Swiss Business Council completes 10 years in Pakistan

To mark the 10th anniversary of the establishment of the Swiss Business Council (SBC) in Pakistan, the Consulate General of Switzerland in Karachi in collaboration with the SBC hosted an exclusive event at the Swiss Consul General's residence.

Philippe Crevoisier, The Consul General of Switzerland and Patron of the SBC.

The Consul General and Patron of the SBC - Philippe Crevoisier in his welcome address to participants, present among which were diplomats, senior management of Swiss and other multinational companies, and leading businessmen said that only if Pakistan is able to present to the international community the country's on-ground realities and business potential, many more foreign investors will consider to invest in Pakistani market. The Consul General also commended SBC's efforts to further improve commercial ties between the two friendly countries.

SBC's President Mr. Farhat Ali who is also the Council's founding President and Chairman of the Board and Executive Managing Director of Polygal N.V. in Pakistan gave an overview of the Council's achievements over the past decade most prominent of which is the Council's partnership with Switzerland Global Enterprise (S-GE); equivalent of Trade Development Authority of Pakistan and Board of Investment. He further added that SBC with support from S-GE is committed to link Swiss and Pakistani companies.

Mr. Farhat Ali, President SBC.

Value added textile exporters facing severe hardships

Huge amount of exporters' liquidity of billions of rupees in shape of refunds of sales tax claims, customs rebate, withholding tax and payments of DDT and DLTL have been stuck up with the government causing great suffering to the already harassed and burdened exporters who are now at a loss to understand how to make both ends meet and such an alarming situation will ruin the export business of the value-added textile exporters.

Muhammad Jawed Bilwani, Chairman, Pakistan Apparel Forum.

The government has been making just budget announcements without any firm commitment to release the refund claims since last several years, said Muhammad Jawed Bilwani, Chairman, Pakistan Apparel Forum.

He said that in the past, there was never such hardships faced by the value added textile exporters who are battling for their survival in the global market against severe competition from better endowed neighbouring and other competing countries in the face of the severest ever liquidity crunch in the so-called sitting business-friendly government. Sales tax refund claims and customs rebate claims are not being paid to them for any reason at all.

He articulated that value-added textile export sector is the backbone of Pakistan's economy earns the major amount of foreign exchange and revenue for the government. Besides, the sector is also labour-intensive and largest employment provider and generator.

Pakistan's textile exports increase by 8%

Exports of textile and clothing products recorded an eight per cent growth year-on-year to $11.2 billion in the 10 months of 2017-18, as reported by the Pakistan Bureau of Statistics (PBS).

Data show the main driver of growth was the value-added textile sector as exports of ready-made garments went up 11.96pc in value and 13.44pc in quantity while those of knitwear edged up 14.65pc in value and 3.7pc in quantity during these 10 months. Exports of bedwear went up 4.77pc in value and 3.17pc in quantity.

The exports of towels posted a growth of 0.52pc in value and 6.7pc in quantity while those of cotton cloth went higher by 1.12pc in value and 4.2pc in quantity during the period under review.

In the category of primary commodities, exports of cotton yarn witnessed an increase of 7.2pc while those of yarn other than cotton recorded a rise of 33.7pc.

Exports of made-up articles, excluding towels, increased 7.3pc whereas art, silk and synthetic textile exports grew 83.09pc during the period under review.

However, exports of tents, canvas and tarpaulin dipped over 39.7pc while proceeds from raw cotton surged by 31.97pc.

Exports of carpets and rugs fell by 5.12pc during July-April FY18 from a year ago. Exports of sports goods went up by 7.3pc during the period under review.

PRGMEA appeals to the Finance Ministry to release the funds

PRGMEA Senior Vice Chairman appealed to the Finance Ministry to release the funds without any further delay, as more than 30% cash flow has been blocked since long in the shape of sales tax refund and customs rebate, which is adversely damaging cash liquidity.

