

Collective steps needed to halt declining knitwear exports to United States

Vice Chairman, Pakistan Hosiery Manufacturers & Exporters Association (North Zone), Mian Naeem Ahmed has stressed collective, comprehensive, viable and immediate steps to arrest declining exports to the US markets. He was briefing a two-member delegation of Trade Development Authority of Pakistan.

He said that the share of knitwear sector is \$1.8 billion, which is 10% of our national economy. There are 2,000 members of PHMA in their offices situated in Karachi, Lahore and Sialkot. This sector is contributing Rs 400 million towards taxes and Rs 300 million towards EDF in addition to providing jobs to more than 1.5 millions wage earners.

He also explained in detail the problem being confronted by the important value added sector and said that government must clamp complete ban on export of raw cotton and cap yarn export to ensure availability of yarn to domestic industry at reasonable rates. Director General (Textiles) TDAP, Mr. Basher Saleh said that government was worried about the declining textile exports to US and said that conscious and serious efforts are being made to check this negative trend. In this connection two specialised groups have been constituted to address this issue in consultation with the concerned stakeholders.

Textile exports witness recovery on raw cotton and yarn export

Textile export witnessed some recovery after a long time in October when its export increased by 19.42% over the same month of last year. This recovery was also seen in the export of textile goods during the month of October over the preceding month of September with the growth of 11.33%.

This improvement in the textile export also impacted the first four months' export figures positively with the marginal fall of 4.72% in its overall export over the corresponding months of last year.

The recovery in textile export was mainly attributed to major export of raw cotton and cotton yarn during these months that has now days become a major source of concern for the value-added textile component because of high prices of these items in the local market affecting their performance.

Exporters commenting on the textile export growth said that it should not be viewed as a positive development as we are exporting raw material, which can fetch better price if exported after value addition. The unit price fetched by exporting raw cotton and cotton yarn is much lower than the price obtained by the value-added product.

KEPZ slams decision on drawback facility

The Karachi Export Processing Zone (KEPZ) Business Council criticized the vested interests for creating recent controversy of whether to allow 3% duty drawback facility on the exports of garments and home textile from the zone despite the clear notification of the Ministry of Textile Industries.

According to a press release, a spokesman said under the current circumstances, when number of factories have already closed down and others are facing liquidity crunch due to international economic conditions and recession in the countries, where Pakistani textiles are being exported, such attitude is difficult to understand as denying drawback facility would render the manufacturing non-competitive in the zone resulting in more closure of textile factories in the zones and would also leave thousands of workers jobless out of which 50% are female workers.

Government incentives to textile sector start showing good results

The government has provided maximum tax incentives and concessions to the textile sector, including exemption of customs duty on import of a wide range of textile machinery and equipment, which has enhanced exports of textile products during the second quarter (October-December) 2009-10.

Federal Secretary for Textile Industry Waqar Masood Khan said that the government had fulfilled a major demand of the textile sector to zero-rate duty on the import of textile machinery. The new textile policy had started showing good results following issuance of notifications in September. This is evident from increase in textile exports during the second quarter (October-December).

On monthly basis, he said, textile exports had increased by \$825 million, however, exports during the first quarter

of the current fiscal were not significant, but the situation started improving after the announcement of the new textile policy in August.

Waqar Masood said in April-June (2008-09), textile exports stood at \$725 millions per month in the said quarter. When contacted, leading textile exporters said that under the new policy, the Ministry of Textile had issued three notifications to facilitate the industry. They said the textile manufacturers would receive three-percent drawback on garments, 2% on home textile and one percent on fabrics. A relaxation of 2.5% was given in the interest rate under the export-financing scheme.

Spinners book \$300 million fresh export orders of cotton yarn

Despite the acute shortage of cotton yarn in the country, spinners have booked \$300 million fresh orders for export of the commodity. The shortage of cotton yarn has left adverse affect on the value-added textile sector in the shape of high prices of cotton yarn and in some cases even its non-availability has created problems for them to operate their units.

Cotton yarn is the basic ingredient of the value-added sector, however high prices have made value-added textile products uncompetitive in the international market and furthermore shortage has been making difficult for them to meet the export orders.

Value-added textile manufactures regretted that no action has been taken on part of the government to save the sector from crippling and came hard on Trade Development Authority of Pakistan (TDAP), which has been oblivious to the precarious situation the textile sector.

With a net deficit in cotton demand and supply balance sheet in Pakistan this season (2009-2010), it is anticipated that lint prices would show a phenomenal increase, suggests Globe Cotton.

