Textile industry advised to focus on value addition

The Commerce Secretary Younis Dagha advised the textile industry to focus on value addition to compete in the international market and arrest decline in exports. He said the cost of doing business is higher in Pakistan compared to neighbouring countries, but it is not the only hurdle in exports. Lack of value addition is also a major reason (behind falling exports), he said in an address at an event hosted by Pakistan Hosiery Manufacturers and Exporters Association.

Younis Dagha, Commerce Secretary.

"We have not played our role in value addition due to this industrial production remains lower," Commerce Secretary said Indian and Bangladeshi exporters invest in their industries, while in Pakistan foreign revenue earned from textile exports goes to stocks and real estate sector. The investors should not divert textile money to real estate and other sectors.

Dagha said that the work on combined effluent treatment plant will soon start with the project cost to be borne half each by Provincial and Federal governments.

He said Pakistan Central Cotton Committee has been handed over to the private sector, but there has been no improvement in cotton production since then.

Zubair Motiwala, Ex President, KCCI.

Zubair Motiwala, ex-President of Karachi Chamber of Commerce and Industry said yarn exports fetch $1.26 billion, but after value-addition, this amount can go up to $7.5 billion a year.

Jawed Bilwani, Chairman of Pakistan Apparel Forum said Pakistan's textile exports are lower than India, Bangladesh and Vietnam, while costs of production, as well as minimum wages, are comparatively higher in the country. He said the country faces a widening trade deficit of more than $32 billion and it would not prosper if exports are not increased. Exports would increase when a level-playing field is provided to the industries.

Sluggish growth in exports concerns PTEA

The Pakistan Textile Exporters Association (PTEA) has expressed grave concern over sluggish growth in exports as unending export downfall has continued unabated. High costs of production, competitiveness, inconsistency in government policies and uncompetitive energy prices have contributed to this crisis-like situation.

Mian Ajmal Farooq, Chairman, PTEA.

Chairman Pakistan Textile Exporters Association Mian Ajmal Farooq said that economy's mainstay textile industry is facing an unprecedented crisis since many years.

Consequently, sizeable textile capacity had been severely impaired and textile exports, both in quantity and value terms had declined across the value chain; whereas regional peers have doubled their exports. Country's textile exports were US$ 13.8 billion in 2010-11 which has been dropped by 10.4% to US$ 12.4 billion in 2016-17.

Emergent steps needed to address dismal state of textile exports

According to the All Pakistan Textile Mills Association (APTMA), commenting on the statement made by Commerce Secretary Muhammad Younus Dagha in the meeting at Pakistan Hosiery Manufacturers Association that the textile industry is itself responsible for the continuous decline in exports. The textile exports from Pakistan have shown a decline during the last four years because of the cost of doing business which is the highest in the region.

He said that the textile industry has been hit hard due to the high cost of energy, both gas and electricity resulting in making Pakistan's exports uncompetitive in the global market as the cost of production of both gas and electricity is about 30% higher than the regionally competing countries like Bangladesh, India and Vietnam.

The government should remove the levy of Gas Infrastructure Development Cess (GIDC) on gas. He further demanded that the government should provide gas at the regionally competitive rate of Rs 400/MMBTU as was earlier announced by ECC in November 2016 but was not implemented.

He said that both the spinning and weaving sectors are the backbone of the textile value chain, and have faced the brunt of the high cost of doing business, which has made them unviable throughout the country. Today, the spinning industry is incurring heavy losses by selling yarn below cost. The production of yarn and fabric is substantially more than the local consumption; therefore, their exports must be encouraged.

He further requested that the following measures be taken on immediate basis to improve the efficiency and viability of textile industry: Expeditious payment of long outstanding sales tax refunds and other refunds to address the liquidity issue, to check large-scale influx of imported yarn and fabrics in the country to save the domestic industry; Free Trade Agreements and Preferential Trade Agreements be reviewed and revisited in such a way that the exports of Pakistani goods to those countries be increased.

