

### Chinese companies keen for collaborating in textile sector

A 21-member delegation of Chinese companies showed keen interest to enhance business collaborations in textile sector with Pakistani counterparts. The Chinese delegation led by Zhang Shaoyun, Deputy Director General, Department of Commerce, Government of Xinjiang Uygur Autonomous Region visited Islamabad Chamber of Commerce and Industry (ICCI).

The delegation was representing textiles, garments, clothing and apparel and chemicals sector companies. Speaking on the occasion, Zhang Shaoyun said that Pakistan is the fourth largest cotton producer in the world, while China is the leading exporter of textiles products. Thus both countries have great potential to complement each other and enhance co-operation in textile sector for achieving better growth.

He said that China has a modern textile technology and machinery and added that close cooperation between private sectors of both countries in this field would not only yield mutually beneficial outcomes, it would also help Pakistan's textile industry to upgrade itself and improve productivity.

He hoped that visit of Chinese companies to Pakistan would also help in exploring opportunities for promoting bilateral trade, joint ventures, investment and multi-dimensional economic cooperation between Pakistan and China.

Khalid Iqbal Malik, President, Islamabad Chamber of Commerce and Industry in his welcome address said that textiles products played a major role in Pakistan's exports. He said that Pakistani



textile exporters were now focusing on value addition of textiles products and urged that Chinese textile companies should share technology and expertise with Pakistani counterparts to realize these goals.

### Voluntary closing down of the Pakistan Textile City

The voluntary winding up of the Pakistan Textile City Limited (PTCL) has started due to non-availability of the required infrastructure including natural gas and the paucity of funds. This was revealed in the National Assembly Standing Committee on Textile Industry which met under the chairmanship of Khawaja Ghulam Rasool Koreja.

The Committee was given a briefing on the closure of the Pakistan Textile City Project, Karachi, along with the policy to sell out its land and Plastics Technology Centre (PTC).

The Committee expressed its reservations over the closure of Pakistan Textile City Project, Karachi, and observed that due to mismanagement and corruption, the debt of textile city is exceeding to Rs 2.4 billion. The Committee directed the Ministry to sell out 250 acres of its land for payment of its outstanding debt and efforts should be made to make it operational by involving Chinese/foreign companies.

The Committee was informed that the company owes a debt of Rs 2.4 billion to the National Bank of Pakistan, out of which Rs 1.3 billion were spent on the purchase of land at Port Qasim and Rs 1 billion have so far been incurred as interest on the loan. On the daily basis, the markup payable is Rs 700,000 approximately. These

challenges could be easily handled by selling 200 acres of land to K-Electric, for setting up a coal-fired power plant. The land could not be sold so far as the purpose to establish coal-fired power plant is not covered by the objectives of the PTCL declared in its memorandum of association. A summary was, therefore, submitted to the Prime Minister for placing the case before the ECC for approval.

The Ministry of textile industry requested the Finance Ministry that an amount of Rs 21.05 million may be allocated to clear the earlier liabilities on account of salaries, miscellaneous expenses and to cater for expenses in the current financial year during which other options will be explored to run the centre.

### Punjab textile forum constituted

Leading textile bodies constituted the Punjab Textile Forum to fight against the gas price differential in Punjab and Sindh and arrest falling exports. Representatives of various textile associations and the Council of Power Looms Association (CPLA) also urged the government to announce a textile relief package to restore the competitiveness of the export sector.

It stressed upon the government to announce a textile industry revival package and mitigate the energy tariff disparity hitting 70% textile industry in Punjab, as against the textile units located in other provinces. It also urged the government to overcome structural imbalances at the earliest.

The participants said the revival of 35% closed capacity is also being delayed and the industry is not taking new investment decisions because of the prevailing uncertainty.



Mr. Khalid Iqbal Malik, President Islamabad Chamber of Commerce and Industry is presenting flowers bouquet to Mr. Zhang Shaoyun, Deputy Director General, Department of Commerce, Government of Xinjiang Uygur Autonomous Region and head of Chinese delegation on their visit to Chamber House.

## ICAC: Cotton demand exceeds production in 2015-16

Cotton output in 2015-16 fell due to pest attacks, competitive prices of other crops and climate changes, resulting in the demand for cotton exceeding production for the second consecutive year. An increase in the share of polyester in the world fibre market is also affecting cotton, making polyester the greatest competitive threat for cotton.

The issues pertaining to cotton and its cultivation were discussed at the International Cotton Advisory Committee's (ICAC). The meeting was attended by 378 persons, including representatives from 14 Members, 4 international organizations and 4 non-member countries.

The International Textile Manufacturers Federation made presentations to demonstrate the basic challenges faced by cotton and textile industries – water, energy and the need for creative ideas. The federation suggested solutions such as developing cotton varieties that use less water, concentrating on reducing energy consumption in cotton gins and transportation, and creating and applying new ideas, especially for increasing efficiency and reducing costs to tackle the challenges.

