Pakistan, Bahrain agree to negotiate CEPA

Pakistan and Bahrain recently agreed to start talks on a free trade agreement for trade liberalisation and increasing the volume between the two countries.

A statement issued after the conclusion of second session of Pakistan Bahrain Joint Ministerial Commission (JMC) held in Manama, Bahrain said the "two sides concurred to start negotiation towards a Comprehensive Economic Partnership Agreement (CEPA)".

Pakistan has adopted a very liberal and investor-friendly investment policy, which provides no restriction on remitting capital. All sectors are open for investments and equal treatment is given to local and foreign investors.

The volume of bilateral trade between the two countries stood at $117.23 million in 2019-2020. Pakistan's exports to Bahrain include rice, cotton yarn, textured yarn, printing ink etc. Whereas, major imports from Bahrain include ferrous waste and scrap, iron or steel and petroleum bitumen.

Pakistan and Bahrain also signed sectors focused MoU on manufacturing, tourism, logistics, information and communication technology, financial services, healthcare and education, and vocational training.

The MoU will remain enforced for a period of two years and can be renewed later subject to mutual approval by both parties. The MoU was signed by the Board of Investment of government of Pakistan and Economic Development Board, the Kingdom of Bahrain.

The statement said the two countries have fostered a climate of innovation and advancement and foresee opportunities for strength and synergies to be cultivated, thereby creating successful and prosperous business relationships. "The countries have expressed desire to harness and enhance collaborative and cooperative business initiatives emanating from the Board of Investment and Economic Development Board."

Both sides highlighted the importance of regular meetings of established bilateral mechanisms and high level bilateral visits. In regards to economic cooperation, the countries recognized great potential for further developing sectors of mutual interest with special focus on promoting trade and business development.

Consensus to invite each other to participate in relevant activities related to the MOU including conferences, symposiums, road shows, workshops, discussion courses, forums, exhibitions, business delegations etc. was also reached during the meeting.

Furthermore, Pakistan and Bahrain have agreed to develop cooperation between the various textile associations in the two countries and have strongly welcomed cooperation at parliamentary level, emphasizing the exchange of bilateral visits.

It is worth mentioning that during the first session, there was a consensus that volume of bilateral trade is much below the potential of both countries and future prospects in this regard were discussed. The Pakistani side also proposed to offer Special Economic Zones (SEZs) in Pakistan to Bahraini investors, which was well received by the Bahraini side.

Pakistan's textile & apparel exports surge 22.94% in FY21

The value of textile and garment exports from Pakistan increased by 22.94 per cent year-on-year in dollar terms in fiscal 2020-21 that ended on June 30. During the period, Pakistan earned $15.400 billion from textile and apparel exports, compared to exports of $12.526 billion in July-June 2019-20, according to data from Pakistan Bureau of Statistics.

Category-wise, knitwear exports rose by a sharp 36.57 per cent year-on-year to $3.816 billion during the twelve-month period, while exports of non-knit readymade garments were up 18.83 per cent to $3.032 billion.

Among textiles, cotton yarn exports increased by 3.26 per cent to $1.016 billion in July-June 2020-21, as against exports of $984.901 million made during the corresponding period of 2019-20. Exports of cotton fabric also rose by 4.98 per cent and were valued at $1.921 billion during the period under discussion. Bedwear exports jumped by 28.87 per cent to $2.771 billion during the year, the data showed.

On the import side, synthetic fibre imports shot up by 47.19 per cent year-on-year to $629.099 million, while imports of synthetic and artificial silk yarn rose 30.21 per cent to $655.726 million during the period under review.

Meanwhile, the value of textile machinery imports by Pakistan grew by 35.35 per cent year-on-year to $592.076 million during the twelve-month period.

In fiscal 2019-20 ending June 30, textile and garment exports from Pakistan decreased by 6.01 per cent to $12.526 billion over $13.327 billion exports in the previous fiscal, mainly on account of the impact of COVID-19 pandemic.

Textile exports: DDT incentive to remain continue: Dawood

Adviser to the Prime Minister on Commerce and Investment Abdul Razak Dawood has said that the real target for the country is to achieve sustainable growth in exports as sustainability in exports is the only recipe to cope with the economic miseries of Pakistan.

Addressing the members of Pakistan Textile Exporters Association (PTEA), Abdul Razak Dawood said that country's exports have witnessed highest ever 18% surge in FY 2020-21 despite adverse impacts of Covid-19 pandemic.

Abdul Razak Dawood, Advisor for Commerce, Textile, Industry and Production, and Investment of Pakistan.

World's major economies shrunk mainly due to the deadliest Covid-19 waves, but it is Pakistan that showed tremendous performance in increasing the exports; whereas the regional competing economies of India and Bangladesh remained in the negative zone. All credit goes to our valued exporters who performed extremely well even in challenging times of pandemic. Responding to a question, he assured that Duty Drawback of Taxes (DDT) incentive will remain continue for textile exports; whereas Export Development Fund will be utilized for export promotion only. While quoting the example of jute industry, the Advisor built his argument saying that it was unattended, but the

Government facilitated it and extended to it zero duty, which resulted in surge in exports of jute products. He stressed the need to focus on diversification and SME promotion as these two segments would lead Pakistan towards economic heights.

