

### Textile exporters lament duty exemption

The recent decision of the Economic Coordination Committee (ECC) of the Cabinet to withdraw 5% duty exemption on import of cotton yarn has sounded alarm bells and death knell for the value-added textile exports, said M Jawed Bilwani, Chairman of the Pakistan Apparel Forum, and Chief Coordinator of the Value-Added Textile Forum.



Chairman of the Pakistan Apparel Forum, and Chief Coordinator of the Value-Added Textile Forum.

The value-added textile export sector strongly feels that the government has been influenced by the spinning sector, which contributes only 20% of the total textile exports, while the value-added textile export sector, which contributes 80% of the total textile exports, is against the withdrawal of 5% duty exemption on import of cotton yarn. If the government withdraws 5% duty exemption on import of cotton yarn, the spinners will have a monopoly to the detriment of the value-added textile sector. The government claims that all raw materials, cotton yarn, electricity, gas, etc., should be according to the international rates but it is evident that this is not so.

"The value-added textile export sector demands that the ECC decision be seriously reviewed and withdrawn and in case the government desires to impose duty on import of cotton yarn, then the government should also impose duty on export of cotton yarn because under the prevailing circumstances, the vital value-added textile export sector that earns the largest amount of foreign exchange for the nation and generates huge employment, would be completely ruined.

### Currency appreciation affects textile sector

The appreciation of rupee against the US dollar has adversely affected export-oriented sectors, including textiles, and the Finance Ministry should look into resolving these issues, said Trade

Development Authority of Pakistan (TDAP) Chairman SM Muneer during a recent meeting with All Pakistan Textile Mills Association (APTMA) members.



S.M. Muneer, Chairman TDAP

The rupee value on March 16, 2014 was Pk Rs 99.20 for one US dollar, which was quoted on April 16, 2014 at Pk Rs 96.39 for one US dollar.

Speaking at the APTMA meeting, Mr. Muneer said that issues such as stuck up refunds, power and gas shortages faced by the exported-oriented industries, including textiles, if not resolved, would not increase the country's exports.

During the meeting, APTMA Chairman Yasin Siddik urged the Government to provide 10% rebate to textile exporters in order to protect themselves from inventory losses they incurred due to the fast appreciation of Pakistani rupee against the US dollar.

According to the APTMA Chairman, the Pakistani textile industry has already incurred losses worth US\$ 300 million in exchange rates and huge cotton inventories, and since the rupee is still appreciating against the US dollar, textile exporters remain more vulnerable to further losses if they make any new deals.

The sudden surge of around 12 % to 15% in rupee value against the dollar has disturbed the business cycle of textile exporters who get export payments after a lag of 90 to 120 days.

### Textile exports to EU unlikely to witness big increase

The apparel textile exporters have said that Pakistan is unlikely to witness a big increase in its exports to EU under the market concession regime this calendar year, said Chief Co-ordinator, Pakistan Readymade Garments Manufacturers and Exporters Association



Ijaz A Khokhar, Chief Co-ordinator, PRGMEA.

(PRGMEA), Ijaz A Khokhar. He said the country might not witness a big jump in its exports to EU under the GSP Plus regime.

However, energy shortage, high utility prices and poor law and order in the country continue to hinder textile production growth. The exporters had begun shipping a small number of orders to EU under GSP Plus in the last two months which might set a trend for future.

According to Pakistan Bureau of Statistics (PBS), during July-February 2013-14, the apparel textile export posted an overall growth of 9.17% to \$1.259 billion from \$1.154 billion in the same period last fiscal year. In terms of volume, the garments export surged by 1,564 tonnes (9%) to 19,186 tonnes in July-February 2013-14 from 17,622 tonnes in the same period last fiscal year.

Chief Co-ordinator, Pakistan Hosiery Manufacturers and Exporters Association (PHMA), Muhammad Javed Bilwani, said the country was confronting currency depreciation though it had gained a little value in the past few weeks. The GSP Plus could be fruitful for the growth of textile export if the government facilitated the manufacturing sector by ensuring uninterrupted supply of basic utilities. The government was required to create conducive environment for the local industries through better policies.

