

## Businessmen from Multan seek direct access to US markets

Co-ordinator Value Added Textile Forum (VTF) Syed Muhammad Aasim Shah, Chairman Multan Dry Port Trust (MDPT) Muhammad Ahsan Shah, President Multan Chamber of Commerce & Industry (MCCI) Shahid Naseem Khokhar have urged US President Barack Obama to provide direct access to Pakistan in the US markets at zero duty for strengthening Pakistan's economy.

European Union has supported the demand of Pakistani manufacturers / exporters.

Thomas Donohue, President US Chamber of Commerce (USCC) has also supported Pakistan's long standing demand of duty-free imports of Pakistani products on an urgent basis.

President Obama should also announce incentives for revival of Pakistan's economy as the country suffered losses of lives, destruction of infrastructure and displacement of millions of people to stamp out terrorism from the region. Pakistan has sustained losses of at least \$4 trillion including \$200 billion to its economic sector after 9/11, therefore, US should buy back products from industrial zones in Pakistan and strengthen the existing industrial zones with the provision of modern infrastructure.

## APTMA concerned about low investment in textile sector

Textile entrepreneurs are concerned on stalled investment in textile sector for the last five years, which would hurt the country in the near term as developed economies are to reduce textile tariff by 50% in the next three years.

We would have to double our basic textile production in the next three years to exploit the potential strength that Pakistan possesses in this sector, said Chairman All Pakistan Textile Mills Association (APTMA) Gohar Ejaz.

He explained that under a WTO agreement all developed economies are bound to reduce their MFN (Most Favoured Nation) tariff on textiles by 50% to an average of 7%. This offers great opportunity not only to yarn and fabric exporters, but to many categories of value-added textiles. This would also help us to compete against countries like

Bangladesh that enjoy zero or very low tariff.

Former APTMA chairman Abid Farooq said that currently only China, India and Pakistan are capable of producing and consuming basic textile products. The rule of thumb globally is that any country with per capita income of over \$2,000 becomes uncompetitive for production of yarn and fabric, because the labour costs become prohibitive for producing low value-added basic textiles.

China with per capita income of over \$4,000 is gradually opting out of basic textiles. India at current growth rate would start opting out in the next three to four years. Pakistan would be the only major cotton producing country to have competitive advantage in basic textiles and need to increase production capacity to take advantage of the opportunity.

## India agrees to duty-free Pakistani exports to EU

India has agreed to drop its objection at the World Trade Organisation (WTO) against the European Union's decision to allow duty-free access to 75 Pakistani products. India had raised objection against the EU's decision, fearing it might hurt its exports to the 27-member block.

Pakistan's Foreign and Commerce Ministries had sought help from Federation of Indian Chamber of Commerce and Industry (FICCI) Secretary General Rajiv Kumar, who assured to take up the matter with Indian Prime Minister Manmohan Singh.

Pakistani High Commissioner to India Shahid Malik has been informed that Manmohan Singh has agreed to withdraw India's objection at the WTO's forthcoming meeting in October.

The duty-free exports of textile and leather products from Pakistan will benefit EU countries as they will get the finest products at the cheapest price in the world. The EU has exempted Pakistan's leading value-added textile and leather products from custom duty for the next three years. The EU free custom duty offer was applied for Jan 1, 2011, designed as an aid-linked package to help recover the country from the flood catastrophe. The falling Pakistani rupee against the dollar and other major currencies, and exports of textile and leather goods at cheaper rates would greatly benefit the EU countries.

He said the lifting of duties would result in an increase of EU imports to a tune of about US\$ 140 million. Exports

from Pakistan are currently worth about 3.3 billion euros annually, of which 900 million euros come from the 75 items.

## Demand to ban cotton exports

The value-added textile sector has suggested the government that besides putting an immediate ban on cotton export, it should buy cotton from United States, where States like Louisiana, Arkansas, Mississippi and Missouri have witnessed a bumper cotton crop.

Chairman, Towel Manufacturers' Association of Pakistan (TMA), Southern Circle, Syed Usman Ali said according to a careful estimate, matured cotton crop over an area of 200,000 acres of land in Sindh has been damaged resulting in the destruction of 1.0 million bales to 1.5 million bales of cotton.

A bumper cotton crop of 4.5 million bales was expected this year in Sindh out of which 500,000 bales have reached the market, while rest of the cotton was lying in the field. This has pushed up cotton price by 15% and is now available at around Rs 6,400 per 40 kg.