Lastly, Biotech cotton resistant to the whitefly is at advanced stages of development, said experts at the ICAC meeting. When commercialised, the new varieties will bring a big relief to growers.

## Trump's victory may hurt Pakistani exports

Pakistan's total exports to the US in the fiscal year 2016 stood at \$3.5 billion out of which 83% were textile exports (\$2.9 billion). The country's textile exports to the US make up 23% of the total annual textile exports. Analysts say the unexpected election results have sent shock waves across global financial markets, resulting in major changes in almost all world currencies against the dollar.

In case the dollar weakens, it will result in appreciation of the Pakistan rupee, making Pakistani textile products expensive for American buyers. However, unlike Brexit, these time market watchers say the situation is much calmer and the statements of President-elect Donald Trump may not affect the trade relations of US with other trading partners. However, the situation is not that uncertain because a large number of textile exporters of Pakistan have long-term supply contracts in the US, which means that the exports are not going to be affected significantly.

Analysts say investors are moving towards safe-haven assets such as Japanese yen and gold because they anticipate at least short term shocks for the US economy. Pakistan

Apparel Forum Chairman Muhammad Jawed Bilwani commented that Donald Trump had vowed to terminate major US trade agreements in his campaign to protect American trade interests. Though chances are low, but if he ends up terminating any major trade pact it will result in chaos and this may hit Pakistan's textile exports.



Muhammad Jawed Bilwani, Chairman, PAF.

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Pakistan's textile exports, after reaching a recent high of \$13.7 billion, have been declining ever since, clocking in at \$12.5 billion in the fiscal year 2016. Textile sector's disappointing performance is a result of multiple factors including an overvalued currency, which has rendered them uncompetitive internationally.

Trump has vehemently proposed protectionist trade policies by threatening to rip up US trade agreements and suggested imposing punitive tariffs on goods from various countries (mainly China and Mexico) in order to create more jobs in the US.

Moreover, Trump's pro-India stance could potentially lend traction to India's lobbying efforts to isolate Pakistan on international level amidst Pakistan's ties with its neighbours at low ebb. Foreign investors hold significant positions in the blue chip stocks in Pakistan Stock Exchange.

### Land area of cotton cultivation cut by 22% in 10 years

The total land area of cotton cultivation reduced by 22% in Pakistan over the last 10 years and this major reduction in cotton area is only contributed by Punjab province, which has reduced its area under cotton by 26% over the same period, according to the report titled 'Declining Trend of Cotton Cultivation, Causes and the Way

Forward' prepared by Dr. Khalid Abdullah, Cotton Commissioner of Ministry of Textile Industry.



Dr. Khalid Abdullah, Cotton Commissioner of Ministry of Textile Industry.

The country witnessed 30% decline in cotton production during the year 2015-16 due to abnormal weather conditions, seed quality, pests, diseases

and low prices. Cotton is grown mostly in Punjab and Sindh provinces, with the former accounting for 79% and the latter 20% of the nation's land area of cotton cultivation.

The increase in a number of sugar mills with enhancement in crushing capacity of existing mills in major cotton growing areas has resulted in 22% reduction in cotton areas of the country over the last 10 years.



Dr Khalid Abdullah placed the report before the Senate Standing Committee on National Food Security and Research. The report said that growing number of sugar mills and the increase in the crushing capacity in the existing sugar mills resulted in a reduction of cotton area in Rahim Yar Khan, Muzaffargarh, etc. The cotton production in Mianwali will also be affected by the installation of new sugar mills in that area.

It said that cotton area also has been squeezed due to the popularisation of maize and potato in the districts of Sahiwal, Faisalabad and Khanewal. The report further said that lower cotton price and damage to cotton production due to heavy rains and floods have compelled cotton farmers to shift to other crops like rice, maize, sugarcane and potatoes.

According to the report, the country has witnessed 24% increase in acreage of maize, 7% in rice and 14% increase in sugarcane acreage over the last 10 years.

Abdullah in its report suggested that provinces may be asked to refrain from the issuance of No Objection Certificate (NOC) for installation of new sugar mills and increase in capacity of mills in the cotton growing areas. The trend of installation of sugar mills increased from 56 (1995 to 96) to 82 (2015-16), which must be checked to save the previous resources of irrigation water, and cultivating the cotton crop.

### Textile sector hails 4% drawback of DLTL on annual basis

The manufacturers-cum-exporters of textile sector of Southern Punjab have hailed the government decision to allow up to 4% drawback of local taxes and levies (DLTL) on annual basis taking into account the freight on board (FOB)-realised values of enhanced exports for 2015-16.