Therefore, several ginning factories, particularly in Sindh have closed down or have reduced their working by several hours. Under these circumstances, mills in Pakistan have increased their inquiries for imported cottons and are seeking viable rates from several origins to replenish their inventories.

Yarn prices increase is attributed to high cost of Polyester Staple fibre and raw cotton

The All Pakistan Textile Mills Association (APTMA), responding to concern of All Pakistan Cotton Power Looms Association over rise in yarn prices, has attributed it to a 35% increase in polyester staple fibre prices and high cotton rates.

In a statement APTMA, on behalf of its yarn manufacturing member, said the principal factor behind the rise in yarn prices was a steep increase in PSF prices in a short span.

The association pointed out that the largest PSF producer of the country had shut down completely, resulting in acute shortage and soaring PSF prices.

The market is experiencing a shortage of more than 11,000 tonnes of PSF every month. This shortage along with the protection provided by imposing anti-dumping duty on PSF imports has enabled local PSF manufacturers to raise prices periodically.

Another factor, the association said, which weighed heavily on supply of yarn

at competitive prices was unplanned gas load shedding which disrupted supply to majority of the mills running on gas.

APTMA said increase in the price of cotton and other inputs had also contributed to the rise in yarn prices and pointed out that exports of cotton-polyester and polyester yarn was negligible ie less than 5% of total production and was not a cause for their shortage and high prices in the domestic market.

Pakistan hopes to develop new textile capacity with China

Commercial Counselor of the Embassy of Pakistan in Beijing Naeem Khan said that Pakistan hopes to develop new textile capacity with China. Pakistan's exports to China soared in 2005 and 2006, mainly due to two textile categories - cotton yarn and coarse cloth. Exports of the two products declined by 18% and 20% in 2008-09, but still accounted for 60% of Pakistan's total exports.

In the era of globalization, textile production in high-cost countries such as countries in the European Union, Japan and the United States continues to decline,

which provides a good opportunity for Pakistan under Pakistan-China Free Trade Agreement.

Pakistan is the world's fourth largest cotton-producing country, 58% of national export value comes from textile industry. According to Pakistan's new textile policy, the government plans to build more industrial parks and develop industrial clusters zone; at the same time, Pakistan will provide incentives to encourage and promote local enterprises in establishing joint ventures with international brands, develop production of textile machinery and supporting industries, such as dyes and auxiliary equipment industries, etc. These measures should become a driving force to promote textile cooperation and collaboration between Pakistan and China.

Therefore, textile industries in Pakistan and China can strengthen cooperation in product development and more effective application of technology, in order to improve efficiency and productivity, provide consistent production standards, shorten development cycle, thus comprehensively boosting production capacity in supply chain, strengthening operations, constructing logistics capacity, IT infrastructure and standardization.



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Offers from interested parties must be in writing and should be sent to the Receivers address below by Friday 15 January 2010 at 17h00 CAT. Late bids will be rejected.

Please note that the assets are subject to a reserve price and the Receivers reserve the right to accept or reject any offer.

For further information and terms and conditions of the offer, please contact the Receivers at the following address:

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c/o PO Box 27957 - 00100 GPO, Nairobi,
Tel: +254 (0)20 271 1014 / 5
Fax: +254 (0)20 271 1016
E-mail: lusaka@begbies-traynor.com
Contact persons: Ian Small and
Patrick Maina

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Plot 5258 Nakambala Crescent, Ndola
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Tel: +260(211) 227574/227484
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E-mail: simezasangwa@lconnect.zm
Contact person: Robert M Simeza

1% duty drawback on yarn suggested

Dr Mirza Ikhtiar Baig, Adviser on Textile to the government, has suggested that 1% duty drawback should be given to those yarn exporters who also supply in the local market. He said he had conducted various meetings with textile associations to encourage supply of cotton yarn to the value-added textile sector.

They were of the opinion that 1% drawback allowed to large export houses in the textile policy may be given to suppliers of yarn to the local value-added textile sector. This incentive will encourage them to supply locally instead of exports and will ensure supply of required yarn to the value-added sector.

In the budget, Rs. 2 billion have been allocated under the scheme of large export houses for the current year and can be utilised for the said incentives to local suppliers of yarn to the value-added sector. Bangladesh has given similar incentive (GSP) on local supply of raw material to its garments industry.

Need for saving textile industry stressed

The leaders of textile sector have emphasised the need to find possible solution to save Pakistani textiles facing multiple crises like energy security, non-availability of yarn and unhealthy competition in international export market.