The Chairman National Assembly Standing Committee on Finance & Revenue Faizullah Kamoka said that textile industry is the backbone of economy; whereas textile exporters are playing vital role in economic development of the country. Remedial measures to overcome the challenges are being taken to uplift this sector. Government, under the dynamic leadership of the Prime Minister Imran Khan, is imparting all possible facilities to the export sectors as it is playing a major role in bringing economic stability. No country could achieve economic targets without the due role of exporters; therefore, all-out efforts are being done to facilitate export industries. He assured that amendment in section 203A of the Income Tax Ordinance will be reversed.

Mr. Imran Khan,
Prime Minister of Pakistan

Earlier, PTEA's patron-in-chief Khurram Mukhtar commended the strenuous efforts of the Advisor

Commerce & Investment for uplifting the country's exports. He congratulated the Government on achieving highest ever export growth this year. He said that Pakistan can become an economic giant by utilizing its trade and investment potential. Lauding the sincere support of Chairman Standing Committee on Finance & Revenue Faizullah Kamoka, he said that he always voiced up our concerns at all levels and extend full support in resolving our issues.

Chairman PTEA Muhammad Ahmad, in his welcome address, commended Government's policies and Prime Minister Imran Khan's revolutionary steps to enhance exports. Later, the Advisor Commerce & Investment Abdul Razak Dawood inaugurated the newly established ECO section of PTTF Lab working under the aegis of Pakistan Textile Exporters Association. A large number of textile exporters were present in the meeting.

Export of textiles soars to $15.4bn in FY21

Pakistan's exports of textile and clothing posted a 22.94 per cent growth in the outgoing financial year compared to the same period a year ago, data released by the Pakistan Bureau of Statistics showed recently.

In absolute terms, the total exports of textile and clothing were $15.4 billion in 2020-21 against $12.526bn of the previous year.

The growth in exports of value-added sectors contributed to an increase in overall exports from the sectors. One of the reasons for growth in these sectors is because of low-base of last year when export-oriented industries remained closed due to the Covid-19 lockdown and cancellation of orders from international buyers.

The breakdown shows exports of readymade garments went up by 18.83pc to $3.032bn in FY21 against $2.552bn over the corresponding months of previous year. The exports of knitwear increased by 36.57pc to $3.816bn against $2.794bn over the corresponding months of last year. Exports of bedwear went up by 28.87pc to $2.771bn this year against $2.150bn of the last year.

A growth of 31.81pc was seen in export of towels to $937.536m in FY21 against $711.265m of the last year. The export of leather garments was up by 14.02pc and leather gloves by 22.26pc. The exports of raw leather declined by over 12.04pc.

The cotton cloth export posted a growth of 4.98pc in FY21 to $1.921bn, while the export of cotton yarn went up by 3.26pc to $1.016bn on a year on year basis. The export of raw cotton declined by 95.27pc this year over the last year.

It indicates that these raw materials were consumed maximum in the value-added sector as the government has also allowed duty-free import of these products. The exports of cotton carded were up by 3.17pc and yarn other than cotton yarn by 29.62pc.

The exports of tents, canvas and tarpaulin went up by 12.10pc, art, silk and synthetic textile by 17.68pc and made up articles, excluding towels and bed wear, by 28.08pc.

In the budget 2021-22, several measures, including reduction in duty on raw materials to promote exports of pharmaceutical, plastic, chemicals, engineering, and value-added textile products, had been proposed.

Between July 1 last year and June 30 this year, the overall exports reached $25.304bn as against $21.393bn over the corresponding months of last year, indicating a growth of 18.28pc. The import of textile machinery posted a growth of 35.35pc to $592.076m on a year on year basis. This indicates that the industry has started importing textile machinery as part of modernisation or expansion in the sector.

The industry imported 857,373 tonnes of raw cotton in outgoing year against 536,707 tonnes last year, showing an increase of 59.75pc, to bridge the shortfall in the domestic sector. Similarly, the import of synthetic fibre grew by 52.69pc as industry imported 447,351 tonnes this year as against 292,972 tonnes of previous year.

The import of synthetic and artificial silk yarn stood at 392,092 tonnes this year as against 248,834 tonnes last year, showing an increase of 57.57pc. The import of worn clothing recorded a growth of 89.64pc to 732,623 tonnes this year as against 386,320 tonnes of previous year.

Cotton crop revival linked to financial viability

With the country missing out on the cotton sowing target for the 2021-22 season, stakeholders maintain the crop can only be revived if work is done to make it financially lucrative to the farmers.