Khawaja Jalaluddin Roomi, President of Multan Chamber of Commerce &



Khawaja Jalaluddin Roomi, President, MCCI.

Industry (MCCI), said it was a good decision to permit the drawbacks of Local Taxes and Levies 2016-17 on annual basis on FOB-realised values of enhanced exports for shipments made during 2015-16, if

increased beyond 10% over last year's exports i.e. 2014-15.

He said Chambers and Textiles Association should be responsible for certifying the authenticity of the information provided by the exporting units pertaining to the registration with the Ministry, and the application documents for claims.

The concerned body should exercise due diligence to ensure the authenticity of the documents. He said that 1% drawback would be available on eligible product lines of processed fabrics category, 2% eligible products of made-ups category and 4% drawback would be available to eligible products of garments category. Government aims to arrest declining textile exports trend

The textile sector is the economic backbone of our country. After agriculture, this sector provides maximum employment and this vital textile export sector will be provided all necessary facilities. It has been planned to increase cotton production to facilitate the textile export sector, said Secretary, Textile Hasan Iqbal while addressing the representatives and top exporters of the Value Added Textile Exporters' Associations.

The incumbent government aims to arrest the declining trend in textile exports and the problems faced by the exporters on top priority. He asserted that the government is serious in the settlement of all kinds of claims of the exporters because this will greatly relieve the burdens faced by exporters.



## Government urged to grant bailout package to the cotton growers

Pakistan Cotton Ginners Association (PCGA) has urged the government to grant a relief and bailout package to cotton growers and convince them to bring the maximum area under cotton crop to make Pakistan self-sufficient in cotton and to save more than Rs 30 billion to Rs. 40 billion being spent on the import of 3.0 million cotton bales.

PCGA Chairman Dr Jeso Mal, Ex-Chairman Shehzad Ali Khan, and group chairman Haji Muhammad Akram said that it was a very alarming situation that cotton area had fallen by 25% to a 31-year low current season, as farmers switch to more profitable crops and they had trimmed the cotton sowing area consequently textile millers would have to import cotton.

Even with an expected uptick in yields, the 2016-17 crops was forecast at just 9.0 million bales, down from an earlier estimate of 11 million bales. They said that cotton production in Pakistan is integral to the economic development of the country so we have launched "sow cotton save the economy "Kapas Ugao Maeeshat Bachao" campaign to make the country self-sufficient in cotton and cotton exporting country. They claimed that Pakistan had a potential to produce 20 million bales of cotton. One such measure could be a government fixed minimum support price for the cotton crop as is done in the case of wheat and sugarcane before the sowing season.

## Textile Secretary promises necessary facilities to the textile sector

The textile sector, which was the economic backbone of Pakistan, would be provided with all necessary facilities including a plan to increase cotton

production to facilitate exporters, stated Textile Secretary Hasan Iqbal, while speaking during a visit to the Pakistan Hosiery Manufacturers Association (PHMA)



Hasan Iqbal,  
Textile Secretary.

House where leading value-added textile exporters were present. He said the government aimed to arrest the declining trend in textile exports and address the problems faced by the exporters as a priority.

The Secretary stressed that the government was serious about the settlement of all kinds of claims of the exporters because it would greatly reduce their burden. He assured the textile exporters that the government would do its best to speedily clear their tax refunds and ensure that their profit margins also increase further. The government was also making efforts to reduce the cost of electricity without any load-shedding.

Pakistan Apparel Forum Chairman Muhammad Jawed Bilwani outlined the problems and hurdles faced by the textile exporters. He pointed out that their major demand was that the tariffs of electricity, gas and water, which were major inputs, should be brought on a par with regional countries so that the exporters could compete in the global market. Saying that textile industries were treated like general industries, he asked the government to give a separate status and top priority to the textile exporting units in the supply of utilities.

## India's industrial terrorism damaging Pakistan's textile industry

The Pakistan Economy Watch (PEW) asked the government to take note of the designs of India, which is now damaging the country's industrial base. India is bent upon destroying our textile sector, the backbone of economy.

PEW President Dr Murtaza Mughal said that New Delhi is working on a strategy to damage Pakistan beyond repair after damaging Kalabagh Dam

project and initiating water terrorism. He that India has been targeting economic corridor and now it has started industrial terrorism to damage Pakistan's textile sector.

He said that India has directed zero mark-up for the textile sector and providing hidden subsidies to the textile mills, which has reduced their cost of doing business. On the other hand, Pakistan's textile industry is going down by the passage of every day due to increased cost of doing business, which has resulted in a retreat in the international market. The situation of investment and remittances is not satisfactory and export is only option left to bridge the budget deficit otherwise the country would have to rely on foreign loans.

The PEW President demanded immediate refund to all export industries, steps to reduce cost of doing business, allocation of energy on economical rates and extra attention to the value-added sector. ♦

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