Dr Khurram Tariq, former Central Chairman, Pakistan Hosiery Manufacturers Association (PHMA) demanded for encouraging local sales and discourage export of yarn without effecting profitability of the spinners in the best interest of the future of textiles industry.

He proposed that regulatory duty on yarn exports should be distributed amongst spinners through their association. Advocating his proposal he pointed out that this step would bring more foreign exchange by value-added yarn consuming textile industry, on one hand, while saving Industrial Capital plus investment of billions of rupees including future of whole Textile Sector.

Furthermore this exercise will increase efficiency and profitability of spinners on permanent basis, and will develop an automatic price adjustment mechanism, which will create win-win atmosphere for all the stakeholders. He explained that this proposed step will not put any financial burden on government and spinners will devise basis for distribution of funds,

which could be on the basis of local sales and there will be no complaints for the government.

Super textiles to get government support

The government is looking to foster the struggling textile industry, hoping to transform it into one of the nation's most competitive fields and a growth engine for the future.

The Ministry of textile said that it is working on a new development project that would increase support for super textiles as well as environment-friendly, nano and smart textiles.

The government said it will first collect opinions from professionals in the textile industry and then create a road map mostly centered on research and development projects. It hopes to develop the blueprint by the end of the first half of 2010.

According to the Ministry, the textile industry has proposed a plan that includes filtering 1.1 trillion won (\$946.2 million) to 110 projects over the next 10 years. Among the projects, super textiles are considered to be the next-generation material in the textile industry.

Bangladesh jute export ban affecting Pakistani jute mills

Federal Investment Minister Waqar Ahmad Khan has assured Pakistan Jute Mills Association (PJMA) that the government will take up the issue of ban on jute export with the Bangladeshi government. The government of Bangladesh had imposed a sudden ban on the exports of raw jute when the consignments of importers were lying on the ports.

Terming the ban on jute export by Bangladesh as unfair, the PJMA delegation said that they had already paid the price of the raw jute to their Bangladeshi clients and such a step at this stage did not seem rational. PJMA Chairman Malik Muhammad Asif requested the Investment Minister to persuade the Bangladeshi government to honour all contracts signed by Pakistani Importers and Bangladeshi exporters by the end of December, 2009.

He said that the government of Bangladesh had violated international norms both on legal and moral grounds as the abovementioned shipments had already been paid for through TT /LCs at sight. The PJMA stated that the jute was

being utilised for making sacks for packing wheat, rice, sugar and other commodities and in case the Bangladeshi government was not ready to lift the ban, it would create serious problems for Pakistan jute industry.

NTC to review polyester duty structure

The National Tariff Commission (NTC) has initiated an investigation to review the duty structure of polyester chain including PTA in pursuance of para 67 of the Textile Policy 2009-14 speech made by the Textile Minister. To promote utilisation of man-made fibre and diversify the export mix, monetisation of customs duty on PTA is being continued to offset the additional cost for the users in the current year. This will entail an expenditure of Rs4.5 billion approximately during the current financial year (2009-10).

The Act provides for a due process to be followed under which the commission will carry out an in-depth examination of the case of protection to the indigenous industry and comprehensive analysis of relevant data.

Spinners have warned that any curbs on yarn export resulting in lower prices of the commodity would be counter-productive for the value added textile sector which may be subjected to countervailing duties under the World Trade Organisation.

All Pakistan Textile Mills Association's former chairman Akber Sheikh warned the clothing sector that any restriction on yarn export as demanded by the textile value added sector, being contrary to WTO obligations, would lead to textile value chain being considered a beneficiary of subsidised input. The entire industry would become vulnerable to countervailing duties by importing countries.

He said European Union countries were sensitive to trade-distorting measures evident from the countervailing duty imposed on export of bedlinen from India and a complaint file against subsidy being given to the PTA industry in Pakistan.

He pointed out that EU trade counselors had already complained about export restrictions on raw leather from Pakistan. They would be much more sensitive about cotton yarn.

He said the value added sector should adopt a mature stance. The sector should learn to live with market forces like the spinning sector which even in a period of acute raw cotton shortage never demanded a ban on cotton export.

Negative country image affecting exports

Negative image of the country as 'a cauldron of terror' has become a major barrier of export trade notwithstanding the competitiveness and quality edge of Pakistan's textiles, said Chairman of Pakistan Textile Exporters Association (PTEA), Khurram Mukhtar.