### New varieties of Bt cotton to be evolved for next season

Cotton Commissioner and Vice President of PCCC Dr Khalid Abdullah has said the new varieties of Bt cotton would be evolved for next season to boost up the cotton production and achieve the target in the country. The 16 varieties would be despatched to National Co-ordinator varieties trial and a committee of the experts and agricultural scientists would submit the final report about the germination and resistance of these varieties.

He said the for the next season (2014-15), the government has fixed cotton production target of 15.10 million bales from an area of 3.128 million hectare against the revised cotton production estimate of 12.33 million bales for the same period of the outgoing season. Punjab will produce 10.5 million

cotton bales from 2.428 million hectare, Sindh will cover 0.650 million hectare land and would produce 4.200 million cotton bales, Balochistan will grow cotton on 0.050 million hectares and will produce 0.400 million cotton bales, KP will cover 0.00035 million hectares land and would produce 0.0015 million cotton bales.



*Khalid Abdullah,  
Cotton  
Commissioner and  
Vice President of  
PCCC.*

Khalid Abdullah said that a target of 14.1 million bales was set for the year 2013-14 and the cotton crop size for the season had been assessed at 12.32 million bales of 170 kgs. The representative from Meteorological Department stated that lesser rainfall is anticipated in the cotton belt than the normal level from March to June which will result in increased maximum temperature to around 1 to 2 degree. Farmers can plan cotton sowing according to availability of irrigation water and anticipated rainfall and

temperature.

The Federal Committee on Cotton agreed to set the target of 15.1 million bales for 2014-15 in view of revitalisation of the Pakistan Central Cotton Committee, a massive training programme for cotton growers in modern production technologies, and better crop extension services committed by provinces.

### APTMA team discusses textile development

A delegation of industrialists associated with textile sector led by Chairman All Pakistan Textile Mills Association (APTMA) S.M Tanvir met Punjab Chief Minister, Muhammad Shahbaz Sharif.



*S.M Tanvir,  
Chairman, APTMA.*

Chairman APTMA informed the Chief Minister about the problems of textile sector and the five years programme for the development of textile industry in the wake of granting of GSP Plus status to Pakistan. While talking to the delegation the Chief Minister said that hundreds of thousands of job opportunities can be created through development of textile sector. Awarding of GSP Plus status to

Pakistan will result in substantial increase in textile exports therefore Punjab government has evolved the project of Quaid-e-Azam Apparel Park over a large area near motorway.

He said an agreement has been signed with the Chinese company for the establishment of Quaid-e-Azam Apparel Park, in which all modern facilities would be available to the textile and garments industry under one roof. This would strengthen textile sector and increase national exports since the government was determined to resolve energy crisis as early as possible as it is also essential for the development of industrial sector. He said the industrialists and investors would also have to play their role for resolving energy problem, there is a need to strengthen Cotton Research Institute for increasing cotton production and APTMA should present practicable



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proposals for this purpose. He said the textile sector is very important and its problems would be resolved on priority basis.

Federal Minister for Textile said that government is striving to resolve the problems of textile sector and all issues including energy problem would be resolved on priority basis. Chairman APTMA S.M Tanvir commended the efforts of Chief Minister Punjab Muhammad Shahbaz Sharif in the granting of GSP Plus status to Pakistan. He said that government is making sincere efforts to counter the problem of shortage of electricity. He thanked the Chief Minister for fulfilling the promise of supply of gas to industries in the province during winter. He said that textile exports would reach the figure of \$26 billion during next five years.

### Textile Ministry demands funds for cotton sector

Ministry of Textile Industry will soon be submitting a summary to the Economic Coordination Committee (ECC) of the Federal Cabinet demanding allocation of funds for timely intervention in the cotton market, in order to bring stabilization in the domestic cotton market.

