

Government of Pakistan
Ministry of Industries & Production
Federal Textile Board

Subject: Textile Vision – 2005 – Salient Points

Vision Statement:

An Open, Market Driven, Innovative & Dynamic Textile Sector Which is :

- Internationally Integrated.
- Globally Competitive.
- Fully Equipped to Exploit the Opportunities Created by MFA Phase Out.
- And Which Enables Pakistan to be Amongst the Top Five Textile Exporting Countries in Asia.

Three Scenarios :

Low Road : - Exports will grow at historic patterns.

Do-able: - Export growth rate will match the growth rate of import markets.

- Market shares will grow in ignored markets.
- Unit price will improve.
- Cotton production will increase.
- Share of Man-Made Fiber will increase.

High Road: - Value Added Products (Garments and Made-ups) will be the - engine of export growth.

- Product and Market mix will be diversified.
- 50% of the total fabric will be imported.

Product Mix Shifts :

To achieve higher growth in exports, the product mix in the export of Textile Products has to be changed as under:

	Existing	Do-able	High Road
Garments	25%	28%	31%
Made Ups	22%	19%	29%
Fabrics	32%	32%	25%
Yarn	21%	20%	14%

Investment :

	Low Road	Do-able	High Road
Pak Rupees (Blns)	138	233	333
US \$ (Blns)	2.7	4.5	6.4

Employment Generation:

	Existing	2005	%age Increase
Total (Mlns)	1.34	2.38	77%

Critical Country Perceptions :

- Supportive external factors.
- Investor friendly business environment.
- Positive country image.
- Elimination of procedural & regulatory barriers.
- Political stability.

Strategic Success Factors:

- Free Trade.
- Higher Technological Orbit.
- Human Resource Development.
- Shifting Focus to Value Added Products.
- Eliminating Procedural & Human level impediments.
- Development of international standards of cotton.
- No positive or negative Producer Subsidy.
- Emphasis on Man-Made Fibers.

Interventions – Across Value Chain

- Establishment of High Powered Textile Board.
- Establishment of Textile Cities.
- Liberalization of Import / Export Regime.
- Revamping Temporary Import Schemes.
- Quota Allocation on Value Addition.

- Provision of Credit to Textile Industry on the basis of Export Performance.
- Launching a Comprehensive Manpower Training Project for Textile Industry.
- Simplification of Labor Laws for the Industry.
- International Compliance to Non-Tariff Barriers.
- Discouraging Import of Old Textile Machinery.

Interventions-Sectoral :

- **Cotton**
 - Free Import / Export of Cotton.
 - Implementation of Cotton Standards.
 - Improvement at Picking Stage (Contamination free cotton).
 - Cotton Standardization Ordinance.
 - Amendments in Cotton Control Act.
 - Premium for Quality Cotton as PCS I Standards.
 - Premium for Contamination free cotton.
 - Development of Cotton Hedge Markets.
 - Establishment of Ginning Research Institute.
 - Up-gradation of ginning units (SMEDA Project).
 - Ginning Standards – Year 2004.

- **Spinning**
 - Incentives to Move to High Value Added Yarns.
 - Increased Production & Exports of Man-Made Fiber Yarn.
 - Facilitation for BMR of Spinning Industry.

- **Weaving**
 - Incentives for Technology Up-gradation from Power/Shuttle-less to Air Jet Looms.

- **Processing**
 - Training Institute for Processing Industry.
 - Provision of Credit for Modern Processing Units.

- **Garments / Made-ups**
 - Reward Product Diversification and/ or Market Diversification.
 - Establish Dedicated Training Institutes for Garments.
 - Facilitate Foreign Investments by International Brands into Pakistan.
 - Promote Local Brand Development through a Public-Private Collaboration.

- **Labour Levies**
 - Consolidation of all labour levies and charging as %age of exports by one agency.

Government of Pakistan
Textile Board

TEXTILE VISION 2005 - KEY POLICY DECISIONS

- ❑ Formulation of a Textile Board with representation from private and public sector. The Board reviews the export performance of the textile sector and also deliberates upon the policy interventions to facilitate export growth.
- ❑ Removal of all regulatory controls on cotton trade to ensure free availability of inputs to the textile sector at international parity prices.
- ❑ Campaign to produce contamination free cotton in the country to promote value addition. As a result of which cotton prices now being quoted on PSCI grade standards. Work is also under progress on Cotton Standards Ordinance that is expected to be finalized soon.
- ❑ The provincial Cotton Control Act was amended in Punjab and Sind to incorporate anti contamination and quality clauses.
- ❑ The Government initiated work on the possibilities of establishing cotton hedge markets in Pakistan that has now materialised in the formation of forward trading agency on the Karachi Cotton Exchange.
- ❑ With the view to improve the quality of domestic cotton, SMEDA initiated a programme for technology up-gradation of ginning in Pakistan.
- ❑ In order to up-grade weaving sector in Pakistan SMEDA initiated a programme to up-grade power loom sector that produces majority of the fabric in the country.
- ❑ With the view to provide due protection to the textile industry of Pakistan, the Government promulgated the Anti Dumping Ordinance.
- ❑ To ensure duty free availability of inputs for the textile exporters the Government formulated Duty & Tax Remission for Exports (DTRE) rules. (although it did not receive a welcoming response from the exporters as the utilisation remained very low. During 2001-2002 only 317 exporters benefited from the scheme). In order to rationalize the rules the Government has formulated a stakeholder committee.
- ❑ With the objective to increase the consumption of manmade and synthetic fibers in the country the Government announced compensatory export rebate for synthetic textiles.
- ❑ To provide incentives for value addition Export Refinance on yarn was withdrawn. To enhance the competitive advantage of the textile sector the Export Refinance rates were also rationalized by the State Bank of Pakistan.
- ❑ The Government successfully negotiated enhanced market access with both the EU and the USA resulting in lowering of import duties and increase in quota limits. The EU increased Pakistan's quota by 15% for all categories

and also extended zero rate of customs duty on Pakistani products under GSP, except for textile yarn and fabric.