He demanded the government to encourage investment in spinning, weaving and finishing sectors in such a manner that maximum cotton is converted into yarn and further downstream value-added products as it will not only facilitate the farmers and the spinning industry but would also help the whole textile chain and the national economy in general. He said that a few years back production of 15 million bales of cotton had been achieved, which fell down to 10 million bales. Now we must take necessary steps to achieve 15 million bales of cotton production or even increase it further to 20 million bales every year.

UK to help Pakistan overcome trade barriers

The United Kingdom asserted that it would help Pakistan overcome trade barriers and take advantage of opportunities to create jobs and reduce poverty. With more than 200 million consumers, Pakistan is an exciting market for British business, said a joint statement issued after trade talks between UK Minister of State for Trade Policy, Greg Hands and Pakistan's Minister for Commerce and Textile, Muhammad Pervaiz Malik.

Muhammad Pervaiz Malik, Pakistan's Minister for Commerce and Textile.

Pakistan and the UK enjoyed a shared history and a shared future. Currently, the UK supports Pakistan through the EU's trade preference scheme GSP Plus. This arrangement encourages economic growth and sustainable development in Pakistan.

As the UK leaves the EU, we recognize the need to ensure a smooth transition in our trading arrangements. The UK's firm intention is to maintain these preferences on an access to UK markets that it brings.

The statement read that whilst the UK was still a member of the EU, the UK would continue to support Pakistan to benefit from the EU's GSP Plus scheme.

In return, Pakistan pledged to continue to make progress to improve human rights, labour rights, environment and good governance in line with its commitments made as part of the GSP Plus scheme.

To support UK companies exporting to Pakistan and for Pakistani buyers of UK goods and services, the UK export credit agency, UK Export Finance (UKEF), support was to more than double to up to 400 million pounds, meaning an additional 200 million pounds to help UK exporters win, fulfill and get paid for export contracts, and Pakistan's buyers access to finance to source high-quality UK goods and services.

Minister for Commerce and Textile, Muhammad Pervaiz Malik said the negotiations between Pakistan and UK were held in a good environment and both sides agreed to enhance the bilateral trade.

He said that bilateral trade between Pakistan and UK was increased after the GSP Plus from the European Union adding that the position of Britain would remain the same as had been before Brexit.

Xinjiang's 10-year textile plan threatens Pakistan's textile sector

Contrary to the impression that China Pakistan Economic Corridor (CPEC) will open new doors of development in Pakistan, the textile sector is apprehensive of the potentially stiff competition after the introduction of a 10-year textile development plan by China in its Xinjiang Uygur Autonomous Region which is also sometimes called East Turkestan.

As 35% textile units have already shut down for various reasons, including the higher cost of doing business, becoming uncompetitive in international market etc, the huge investment on textile park at bordering region of China are posing serious threats to the textile industry which is already struggling to compete with the international challenges and other major forces in the industry.

According to the ten-year plan, by 2023, Xinjiang will build China's largest cotton textile production base and the largest garment export processing base. By 2023, Xinjiang will become the largest cotton textile industry base of China and the most important clothing export base in Western China.

Pakistan has never analysed the challenges to its own industries and manufacturing sector after execution of CPEC. No safeguarding measures have taken in the bilateral agreements of CPEC to save the textile sector which contributes 60% to overall exports of the country, said an official source at Textile Division adding that exporters of the country may become traders after the massive investment by China in textile processing, from cotton to ginning, spinning, fabric, processing, made-ups and garments.

At least 140 textile mills have so far been shut down during the past four years of this government. The machinery worth Rs 10 million in the spinning sector is being sold out at Rs 50,000 in scrap, said Mian Zafar Iqbal, who is associated with the business of textile spinning and is an executive member of FPCCI.

According to him, on the contrary, latest machinery was being imported by Chinese investors to install at Textile Park in Xinjiang. Despite our repeated appeal made to the higher authorities in government no safeguarding measures have taken to save the textile sector which contributes nearly one-fourth of industrial value-added, provides employment to about 40% of the industrial labour force, and consumes more than 40% of banking credit to the manufacturing sector and accounts for 8% of GDP.

Despite being the 4th largest producer and 3rd largest consumer of cotton globally, Pakistan is feared to become a major supplier of raw material instead of value added products after the CPEC related developments.