In this regard, the Ministry has also directed the Trading Corporation of Pakistan (TCP) to purchase seed cotton instead of cotton lint during the coming season, so that farmers in the country get the maximum benefit and prices of cotton remain stable, said Minister of Textile Industry Abbas Khan Afridi.

According to Mr. Afridi, cotton is the corner stone of the Pakistani textile industry which accounts for around 55% of the overall exports from the country; however, cotton production has remained stagnant in Pakistan at around 12 to 13 million bales per annum during the last ten years.

During the third meeting of Pakistan's Federal Committee on Cotton, the production target for the 2014-15 seasons was fixed at 15.1 million bales of 170 kg each. At the meeting, it was informed that despite several challenges faced by the cotton sector of country, the target of 15.1 million bales was set to push all concerned departments to work

towards achieving the goal and overcome the issues.

### APTMA urges US to extend market access

Chairman APTMA Punjab S M Tanveer has urged the US government to extend market access to Pakistan in line with the GSP plus facility from the EU. He was talking to a group of US Journalists who visited APTMA Punjab.

Tanveer said share of Pakistan's textile exports to the US market is 2.8%, which is needed to be increased up to 5%. It will not only give boost to textile industry growth in Pakistan but also be helpful in curbing extremism in Pakistan. Chairman APTMA Punjab deplored that the idea of Reconstruction Opportunities Zones (ROZs) could not be materialised.

He said Pakistan's textile industry could be benefited heavily with the establishment of ROZs, as Pakistan has lost an opportunity of \$10 billion due to war against terrorism in between 2005 to 2012. According to him, the engagement of Pakistan into the war against terrorism has hindered growth of textile industry heavily. The international buyers are not visiting Pakistan due to travel advisory but still Pakistan's textile industry was competing internationally due to high quality products.

He also clarified that there was no child labour issue in Pakistan's textile industry and majority of mills are fully compliant with ISO standards and certified under WRAP, CTPAT and many other standards is the one big reason of recent extension of GSP plus facility from the EU. He said the Chinese investors are also set to invest \$2 billion in Pakistan Apparel Park.

### Government to prioritize resolving textile sector issue

The government is committed towards resolving the issues prevailing in the textile sector on a priority basis, said Minister of Textiles Abbas Khan Afridi, during a meeting with representatives of various textile associations at the Pakistan Hosiery Manufacturers and Exporters Association (PHMA) house in Karachi.

While addressing the textile industry representatives, he assured that he would

pursue for the restoration of zero-rating status for the textile sector on the basis of no payment—no refund formula.

Minister Afridi urged textile exporters to suggest measures for the betterment of the textile industry, and stated that though the government was trying its best to overcome the energy and gas-related problems, the stakeholders must also play their roles for resolving these issues.

He further stated that the Federal budget was being prepared in the line with business community's expectations and value-added textile sector would get good news. He said that there would be a number of benefits, which are under consideration for value-added textile sector in the upcoming budget aimed at facilitating the sector

At the meeting, Chairman of Council of All Pakistan Textile Association Zubair Motiwala said the country's trade deficit could be reduced to a great extent in a short span of time provided the government took serious steps to resolve the issues being faced by the value-added textile sector.

Mr. Motiwala requested the government to grant subsidy to the exporters who had to bear heavy losses in the wake of depreciation of the dollar's value, as well as help reduce production cost for manufacturers.

Meanwhile, the PHMA has asked the government to facilitate duty-free yarn import from India in order to circumvent cartelization by the local spinning industry. PHMA central chairman Shahzad Azam Khan said during the meeting that the imposition of import duty on raw materials such as yarn from India will negatively impact the apparel export sector.

### Government asked to rescue ginning sector

Pakistan will have to spend \$156.8 billion to import 14 million bales of cotton if the farmers did not cultivate the crop as a protest against unfair return of their produce said Pakistan Cotton Ginners



Abbas Khan Afridi,  
Federal Minister for  
Textile and Industry.

Association's (PCGA) Vice Chairman, Muhammad Asim Saeed; Chairman of FPCCI's Managing committee on cotton, Haji Muhammad Akram .