He said that the largest chunk of textile exports, particularly the home textile, was marketed to US but lately the country's image as international trade destination has been tarnished due to terror on the country's northern borders. As a result of this, the buyers are hesitant to place orders and are also unwilling to come to Pakistan, for security reasons, to inspect the manufacturing facilities and to build their inventories.

Pinpointing other factors adversely affecting the traditional edge enjoyed by Pakistan's textiles, long hours of electricity and gas supply suspension had slowed down the pace of industrial growth and as a result, the manufacturing activity has been reduced to 40% and affected industrial units being export-oriented are unable to meet their export commitments on account of production stoppages due to non-availability of energy. Pakistani exporters are losing their credibility in international market.

Even being the 4th largest cotton producing country in the world, the upstream value-added industrial chain is confronted with shortage of raw material. He said that cotton and cotton yarn are the main raw material for the textile chain. Export of these items at large scale in last few months has been the main cause of current crisis. Severe shortage of cotton and cotton yarn and 25% to 30% hike in their prices are adversely affecting the exports of textiles which have already declined by 11.45% in the first quarter of fiscal year.

He said that Bangladesh government is giving incentive support of 17% to its exporters. There are no labour laws and their labour wages are almost half as compared to Pakistan. and as a result, they are continuously raising their share in international trade. However, we have better infrastructure and double production capability than Bangladesh but some internal factors such as energy crisis, high cost of inputs, lack of raw material, heavy burden of levies and taxes and deteriorating law and order situation are creating hurdles on the path of betterment.

Pakistan's share in the total export trade of home textile and clothing only 3%.

Textile supplies hit by transporters engagement with Nato

Textile supplies have been hit hard due to the heavy involvement of goods transporters with the Nato supplies. The industry sources said that an acute shortage of goods transport between the port city and the upcountry had resulted in 100% increase in transport charges, causing cumbersome pressure on cost of doing business.

Chairman of All Pakistan Textile Mills Association (APTMA), Punjab, Gohar Ejaz said the transport shortage was becoming bigger problem than energy shortage. It is interesting to note that the charges for transportation of a container from upcountry to the port is costing Rs 70,000 (\$900) as against Rs 32,000 (\$400) for the shipping of the same from Karachi to Hong Kong.

The textile circles said the textile millers were not relying on railways' facility as a carrier of logistic. The present increase in oil prices by the government has multiplied the woes of the textile industry. The transporters would add further to their charges, which would be a blow to the cost of doing business.

Cotton production may rise 8%

Global cotton production in 2009-10 is expected to fall by 5% over last year, but cotton output in Pakistan may rise by 8% to 2.1 million tonnes.

According to the International Cotton Advisory Committee, global cotton stocks are expected to fall by 13% to 10.7 million tonnes by the end of 2009-10. This will be the largest decline in stocks since 2002-03 which reflects a combination of lower production and rebounding consumption.

World cotton production is projected at 22.2 million tons in 2009-10, which is 5% lower than in 2008-09 due to lower

yields. This is the third consecutive season of decline in global cotton production, which is the result of a drop in price competitiveness of cotton compared with competing crops, and also, in the last two seasons, of a weakening of cotton yields.

Cotton output may touch record 17 million bales

A record flow of phutti from fields into ginneries gives rise to hopes of harvesting a bumper cotton crop. Analysts believe that the sporadic cultivation of Bt cotton both in Sindh and Punjab has resulted in sudden hike in cotton production. If the pace of current arrivals of phutti is taken into account it would mean that the country may achieve a record cotton production of around 17 million bales this season.

Since the cotton economy had been operating on free market mechanism for over a decade dealers believe that surge in prices was primarily influenced by higher world prices.

Similarly, exporters also purchased huge quantity of cotton during this period strongly indicating that prices lower than world market rates have attracted them to make big profits.



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Textile sector rejects further raise in power tariff

The textile sector has rejected any further rise to the power tariff, and termed it detrimental to the viability of the industry at large. The textile industry has been demanding a separate textile industry power tariff in order to ensure smooth flow of exports. According to the textile circles, India was offering special incentive in the shape of duty drawback to those textile units, which rely on self-generating the electricity.

According to the industry circles, the conversion rate of electricity was 35%, which is common in all competing countries. The industry circles said the conversion cost would rise further with the increase in tariff and ultimately put the industry upside down like it had already done with the independent feeder-run textile units.

The press reports have also suggested that the exporters have booked fresh orders of approximately \$300 million of cotton yarn amid a serious crisis of yarn prices. The industry sources expressed their severe doubts, and maintained that the situation would only lead to further worsening.