The Ministry has not yet released the major amount of the previous Rs.180 billion PM's package to be processed from January 2017, adding that the government should take steps for the removal of hurdles hindering textile sector exports. Moreover, in this situation of financial crunch the textile value-added products are unable to fetch a high value due to poor packaging.

He said that Pakistan Readymade Garments Manufacturers & Exporters Association, in its budget proposals for 2018-19, has called for ease of doing business, lowering cost of production, solution of liquidity crunch through early refunds payment, equal energy tariff and relaxed import policy for industrial raw material so that industrialisation can be promoted and exports can be enhanced but none of these points were included in budget documents for approval in the national assembly.

But in the budget did not explain as to how the government was going to revive the industrial sector, particularly textile industry, which contributes 60% to the country's total exports.

About three million people are employed by the textile industry and another three million indirectly, but the budget said nothing for the revival of the sector. The budget failed to address anything regarding industrialisation; how to enhance exports; how to increase foreign exchange reserves and how to create employment opportunities in the country, he highlighted.

Bilateral trade between Pakistan, Netherlands

Ambassador of Netherlands to Pakistan, Ardi Stoios-Braken called on the Federal Secretary Commerce Mohammad Younus Dagha in Islamabad. Secretary Commerce welcomed the Ambassador and said that Pakistan and Netherlands enjoy friendly and cooperative relations. The Netherlands is not only Pakistan's fourth largest trade partner in the EU but is also an important source of foreign investment in Pakistan.

Mohammad Younus Dagha, Federal Secretary Commerce.

Bilateral Trade between the two countries has crossed US$1.21 billion mark during 2016-17 and in July-April 2017-18 total trade volumes was US$1.54 billion – exports at US$716.18 million and imports at US$831.18 million. Secretary Commerce said that bilateral trade relations have further strengthened with the investment of Euro 420 million by Friesland Campina to acquire 51% share of Endor Foods. This investment was followed by SPAR and Frisian Eggs as they also entered the Pakistani market by establishing joint

ventures.

Mohammad Younus Dagha said that it is heartening to note that Dutch companies took a keen interest in the Pakistani market and the biggest trade delegation from the EU comprising of 38 Dutch companies participated in Expo 2017. Though we are generally satisfied with the overall positive trajectory in our bilateral relations, we feel there is a great potential to further enhance our bilateral trade and investment.

Value addition in textile industry stressed

The Pakistan Textile Exporters Association (Pate) has stressed focus on value-addition in the textile industry as sustainable growth hinges upon it. Conducive policies are imperative for immediate revival and uplift of the economy, said officials.

Pate Chairperson, Mian Shani Jawed said value-addition is the key to success and the government must focus on capturing a greater share in regional and international trade through it.

He stressed to facilitate the import of cheaper raw materials and export finished products after adding value. Countries all over the world encourage value addition to earn more foreign exchange, he said, adding that textile exports of Bangladesh are touching US$30 billion despite the fact that they do not grow cotton and produce finished textile products with imported raw material.

Jawed further said all emerging economies have implemented reforms by removing impediments, which have helped them increase their exports. Therefore, we need to follow their footsteps and take our industry into the right direction to achieve our national goal.

He lamented that the textile industry is unable to tap its potential in accordance with its capacity while regional peers are multiplying their exports owing to the low cost of doing business. High production cost is a major hurdle in export growth.

Appreciating the government's efforts, the Pate official said that duty drawbacks under the prime minister's package helped increase textile exports, as figures have been gradually increasing since June.

Despite getting incentives, textile exporters still struggle

With a share of 57% in Pakistan's total exports and 8.5% in national economy, the giant textile industry is pressing the government to continue with its zero-rated tax facility and provide the incentives offered in the export package.

The industry is going through a cash-flow crisis as it has already extended the incentives promised by the government in its export package to overseas buyers in order to ramp up exports, said textile tycoon Zubair Motiwala.