They warned that if the country will not import cotton then its textile and spinning mills, ginning factories would be closed and Pakistan will have to import cloth, garments, bed-wear, towels and other textile products, besides at least one million people would be rendered jobless. They urged the government to take practical measures to save the cotton economy and to appease the farmers.

Government will have to take measures keeping in view the ground realities, or else, it will have serious repercussions as the farmers are not ready to sow the cotton.

Reiterating the PCGA's recommendations, they urged the government to rescue the ginning sector by imposing a ban on the import



Muhammad Asim Saeed, Vice Chairman, PCGA.

of cotton and yarn from India via Wagha border, levying 25% dumping duty on Indian goods, besides the government should release Rs25 to 30 billion for procuring 850,000 bales of cotton through the TCP.

They also asked the government to immediately impose ban on cotton yarn from India as it was hurting domestic textile industry as well as ginners and growers. They also asked the government to direct banks to reschedule their loans to support the ginning and textile industry.

### Government releases funds for textile mark-up support scheme

Ministry of Textile Industry has released funds to make payments during the current financial year under Export Finance Mark-Up Rate Facility and mark-up Rate Support for Textile Sector against Long Term Loans.

The funds have been released for payment of 100% Export Finance Mark-up Rate Facility for the period from September 1, 2010 to February 28, 2011,

and for payment of 100% mark-up rate support for Textile Sector against Long Term Loans for the period from March 1, 2011 to March 31, 2011, a circular letter issued by the State Bank of Pakistan (SBP) said.



Rukhsana Shah, Secretary, Ministry of Textiles Industry.

Accordingly, the SBP has asked banks and development financial institutions (DFIs) to lodge separate claims for mark-up supports under above schemes of the government of Pakistan, for the period mentioned, keeping in view the terms and conditions of each Scheme.

Duly completed claims on prescribed formats are to be submitted at the concerned offices of SBP-BSC (Bank) on or before May 07, 2014. However, each claim needs to be accompanied with a duly attested copy of valid registration certificate of the Ministry of Textile Industry.



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### APTMA demands 10% compensatory support like India

APTMA leadership has demanded equal treatment in line with India on rupee revaluation to ensure growth and sustainability under the present regime. Addressing a press conference, APTMA has demanded 10% compensatory support as India did in 2007 by announcing support twice when Indian rupee had appreciated by 9.7% against dollar.

APTMA Group Leader Gohar Ejaz and Chairman APTMA Punjab S M Tanveer told a select group of journalists that a 10-member delegation was also set to call on Federal Minister for Textile Industry and Federal Minister for Petroleum & Natural Resources. Gohar said Pakistan textile industry had been lagged behind regional competitors due to short of investment since 2006, as it has been confronted with multiple issues. Only in the sector of power looms, he said, China had installed 323,533 looms, followed by 36,821 in India and 27,384 looms in Bangladesh. He said it was an irony that Pakistan had installed 5,644 looms during that period, which was even less than what Bangladesh had invested since 2006.

According to him, APTMA was planning to install 20,000 looms ahead and needed a strong government support. Chairman APTMA Punjab S M Tanveer said textile industry, particularly in Punjab, had come to standstill due to the high cost of doing business; it could not pass inflationary impact to foreign buyers.

He said India was pampering its textile industries through plenty of incentives including duty drawbacks, focused markets rebate, raw material procurement and attracting further investment to add on their existing capacities fast to generate exportable surplus. Pakistan's textile industry, on the other hand, has been confronted with high cost of energy, rising by 67%, gas by 37%, minimum wage by 25%, and fuel by 21% in 2013-14. Thus, the CPI



Gohar Ejaz,  
APTMA Group  
Leader.

has increased by 16% whereas the exchange rate i.e. rupee revaluation by 10% has adversely impacted export.

Gohar pointed out that Pakistan's textile industry was competing until 2012-13 despite all odds, as the cost reduction was being supplemented with rupee depreciation, averaging around Rs 105 against a dollar.

