Import duty on textile machinery relief granted

The Federal Board of Revenue (FBR) has granted exemption of customs duty on import of a wide range of textile machinery and equipment including machines for extruding, drawing, texturing or cutting man-made textile materials and textile winding (including weft-winding) or reeling machines.

Under the SRO 809(I)/2009 of September 19, 2009, Federal Board of Revenue (FBR) has abolished duty on various headings of Pakistan Customs Tariff (PCT).

According to FBR estimates, the government would suffer revenue loss of approximately Rs 2 billion following exemption of customs duty on the import of textile machinery and equipments falling under the PCT headings specified in the notification.

Rise in electricity tariffs to cause crisis for industry

The Central Chairman of the Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Mohsin Ayub Mirza has asked the government to cap the electricity rate for the textile industry for a minimum of two years. He said this should be done so that this foreign exchange-earning sector could sustain itself during current difficult economic period and a better pricing could be worked out to compete in International markets.

He said that the textile policy has been appreciated throughout by the industry and has been thought of as being the best the government could do in the current circumstances. He appreciated the efforts made by the Minister and the other officials including Idress Ahmed, Textile Commissioner, to promote training centers in textile units. Mohsin expressed the view that due to power shortages, we are unable to deliver foreign orders on time and that India, China and Bangladesh are fast filling the gap with cheap rates and timely delivery of apparel goods.

He said that the government has set the export target of US$ 25 billion for the textile sector, based on this target; a proper marketing strategy has to be defined and implemented. For this Trade Houses need to be set up worldwide, like Korea, Indonesia etc. Local professionals should be hired for this purpose to create a reliable image of Pakistan and to promote its product.

ADB to help increase export diversity

The Asian Development Bank (ADB) in collaboration with the Ministry of Commerce will initiate a pilot programme aimed at increasing the level of diversification and sophistication of the export basket. The programme will also help country's policy makers to implement more effectively the recently announced trade and textile policies.

To achieve the objectives underlying the PDST initiative, the official further said that the government has set up a high-level steering committee in the Ministry of Commerce for initiating ten pilot programmes.

In the past also the focus of subsidizing was mainly on profitability, not on increasing productivity and there were administrative complexities and duplications. There is a long record of support to the textile and garment sectors that has created a bias in resource allocation.

The steering committee will oversee the pilot dialogues and will give regular guidance to the task forces. It will also review the final reports produced by the task forces and will approve the final action plans for implementation.

PTEA to focus on implementation of textile policy

The Pakistan Textile Exporters Association (PTEA) would focus on immediate implementation of the five-year textile policy and drawback facility for all the exporters without any discrimination, said Khurram Mukhtar, newly elected PTEA Chairman.

Addressing the Annual General Body Meeting (AGM) of PTEA, he underlined the importance of textile sector in the national economy, and touched upon various issues deemed responsible for crisis in this major foreign exchange earning segment.

Quoting recent statistics, he said private sector borrowing had been reduced to only Rs 90 billion. There had been little new investment within last three years in textile sector, and PTEA would now focus on immediate implementation of new policy so that it could start its recovery plan and avoid any further damage. He urged the textile exporters to forge unity and support the newly elected body to expedite struggle to get drawback facility across the board for exporters.

Projected cotton imports worth $600 million

The textile sector is expected to spend around $600 million on import of cotton from USA, India and Brazil due to decline in cotton yield this season, said importers.

Cotton remained under direct threat of a number of pests and diseases and production will remain far behind 12 million bales revised target from 13.3 million bales set for Kharif 2009-10 seasons, said officials sources in Ministry of Food and Agriculture.

Due to poor planning, spurious inputs including pesticides, insecticides and fertilizer besides uncertified Bt cotton seed kept the production below target since 2003-04, said Senior Member of Pakistan Yarn Merchants Association, Ghulam Rabbani.

He said Pakistan produces some 13 million bales of cotton per year and country's consumption stands at 16 million bales leaving a shortfall of 3 million bales. In order to meet the shortfall, Ministry of Commerce (MOC) allowed import of long staple cotton through land route from India.

Economic Coordination Committee (ECC) of the Cabinet had already agreed to allow the import of long staple cotton through land route from India and Uzbekistan to meet the country's annual shortfall of 3 million bales.

Textile City project update

Due to non-materialization of the government guarantee of Rs 1 billion issued by the Economic Co-ordination Committee (ECC) of the Cabinet, the Textile City project is in the doldrums. The ECC of the Cabinet had issued government guarantee in favour of Textile City in May 2009.

However, still, Textile City has not been able to negotiate terms and condition of the loan with any bank. Land for Textile City has been bought, located in the Eastern Zone of the Port Qasim, Karachi on 1250 acres and 300 acres adjoining land for Garments City, a dedicated zone for manufacturing value-added textile products.