Usman Ali, therefore, demanded that in order to control the situation, government should put an immediate ban on cotton export, rather import cotton from the neighboring India as its output has exceeded 36.38 million bales during 2011-12, while the government had expected just 35.5 million bales. Ban is put not only on cotton but also on cotton yarn so that the textile industry, particularly value added textile sector may survive.

## Government urged to release promised rebate to textile industry

The government must release Rs 23.4 billion in rebates to value-added textile makers, which need support to remain in business after incurring losses because of last year's unprecedented surge in cotton prices, said Pakistan Apparel Forum (PAF).

A large part of drawback of local taxes and duties promised under the Textile Policy 2009-14 is stuck up for the past two years despite repeated pleas to authorities for releasing money.

Rafiq Habib Godil, Chairman of Pakistan Knitwear and Sweaters Exporters Association said that textile exports, which jumped 35% to \$14 billion in 2010-11, will drop below \$10 billion this fiscal year

due to plunge in cotton price. The losses faced by the industry are huge and ultimately banks will feel the hit

The record rise in price of cotton to Rs 13,000 per bale forced garments, towels and bed sheets makers to incur huge losses as they had made forward contracts with international buyers at a much lower price.

Zubair Motiwala, a textile businessman, said that it remains difficult to quantify the losses that the value added textile industry faced, but the amount could be close to Rs 50 billion. This is in addition to the factories that closed down after they failed to meet their commitments.

### Value-added textile exporters seek government help

The value-added textile producers-cum-exporters seek the help of the Government to reopen of industrial units that have ceased operations. The government has been urged further assistance by way of export development fund.

Pakistan Hosiery Manufacturers and Exporters Association (PHMA) stated that the government should immediately release Rs 23.4 billion in refund to the value-added textile producers to support the industry hit by rise in cotton prices last year.

Pakistan Apparel Forum (PAF) stated that concerned authorities should release the significant sum of local duty drawback refunds promised under the Textile Policy 2009-14.

According to the Pakistan Knitwear and Sweaters Exporters Association, such withholding of entrepreneurs' money by the tax authorities is forcing many small units to cease operations due to lack of working capital. The Association stated that the fall in cotton prices may cause textile exports, which grew by 35% to US\$ 14 billion during last fiscal, to fall below US\$ 10 billion during current fiscal. This has led the industry to suffer substantial losses and eventually the banks would have to bear the consequences.

### US committed to helping Pakistan

The US is committed to establishing ROZs in Pakistan and a high level delegation of trade representatives is visiting Pakistan to have talks on Free Trade Agreement and market access to promote bilateral trade and economic relations between the two countries.

Jimmy Mauldin, Economic Officer, US Embassy Islamabad addressed leading textile exporters at Pakistan Textile Exporters Association (PTEA).

The US envoy said that there were a lot of opportunities in this economic environment. Pakistan has vast potential in textiles and we have traditional trade and economic relations between the two countries. Business-to-business ties between the US and Pakistan are very important.

He said that the role of Pakistan in the war against terror was exemplary and his country was highly appreciative of the efforts of Pakistan. PTEA Chairman Wasim Latif said US is the major trade partner of Pakistan. Share of exports to US is 20% of our total exports. Exports of home textiles to the US market is around \$1.5 billion plus and over the last five years home textile exports to the US have declined from \$1.6 billion in 2006-07 to \$1.39 billion in 2010-11. Highlighting the challenges, he said that foremost of the challenges is high custom tariff on Pakistani textiles in the US. Our textiles are subjected to more than 10% custom duty and exports are unable to compete in the face of 0% duty on Bangladeshi and less than 10% tariff on Sri Lankan & Indian exports. Delays due to extraordinary examination and clearance of our consignments at the US ports are another challenge for Pakistani textile exports.

### APTMA-GIZ Energy Management System

More than 300 textile mills have shown interest in Energy Management System jointly run by the GIZ, German

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Organisation for International Development, and All Pakistan Textile Mills Association (APTMA). The GIZ has extended the EMS to 25 textile mills so far for energy conservation.

Under the facility, electricity consumption is monitored through GIZ software, conserving 20% electricity besides controlling CO<sub>2</sub> omission.

Pakistan is presently facing unprecedented energy shortage, affecting the textile industry production by 30%. In total, the textile industry consumes 2000MW electricity, availability of which is becoming a Herculean task for the government. A good number of basic textile units have closed down their operations since November 2007 due to energy shortage. GIZ provided its expertise to the textile industry free of cost and proved the effectiveness of the software utilised for energy conservation.

