free market access to the main textile importing blocks like European Union and United States of America. Government's resolve, expressed in this policy, to focus attention in these key destinations is a source of satisfaction for the entrepreneurs.

Chairman APTMA thanked the Textile Ministry for extending the Long Term Finance Facility (LTFF) to spinning sector. This measure would prove an immense relief. Spinning sector with huge investments is an important link of the value chain of textile industry and if revived would go a long way to boost exports of all textile products. ♦