The estate is located in the Eastern Industrial Zone of Port Qasim about six kilometers from the National Highway. It is a joint venture of government of Pakistan, public sector and prime financial institutions.

The land for Textile City was acquired from Port Qasim Authority (PQA), and its levelling and grading has been completed.

Sources said in the proposal all basic facilities, including establishment of captive power plant, provision of natural gas, waste water treatment plant, worker's residential complex, training institute, dedicated textile environment, power supply, continuous water supply, sewerage and storm drainage system, security and fire fighting systems, effluent treatment plant, roads and advanced telecommunication infrastructure, proximity to port and one-window and all services would be managed by Pakistan Textile City.

Due to non-availability of the finances, Textile City project has not yet taken off. The total cost of the project is estimated at around Rs 3.6 billion, excluding power plant and wastewater treatment, which would be an additional cost of Rs 5.1 billion.

Exports targets show lack of co-ordination

The lack of coordination among various organizations of the government is obvious from the fact that the Ministries of Commerce and Textile have set entire different targets for the exports for the ongoing fiscal year 2009-10, said Mian Shaukat Masud, President Islamabad Chamber of Commerce and Industry (ICCI).

He said there were lot of conflicts between the both ministries in settling export targets in trade and textile policies, which were separately announced in July and August respectively.

It may be mentioned here that the Ministry of Commerce, in the Strategic Trade Policy Framework 2009-14, has predicted that overall export will grow by US$1 billion in the financial year 2009-12 with a growth ratio of 6%. Ministry of Commerce has set $18.86 billion export target for the year 2009-10 which was $17.78 billion in 2008-09.

Contrary to this, the Ministry of Textile Industry has forecast a US$25 billion export target for next five years, which means that the textile export would see a growth of US $3 billion per year during the next five years.

Anti-dumping investigation against Hydrogen Peroxide (HP)

The initiation of anti-dumping investigation against alleged dumping of Hydrogen Peroxide (HP) in Pakistan feared to benefit a few parties and to increase the cost of production of the textile industry.

Mohammad Salam, former President of Pakistan Chemicals and Dyes Merchants Association said that local production of Hydrogen Peroxide have initaited antidumping application to maximize their profitability and to benefit exporters.

He said that if this duty is imposed , the cost of production will increase , with an increase in imports upto to 30%.

The local producers have already increase the prices of Hydrogen Peroxide up to 10%, resultantly, the prices stand at Rs 33/kilogram.

It is pertinent to mention that National Tariff Commission has issued a notice of initiation of Anti-dumping Investigation against alleged dumping of Hydrogen Peroxide into Pakistan originating in and/or from Belgium, China, Indonesia, South Korea, Taiwan, Thailand and Turkey.

3.5 million Cotton bales may be imported this year

Sources in the Ministry of Food and Agriculture said that government may import 3.5 million bales cotton during current year to meet the domestic requirements due to low production. As compared to last year's production of 11.3 million bales, cotton production is expected to be 12.5 million bales this year, instead of the target of 13.36 million bales.

At the early stage of sowing it was expected that cotton production might exceed the set target of 13.36 million bales for 2009-10 by about 9.4%to 14.6 million bales following 0.7 million acres to 0.8 million acres increased sowing in Punjab as well as with the use of Bt seed. However, it is now thought highly unlikely that the target will be achieved. This year, cotton crop was cultivated on about 7.8 million acres against the 7 million acres cultivated last year.

Sources said that due to the multiple attacks of pests on standing crop and heavy rains last month has led to reduced estimates of cotton production as about 0.3 million acres to 0.4 million acres of cotton crop has been badly damaged.

Cotton production is mainly damaged in Punjab by about 10% to 15% and total output is expected to be around about 9.0 million bales against the estimated cotton production of 10 million bales. However, in Sindh, the estimated production of 3.5 million bales is likely to be achieved.

High power rates to harm textile exports

Textile exports declined by 8.63% in first two months (July-August) of the current fiscal year and the exporters fear that the 6% increased in power tariff coupled with heavy load-shedding would further affect the sector.

A textile exporter Muhammad Yousuf said that textile industry was already overburdened and the new increase would play havoc with production, which has already come down due to power cuts.

The textile sector is already under severe strain due to escalating cost of inputs and rise in prices of overhead items, the hike would erode competitiveness and would throw exporters out of traditional markets.

Government to provide duty drawback on taxes to unsettled EPZ's units

The government has decided to provide duty drawback on local taxes and levies to textile units of Export Processing Zones (EPZs), which are not entitled to such incentive legally. The Textile Ministry has first posted a notification on its website on September 1, to provide duty drawback (ranging from 1% to 3% on local taxes and levies to the different textile sectors.