The anticipated glut of textile and garment from the Xinjiang textile park in the export as well as domestic markets of Pakistan poses a serious threat to Pakistan's textile sector already struggling to remain afloat. Setting up of the textile park at Xinjiang will give a heavy blow to Pakistani textile exports.

FCCI for consistency in implementation of textile package

The government should continue the implementation of the textile package and extend notification for the payment of incentives from July 1, 2017, to onwards. Faisalabad Chamber of Commerce & Industry (FCCI) President Engineer Muhammad Saeed Sheikh expressed satisfaction over the increasing trend in textile exports which was the natural outcome of the implementation of the textile package.


Engineer Muhammad Saeed Sheikh, President, FCCI.

Quoting figures of Pakistan Bureau of Statistics, he said that 14.41% increase was recorded during the month of August 2017 as compared to July 2017. Similarly, during July-August 2017, an increase of 11.80% was recorded as compared to the same months of last year. He said the government on our persistent demands, had to announce Textile Package in order to check the declining trend of exports and revive its vibrancy.

He said initially the implementation of this package was very slow. However, its positive results had proved beyond any doubt that the declining trend had been stopped and now exports were increasing at a steady pace.

Continuing, Engineer Muhammad Saeed Sheikh said that as Faisalabad was the major stakeholder in textile exports, hence, the government must take us on board while making any policy decision relating to the textile sector.

Textile sector to add half a million spindles this year

The basic textiles are at a crossroad as there is no chance of revival of over 100 closed mills, whereas the surviving mills know upgrading technology is the only option. Pakistan is likely to add half a million new spindles this year.

Some of the closed mills have sold their entire spinning machinery and are pleased that the leftover high-priced land and buildings, after clearing their liabilities, would leave them with enough capital to start some other business, as the operating mills with old technology were no longer not feasible.

They admitted that they had the opportunity to upgrade technology in phases, but they squandered this chance and do not have the resources to replace the obsolete machines. The bigger players after realising that they are being booted out of the global and domestic markets have made elaborate plans to replace older machines with state of art technology. They realise that time is running out and they cannot wait for government facilitation that has not come in last two years.

It has been learnt that all major mills have placed orders for around 500,000 state-of-art spindles that are faster, consume much less power and a one-third of the workforce. They know that with this technology they can regain their lost markets.

The comparative advantage that Pakistan enjoyed a decade back would again be available as Pakistan enjoys the advantage of own cotton and highly skilled workforce in basic textiles. These players were shocked to find that a novice country like Vietnam that imports cotton and lacks skilled basic textile workers has emerged as yarn exporter on the strength of new technology. They feared that soon other countries with similar drawback would become yarn exporters by edging out Pakistani yarn.

They also realised that these countries would be no match for Pakistani spinners if they operated with the same technology. Another factor that worried the big players was that if the technology void was not filled, the Chinese would come in a big way with the latest technology and wipe out the local commodity textile industry.

Extension in deadline for US GSP scheme urged

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) has urged the US to extend GSP facility until December 2020 and include core Pakistani textile products in the facility.

Irfan Ahmed Sarwana, acting President of the FPCCI at a meeting with the six-member delegation of US Embassy in Pakistan, led by John Robinson, Head of political / economic affairs stressed the need to intensify interaction between the US trade mission and the business community of Pakistan for the promotion of bilateral trade and economic relations between the two countries.

Sarwana recalled that although the US has given GSP access to Pakistan, allowing duty-free and duty concession access for several products; however, the scheme does not include core textile and leather products export. As such, at present Pakistan is paying in between 7% to 32% duty on certain textile products in the US, which is very high.

The FPCCI official urged the US delegates to extend their support and cooperation in including textile and leather products in the US GSP Scheme and further extend the validity of the scheme from December 2017 to December 2020.

Irfan Ahmed Sarwana, acting President, FPCCI.

He proposed Pakistan deserves better access to US trade instead of aid because trade is an engine of economic growth and helps alleviate poverty, which may further lead to economic development and prosperity.◆