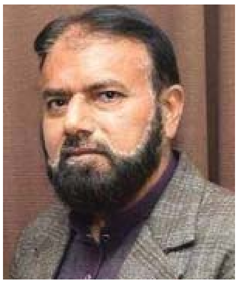
Cotton was sown on 1.96 million hectares of land against a target of 2.32m hectares fixed for the 2021-22 season. Both Punjab and Sindh missed their plantation targets by 25.7 per cent and 16.7pc, respectively. During the 2020-21 season, the cotton crop was planted on 2.079m hectares, showing a contraction of 17.4pc over the previous year's 2.517m hectares. Since 1986-87, cotton has been planted on an area above or close to 2.428m ha, reaching a high of 3.19m ha in 2004-05. The country harvested 14.26m bales in 2004-05, compared to just 5.57m bales in 2020-21 — a whooping 61pc decline in the last 16 years.

This gradual decrease in cotton output has been forcing the country to rely more and more on lint imports as the textile industry needs 16mn bales per annum to meet its demands. During the 9MFY21, lint imports reached $1.838bn and the figure is likely to cross $2.5bn mark by the year end, further tilting the foreign trade balance against Pakistan.

Cotton crop was blatantly overlooked in Prime Minister's Agriculture Emergency Programme two years ago. The authorities disapprove any question about the crop's viability, saying "agriculture does not end with cotton".

Climate change, harsh weather, pest attacks and poor quality seeds are just some of the reasons that have adversely affected cotton. Add intensifying water crisis, increase in production costs and no minimum support price into the mix and the crop has little appeal for growers.

Talking to media, a senior agriculture officer said that cotton was losing ground in the past in the wake of mealybug and cotton leave curl virus attacks. "However, the trend would reverse next year because of the profit the crop still promises," the officer said, requesting anonymity.



Dr Zahid Mehmood, Central Cotton Research Institute, Multan,

Central Cotton Research Institute, Multan, Director Dr Zahid Mehmood, who has recently been tasked by the federal government to ascertain the reasons behind shrinking cotton acreage, also stresses this point by saying that cotton cannot be revived until its production is linked with productivity and profitability. "The farmer is ready to plant cotton if, like sugarcane, the crop gives him Rs100,000 per acre income." About the challenges facing cotton in the form of alternative crops like maize and rice, he says these alternatives are short lived as prices of these crops dropped this year after a robust demand in the last two seasons.

He goes on to add that the government should announce an indicative price for cotton and make textile millers pay a better price to the growers to attract them back to the crop. "The textile industry is paying more for import of lint than what it offers to local growers," he added.

Adil Bashir, a textile industry representative, noted that local cotton was costlier than imported one in terms of staple size and contamination.

About fixing a minimum support price, he said that it not the price but rather dropping yield that was an issue. The research institutes should come up with seed varieties capable of a better yield and resilient to the climate change for reducing gate price of cotton, Mr Bashir added.

Brand building in textile to boost exports

The focus on brand building in the textile industry can fetch better export volumes but unfortunately traders in Pakistan do not pay attention to this factor, said Pakistan Businesses Forum (PBF) President Mian Usman Zulfiqar.

Speaking to a delegation of the Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) he said that Pakistan's fashion designing and textile segments had emerged as important contributors to the national trade because of their export potential.

He was of the view that the two segments possessed tremendous potential to secure a mammoth share in the international fashion market valued at billions of dollars.

"Pakistan can grab a significant share in the global fashion industry if it succeeds in attracting the attention of foreign buyers," he said.

Mian Usman Zulfiqar. Central Cotton Research Institute, Multan,

Zulfiqar recommended the government to establish five mega textile parks to help turn the local industry competitive at the global level.

He stressed that the government should make it compulsory for large spinning units, having more than 30,000 spindles, to grow their own cotton for manufacturing yarn.

"The country's textile exports cannot be enhanced without increasing the area under cotton cultivation and enhancing the cotton yield," he said.

He highlighted that the country's textile sector was functioning at its full capacity and all major textile exporting nations, including Pakistan, were brimming with orders because stores were mostly empty due to the disruption to the supply chain of textile.

"We have to devise a proper mechanism to continue this trend in the long run," he said. "Pakistan is an agrarian country and its textile sector is considered the backbone of the national economy because it contributes 8.5% to the GDP and employs 40% of the total labour force."

The textile sector "is also producing artificial silk, which resembles its natural counterpart but costs less to produce", he said, adding that around 90,000 looms were working on this product throughout the country. "The quality of fabric produced by Pakistan is better than many other countries," he emphasised.

PBF Vice President Ahmad Jawad was of the view that brand building in the textile sector was direly needed because it could soften the international image of the country.

Speaking to media, he added that the lack of brand building was limiting revenues of the country and pointed out that Pakistan could generate an additional $2 billion in exports solely by focusing on branding.

Ch Ahmad Jawad, Vice President PBF

"We have the capability but are lagging behind in effective marketing," he said. "European companies earn millions of dollars by branding merchandise that is mostly manufactured in South Asian countries."

Topline Research analyst Saad Ziker said that strong brands could boost attractiveness of Pakistani products in the international market.

"Pakistan's textile sector needs branding as it can promote Pakistani flavour in the international market and help secure maximum orders, which can augment the export value of readymade garments," he said.◆