Today, he added, the spinning industry had suffered heavy inventory losses, as industry had procured cotton at Rs 105 to a dollar. Similarly, the value-added industry including weaving, processing and garmenting had suffered on account of earlier export orders, which would now be honoured at prevailing exchange rate of Rs 98 to a dollar.

He said gas and electricity supply to the Punjab-based textile industry was becoming a hard nut to crack. At present, the Punjab-based textile mills were being supplied with twice a week gas supply along with eight hours of electricity load shedding. This situation, particularly in Punjab, is forcing textile mills to close down operations. So far, around 35 mills have reported complete closures while some 75 mills have closed down one shift operations, rendering hundreds of thousands workers jobless.

### US, Pakistan discuss labour standards in textile industry

Mr. Afridi with Ms. McFee Implementation of international labour standards in Pakistan, especially in the textile industry, was discussed in detail

when US Deputy Counsellor for Economic Affairs Susan McFee called on Pakistan's Minister for Textile Industry Abbas Khan Afridi.

The US Deputy Counsellor Susan McFee said Pakistan is not the only country that is adversely affected by the labour standards certification. She suggested that Pakistan should immediately come up with a comprehensive strategy on labour standards in order to meet the International Labour Organization (ILO) requirements.

Mr. Afridi stated that his Ministry is already in consultation with the Ministries of Commerce and Finance on framing a policy regarding labour standards. He added that the Government would soon finalize a comprehensive labour policy in collaboration with the provincial governments.

During the meeting, the Minister also raised the issue of ban by the US-based firm Walt Disney on textile imports from Pakistan and expressed hope that the company would provide some waiver, as Pakistan is working diligently on labour issues. In the upcoming textile policy special emphasis would be laid on the implementation of labour standards in the textile industry.

The US Deputy Counsellor mentioned that Pakistani textiles are preferred by the American companies and added that the US would support the measures by the Government of Pakistan towards compliance with ILO standards.



In the first three quarters of Pakistani fiscal year 2013-14 that began on July 1, the exports of textiles and apparel increased by 7.99% year-on-year to US\$ 10.384 billion, with the US, the UK, China, Germany and Bangladesh being the top five destinations.

During last fiscal year which ended on June 30, 2013, textile and clothing exports from Pakistan grew by 5.9% to \$13.06 billion from \$12.34 billion in 2011-12.

### Proposals of the Ministry of Textile Industry to boost textile exports

The Ministry of Textile Industry has proposed the government to continue zero-rated duty on import of textile machinery and keep the interest rate at 8 % to attract foreign investment and contribute to the textile exports growth.

Sales tax which is 2% on yarn, 3% on fabric and 5% on garments is expected be raised to 17% in the next two years. Further import of textile machinery is currently covered under the zero-rated custom duty and sales tax regime, however by the end of June this facility is going to expire and the government is considering imposition of 17% sales tax on import of machinery.

However, the Ministry has shown concerns over the move saying it is feared that huge amount of the exporters' liquidity to remain stuck under the sales tax head, which the government refunds later. The withdrawal of zero-rating facility on import of textile machinery may further result in great setback to further investment in the export-oriented sector. The move would also render the industry uncompetitive in the region where no duty is being charged on textile exports.

Currently about Rs 70 billion of exporters have been stuck under the sales tax with the government and facing serious hurdles and refraining from further investment in the country. Further the Ministry has proposed that in case of raising sales tax on textile sector, it may be raised at the retail stage instead on exports.

Textile policy (2009-14) formulated by the previous government is going to expire on June 30, 2014 and the ministry has already started working on the new proposed policy. The Ministry has proposed the government to limit it to few schemes to fully implement and achieve the desired results.

The Ministry has further proposed to the government to include a scheme for training of workers in the policy to produce skilled manpower and ensure the availability of energy under the proposed policy. The Textile Ministry has also proposed to the government to earmark Rs 500 million under the Public Sector Development Program (PSDP) for 2014-15, besides Rs 40 billion for implementation of initiatives taken under the textile policy (2009-14) along with the proposed policy. ♦

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