Later, the Ministry amended it on September 5, to include the units of EPZs for the facility, which are not entitled legally. The notification was again posted on the website on September 17 without any change, the Ministry sources said. It is worth mentioning that the units of EPZ are officially treated as foreign country's units and any supply of goods to these from other industrial zones of the country is deemed as export, they said.

EPZ units have already been exempted from the local taxes, then how could this facility be applicable to them. The facility to such units which are not qualified is illegal said exporters. These units do not pay for export development fund, social security, old age benefit and property taxes, while foreign exchange act of Pakistan also does not apply on them. The State Bank of Pakistan has allocated a separate country code to these units, which has been circulated among the authorized dealers in the country.

President stress direct market access facility

President Asif Ali Zardari during his recent visit to UK has stressed on market access for Pakistani textile products to European countries.

He said that textile sector is the backbone of national economy in addition to offering 40% jobs to the work force.

In spite of role of a front line country in the war against terrorism America and European Union are extending extra ordinary concessions to Bangladesh and other countries, which has inflicted direct blow to the Pakistani exports. These discriminatory policies coupled with global melt down has plunged textile sector into a crisis.

However, he said that PPP government has a privilege to announce a consensus, viable and most dynamic 5-year textile policy with emphasis on enhancing production and export of value added textile products. He said that revival of textile sector would also create new job opportunities for the male as well as female work force in addition to enhancing our exports.

Withdrawal of custom duty on import of textile machinery

Dr Mirza Ikhtiar Baig, Federal Advisor on Textiles, has welcomed notification relating to withdrawal of custom duty on import of textile machinery and equipment through SRO No 1/2009 dated 19th September 2009.

Import of textile machinery has been made zero rated in the Textile Policy announced but the Finance ministry intended to withdraw the custom duty from 1st January 2010 in view of revenue targets.

It may be noted that Dr Baig had been calling on both Finance Minister and Chairman FBR to explain that the industrial growth was impossible unless custom duty on textile machinery was withdrawn which would provide much needed job opportunity in the country. He also thanked Chairman FBR and Member Custom for expediting the process and issued the notification before Eid to save heavy demurrage on the textile machinery already arrived at the port.

Cotton lint production needs to be enhanced to achieve export target

It would be an uphill task to meet the five-year export target of $25 billion without using latest technology and enhancing production of high quality lint through introducing new seed varieties. This was stated by Dr Shahzad Arshad, Chairman of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) Standing Committee on Textiles.

He said since textile is a major part of Pakistan's exports and the country has global recognition in this sector, therefore, we need to have quality lint and abundant production for this purpose.

To resolve the issue of duty-free access of textile goods into the US and to get the GSP plus status for the EU, the Pakistani embassies in potential export countries should also work hard in this sector.

The issues of gas, power supply, and law and order also needed to be addressed to achieve the export target and to keep Pakistan's strong presence in the international market.

Textile industry urged to utilise benefits from SROs

The Federal Textile Advisor, Ikhtiar Baig, said that Pakistan is the 4th largest producer of cotton and has most modern and latest technology, best-trained manpower and skilled labour.

With the support of new Textile Policy, the industry would be facilitated with concessional financing, opening of warehouses and marketing offices abroad and market access, which the government is pursuing very effectively.

The government has issued relevant SROs weft 1st September 2009 for new duty drawback rates i.e. 1% on fabric, 2% on home textile, 3% on garments, 2.5% reduction in export refinance mark-up and 5% interest disbursement on long-term outstanding loans up to 31st August 2009. Moreover State Bank has recently introduced another scheme of concessional financing up to 3 years @ 6% + 2% = 8%, 5 years @ 6.5% + 2.5% = 9%, 7 years @ 7% + 3% = 10% for modernisation and up gradation of technology of plant and machinery of ginning sector in order to have quality cotton.

Dr Baig said the textile sector caters 55% of total exports and provides 38% jobs in the manufacturing sector. This is first time that substantial funds of Rs 40 billion for Textile Investment Support Fund (TISF) have been allocated in the budget and then the incentives in the Textile Policy are announced.

Apparel industry wants two-year electricity rates freeze

Central Chairman Pakistan Readymade Garments Manufacturer and Exporters Association (PRGMEA) Mohsin Ayub Mirza has said that apparel industry of Pakistan was already at a verge of collapse due to non-availability of electricity and 6% further increase in electricity tariffs would put the industry into serious crisis.

The interrupted utilities supply has resulted in a complete catastrophe for the industry especially for the small players who don not have their own emergency power generation.

He said that government has set the export target of $25 billion for textile sector, so keeping in view the target; a proper marketing strategy has to be defined and implemented.