Zubair Motiwala.

Textile manufacturers have been pushing the government to release the huge pending tax refund claims so that they could deal with liquidity challenges. Of the Rs180-billion prime minister's incentive package for export industries, mainly the textile sector, the State Bank of Pakistan has processed Rs. 50 billion worth of claims, but the industry has received just Rs.18 billion.

According to Motiwala, exports went up after the incentives offered in the export package were extended to the buyers abroad. Lower prices of Pakistan's products in the international market had been a main factor behind the rise in exports.

However, an analysis indicates that the international textile industry is highly competitive and Pakistan's major competitors – China, India, Vietnam and Bangladesh – will not let it penetrate their established markets. These competitors are expected to respond to the price reduction by their Pakistani counterparts.

Cotton output rises by just under one million bales

The final cotton production figures released by Pakistan Cotton ginners' Association (PCGA) that country produced 11.58 million bales during the cotton season 2017-18 which closed on May 1, against 2016-17 when 10.72 million bales were produced till April 15, 2017.

Punjab produced 7.32 million bales up from 6.94 million bales until April 15, 2017. Sindh's performance was way better, by well over 50 million bales. The province produced 4.25 million bales, significantly higher over the previous season's production of3.67 million bales. During the extended cotton season 2017-18, textile mill picked up cotton in larger quantity at 11.08 million bales. Last season (2016-17), textile industry purchased 10.25 million bales till April 15, 2017. It clearly reflects that the textile industry is heavily reliant on local cotton to a large extent, only importing lint for finer-count yarn production.

Textile and leather export sectors ignored in Budget 2018-19

No positive steps were taken in budget 2018-19 for providing incentives to prime export-oriented sectors of textile and leather. Economists expressed their dismay over budget 2018-19 and lamented that no measures have been taken for industrialisation and extension in PM export packages. There is inability to improve growth rate of textile and leather sector exports under European Union's General System of Preferences plus status on lack of planning.

All Pakistan Textile Mills Association Executive Member Gohar Ejaz said that the budget was not designed under the declining textile product exports that were constantly falling. Non-allocation of funds for KBD was surprising as industrial and agriculture sector have been facing power and water problems.

Though measures announced by the government seemed positive for the stock market but these measures could potentially be revisited by the new government after general elections.

Lasbela Chamber of Commerce & Industry President Yakoob Karim said that under the given circumstances, withdrawal of discretionary powers given to Federal Board of Revenue's chief commissioner and commissioners which, what they claimed, was an old and major demand of country's chambers and trade bodies was a welcome sign.

Members of Federation of Pakistan Chambers of Commerce & Industry termed the federal budget as business and people friendly. The people of Karachi Chamber of Commerce & Industry were of the opinion that overall, the budget was better.

They said the tax concessions to textile sector would help develop this leading export industry of the country. However, they showed their apprehension about budget implementation if new government comes up with different economic and social priorities.

Government allocates Rs 100 million for fashion institute

The government has allocated Rs 1,500 million in Public Sector Development Programme (PSDP) for some on-going and four new schemes. The government has also assigned Rs 100 million for establishing the Institute of Fashion and Design in Karachi. The institute will aim to develop and promote the country's fashion sector and attract investment.

The Pakistan Institute of Fashion and Design Lahore will receive Rs 100 million to provide transport facilities, and student and faculty hostels. The government has also allocated close to Rs 280.437 million for schemes of the Textile Industry Division in order to promote the country's textile sector.

The Karachi Expo Centre will also be remodelled and expand as the government has assigned Rs 500 million for it. Additionally, Rs 700 million has been earmarked for setting up an expo centre in Peshawar.

Over a thousand stitching units will also be established in the country at a cost of Rs 154 million. About Rs 18 million will be spent on the Faisalabad garment city training projects. The government has also allocated Rs 58 million for standardising the system of producing high quality and clean cotton.◆