Secretary General APTMA Anis-ul-Haq said that the industry would avail consumption of 200MW besides controlling omission of 28,750 tonnes hazard gases through the EMS by the GIZ. It would reduce production cost and strengthen the industry potential to compete in the international markets.

### Ginning factories in Sindh face temporary shut down

Cotton prices have gone up by Rs 1,100 per maund due to ongoing rains in Sindh and Punjab. The rains have damaged 2 million bales spread on thousands of acres of land.

According to the Pakistan Cotton Ginners Association, due to disruption in arrival of cotton in market and large scale damages to cotton crops caused by rains, the prices have gone up. The cotton prices are likely to increase further with the increase in demand of ginning factories and textile industries.

On the other hand, 200 ginning factories have already stopped functioning due to unavailability of cotton and increase in prices. The source said that earlier growers were expecting 16 million bales of cotton but recent rains have affected 2.0 million bales spread on thousands of acres of land, due to which the set target could not be achieved and cotton prices could cross the record prices.

### Cotton production target can't be achieved: PCGA

Pakistan can not achieve its target of 16 million bales because cotton producing cities of Badin, Gharo, Sanghar, Mirpur Khas and Tando Muhammad Khan were flooded due to incessant rain in these areas.

Pakistan Cotton Ginners Association (PCGA)'s Executive Council member Ehsan-ul-haq said that the floodwater destroyed standing crop on 2.5 million acres of land in five districts, Tando Allahyar, Sanghar, Mirpurkhas, Umerkot and Tharparkar which are considered hub of cotton and some others are the major crops. Standing cotton crop on 1.0 million acres land suffered losses of about Rs 48.75 billion.

He said that Pakistan had achieved the cotton production target in 2004 when it attained the production of 14.35 million bales due to fair weather and no viral as well as pest attack. In 2010, Pakistani cotton production was assessed at 14 million bales but flood waters destroyed and estimated 700,000 acres of cotton.

He feared that Pakistan may lose 10% of its cotton production if Punjab saved from the rains and flood. In spite of that government should prepare the Trading Corporation of Pakistan for the purchase of at least 2 million bales to stabilise the prices in local market and to save the growers from the losses.

### Cotton export doubtful as rains damage crop

The All Pakistan Textile Mills Association former Chairman Gohar Ejaz has said that country would be unable to export cotton as 16 million bales production target is unlikely to be achieved due to torrential rains.

According to estimates, the rains have destroyed approximately 1.5 to 2 million bales leaving a short fall of about 1.5 million bales in comparison to last year; therefore, the country will not be able to export its cotton, however, it is sufficient to fulfill the local requirements.

In Sindh, the rains have destroyed crop of cotton over 200,000 acres of land and damaged approximately 1 million to 1.5 million bales.

As per initial estimates, around 15% to 20% of cotton crop has been damaged in Sindh as well as Punjab due to torrential rains. The yielding will likely to fall by 1.5 to 2 million bales this year in both provinces as the Federal Ministry for Food and Agricultural had set the target of about 16 million bales for financial year (2011-12).

The current situation might turn into a Non Performing Loans crisis if no financial support is extended to the industry. He said it is impossible for the industry to operate on 14% plus mark up rate. The textile industry being an export industry cannot pass on the high costs of borrowing to buyers.

### PRGMEA: Rs 33 million approved for entrepreneur centre

Chairman Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA), Ijaz A. Khokhar has said that government has approved a grant of Rs 33 million out of the Export Development Fund (EDF) for setting up a display centre, office building and women entrepreneur training centre in the city.

He said that the industry is at present facing serious problems due to the shortage of trained and skilled industrial workers. The establishment of training centre in this export-oriented city and hub of cottage industry would surely usher in new era of development prosperity and will produce skilled and trained industrial work force for the local industry.

He disclosed that they are considering imparting training separately to male and female workers in different sections of the industry he proposed training centre, display centre would be an addition in the export city.

### KBP demands WHT abolition on cotton trade

The Kisan Board Pakistan (KBP), welcomed the withdrawal of levy of withholding tax on trade of cotton. The Board has urged the government to abolish it from trade of other agricultural commodities to save the agri sector from destruction.

KBP President Zafar Hussein and General Secretary Muhammad Ramazan Rohari in a joint statement appreciated the government step of withdrawing levy of withholding tax on sale/purchase of cotton. The growers' representatives also demanded abolition of this levy from trading of all the agricultural commodities.