Textile exports may increase by 15%

Textile exports for 2009-10 may rise to \$11.5 billion with an increase of 15% as compared to last year, said Textile Industry Secretary Waqar Masood Khan. He said during the first three months of the current financial year textile exports amounted to a monthly average of \$823 million compared to \$770 million recorded during first six months of 2009.

Last year textile industry was near to achieving \$10 billion exports, but its exports for the current year are expected to be around \$11.5 billion, registering 15% increase against last year. The key exports of Pakistan, namely textiles, have started showing positive signs with increase in exports of raw cotton and yarn and some value added-cotton sub sectors. Most notably, knitwear and hosiery have shown a rising trend.

The Textiles Secretary said that the textile policy has contributed significantly in spurring the current momentum. The key initiatives adopted under the policy have already been put in place. These include mark-up support of 2.5% in export refinancing, 5% support in all long-term loans of the industry, drawback of local taxes and levies, reimbursement of regulatory costs of EOBI, and social secu-

urity for women and handicapped employees of textiles sector and duty-free imports of textiles machinery.

He said that hike in prices of yarn and cotton yarn has compelled the Ministry to take some action to arrest the rising prices of cotton and cotton yarn, which is hurting exports of value-added apparel sector.

US \$1 billion apparel export orders unlikely to be met

Due to high price of cotton and yarn in the local market, exporters may fail in fulfilling the European and American apparel export orders worth \$ 1.0 billion for Christmas and New Year, said Chairman of the Pakistan Cotton Fashion Apparel Manufacturers and Exporters Association, Dr Shahzad Arshad.

He said the government should levy a regulatory duty on the export of cotton and yarn without any further delay otherwise the export-based apparel industry would face an irreparable loss.

The exports of apparel from Pakistan in the last ten years had increased from \$1.5 billion to only \$3.5 billion, whereas in Bangladesh the exports increased from \$1.5 billion to \$12.5 billion which showed that Pakistan's exports were much below as compared to other competitors in the region.

The cost of doing business was constantly going up not giving a sigh of relief to industrialists, adding that the government should take immediate steps otherwise this situation would create massive unemployment in the country, due to large scale closure of apparel units.

Sri Lanka believes in market-oriented policies

Consul General of Sri Lanka, V.S. Sidhat Kumar said Sri Lanka believes in market-oriented policies for helping increase export trade. In a meeting with members of SITE Association of Industry (SAI) Kumar said that the bilateral trade between both countries has been strengthened through increase in number of products which amount to 4000 that can be imported from Sri Lanka under final phase of Free Trade Agreement (FTA) effective from March 20, 2009.

Pakistan has become second largest trade partner for Sri Lanka in South Asian region. Trade between two countries increased to \$270 million in 2008. Only export of valued- added textile has reached more than \$100 million.

There is also a great demand for Pakistani products. Pakistan can export

cotton yarns and fabrics, knitted or crocheted fabrics, other made-up textile articles, articles of apparel and clothing accessories etc.

APTMA concerned over imposition of THC by ISAA-C

The All Pakistan Textile Mills Association (APTMA) has expressed serious concern over unilateral imposition of Terminal Handling Charges (THC) by the India Sub-Continent and Asia Conference (ISAA-C) at Rs 8,760 and Rs 13,170 per 20' and 40' containers respectively from November 1, 2009.

According to the Association, exporters of goods and commodities in Pakistan have barely been breaking-even and this situation has worsened due to power outages, rising cost of POL, power, gas, increase in wages, rise in the cost of production due to law and order situation and other local constraints. If the imposition of THC is not withdrawn, the incumbent government's efforts to facilitate exports would be severely hampered.

APTMA has requested the Commerce Minister to personally intervene in the matter and take it up with the concerned Ministry and urge local ISAA members to withdraw THC.

APTMA concerned over law and order situation

All Pakistan Textile Mills Association (APTMA) Punjab has expressed concern on the recent acts of terrorism and poor law and order in the province. Chairman Aptma, Gohar Ejaz and Chairman Committee on Law and Order, Akber Sheikh have further pointed out that industrial units run by Aptma members are classified as Large Scale Manufacturing units each of which employ about a thousand workers and sometimes several thousand workers.

Furthermore, these units exist in the form of clusters located around main transport arteries. These facts give rise to special problems needing special solutions.

The APTMA Chairman said solutions have to base on the integration of industry security apparatus with the police, improving communication between the industry and the police and development of rapid response capability through police joint action.

In this regard APTMA has suggested formation of a joint industry-police committee for the development and co-ordination of the response and maintenance of law and order system. ♦