The KBP leaders alleged that agricultural economy was already facing crisis due to high prices of fertiliser, diesel, pesticides and other agricultural inputs. Levy of further taxes would totally ruin the farmers. They claimed that the buyers had drastically reduced the prices of agricultural commodities due to levy of withholding tax due to which growers were finding it hard to even meet their input cost.

### Woven garment exporters facing acute liquidity crunch

Woven garment exporters are facing acute liquidity crunch, as payment of billions of rupees is stuck up with the government departments on account of rebate, customs drawback and sales tax refunds, said Chairman Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA) North Zone, Mubashar Naseer.

He said it is becoming financially unviable for a large number of woven garment exporters to survive amidst severe financial pressure. About Rs 23.42 billion are stuck up as claims under the Duty Drawback of Local Taxes & Levies (DLTL) Scheme. Both the customs drawback and sales tax are supposed to be computerised and released automatically as per schedule. However, no payment of stuck up claims has been made by the concerned departments so far.

Chairman PRGMEA said, the indifferent attitude of government policy makers is worrisome for exporters, who are already exposed to severe energy shortage. Woven garment exports have registered about 40% growth during 2010-11, while doubling the average unit price, excessively utilising expensive fabrics in different weights and employing 30% of total 3.5 million workforce of the textile industry value chain.

### Technology up gradation support fund

The government has yet to decide about the specifications of the machinery/equipment eligible under the Technology Up-gradation Support Fund which has delayed implementation of the incentives given to the textile sector. Under this scheme, the Federal government would pick up 50% mark-up, subject to a maximum of 5% per annum, for projects exceeding investment of Rs 10 million in machinery or technology. The government had announced Technology Up-gradation Support in Textile Policy (2009-14), and later issued Technology Up-gradation Support order 2010 in April 2010 to provide incentives to textile machinery and technology to attract investment in textile sector.

According to the notification, "Technology Up-gradation Support" Order 2010 shall take effect from September 1, 2009 and shall remain valid up to June 30, 2014. Disbursements under this order will continue for the duration of loans obtained till June 30, 2014. The repayment period shall not exceed ten years including grace period as may be allowed by the SBP. The investment support shall be provided to existing and new textile units registered with Ministry of Textile Industry; however the scheme is yet to be implemented. The investment support shall cover only the technology and machinery identified under 'this Order' by a Financial and Technical Committee to be constituted and notified by the Ministry of Textile Industry. The Committee shall also permit the percentage of interest reimbursement/capital grant by the government of Pakistan depending on the technology and value addition.

### Textile industry criticizes banks

The textile industry has criticized banks for a very high spread of 8% between lending and borrowing on the pretext of inflation. The textile industry cannot survive by paying such a heavy mark up rate, as the banks are paying 6% to the depositor and charging 14% from the borrower, enjoying a spread of 8% and the government is not forcing the banking industry to reduce mark up due to fear of inflation. Textile industry has sought 5% refund against over Rs 400 billion outstanding loans as on 30th June 2011 to check negative impact of steep fall in cotton prices, internationally ahead of procuring domestic cotton. Out of the total working capital of over Rs 400 billion, the short and long-term loans consist of Rs 338 billion and Rs 91 billion respectively.

Textile industry outstanding loans as on 30th June 2011 amount to a total of Rs 600 billion, of which Rs 400 billion of spinning, weaving and finishing and only Rs 200 billion of garments sector.

APTMA has asked for 5% refund on Rs 400 billion loans, as it was not facilitated with Export Refinance Fund, Duty Drawback of Local Taxes and Levies (DLTL) Scheme, rebate, customs drawback and sales tax refunds like the apparel industry.

Chairman All Pakistan Textile Mills Association, Gohar Ejaz said the regional competitors including India, Sri Lanka, Bangladesh and China have responded to the global cotton crisis through devising different support measures for their textile industries. The government of India has been quick to provide 7.5% duty drawback to the spinning and value-added segments as a sustaining measure for its textile industry.

Sri Lanka has provided 5% tax-free incentive payment to the eligible companies exporting textile products. Bangladesh has been providing different stimulus measures like bank loan rescheduling facilities, 5% cash incentive on yarn exports, access to Export Development Fund for cotton import etc. China has extended up to 14% textile rebates and has put into place a comprehensive Textile Reviving Programme (TRP) among a host of other measures. ♦

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