Pakistan
Textile Industry of Pakistan

Compiled by:

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26th September 2007

1. Overview and Trends of Textile and Apparel Industry:

The World Textile and Apparel industry is undergoing a tremendous era of changes characterized first by the rapid relocation of the majority of productions out of western countries and secondly the increasing level of competition among new supplying countries with China and India, expected to rapidly gain control over global textile and apparel trade.

Post quota scenario has dramatically changed the global trade pattern. With the opening of world markets and increased global competition, there is a new focus required for textile companies to increase their success rate. The winning formula now is much more based on internal competences and performance than on protected political and trade policies.

The trade liberalization process is creating huge uncertainty among textile producing countries, workers and enterprises worldwide, particularly in South Asia. It has increased fears and hopes in both importing and exporting countries. However, it is certain that some countries would benefit from the opening markets, while others would encounter growing difficulties as a result of increased international competition.

Many developing countries including Pakistan are highly dependent on textile and apparel export, which accounts for a significant share of their total industrial goods export and hence export earnings, creating a high degree of dependency on this sector.

In this context national governments of leading textile countries are constantly intervening playing a relevant role in determining the overall competitiveness of their commodity textile industry through various kinds of incentives.

2. Cotton in Pakistan:

Cotton is a natural fibre used primarily as a raw material for textiles. Leading producers of cotton include USA, China, India, Pakistan, Uzbekistan and Turkey. The current world market share of cotton is 56 percent in all fibres.

Pakistan is world's fourth largest producer of cotton and third largest consumer and exporter of the same. It is an occupation of 1.5 million farming families (out of 5 million), cultivating cotton over 15% of the cultivable area in the country.

Cotton accounts for 8.6 percent of the value added in agriculture and about 1.9 percent in GDP. It provides raw material to 458 textile mills, more than 1200 ginning factories and 5000 oil expellers. Cotton production is the inherent comparative advantage of the textile sector of Pakistan, the success or failure of cotton crop has a direct bearing on textile production.

Punjab and Sindh are the major cotton growing provinces and their share in total cotton is estimated at 76% and 23% respectively. During the fiscal year 2006-07, the crop was sown on the area of 3075 thousand hectares, 0.9% less than last year (3103 thousand hectares). The production of cotton was provisionally estimated at 13.0 million bales for 2006-07, lower by 0.1% over the last year's production of 13.019 million bales.

Production of Cotton in last five years

Fiscal Year	Cotton (000 bales)	Growth rate
2002-03	10211	-3.8
2003-04	10048	-1.6
2004-05	14265	42.0
2005-06	13019	-8.7
2006-07 (P)	13000	-0.1

P: Provisional (July-March), Source: Economic Survey 2006-2007

Lower production was attributed primarily to the 11% decline in area sown in Sindh due to excessive rains and floods. The crop yield in some areas was also effected by the cotton leaf curl virus and mealy bug. Other factors responsible for the decline in cotton production include excessive rain, delayed sowing and late wheat harvesting which resulted in decline in area under the crop.

Government's action plan calls for a cotton production target of 14.14 million bales in 2007-2008, but the delay of fresh domestic cotton crop in the market has created temporary shortage, which triggered the panic buying by the mills and shoot the lint prices up to the historical level of Rs. 3,500 a maund (37.32 Kg) on August 9, 2007 against the last year's price of Rs. 2,300 per maund.

Shortage of cotton and the increase of price had a direct impact on the competitiveness of the Pakistan's textile industry. It provoked the spinners to arrange the import of 2,000 tonnes of Uzbek cotton warehoused at the port of Iran at the rate of about Rs. 3,000 a maund. Government has also allowed the import of long staple cotton from India for the 1st time through Wagah border (by train) to meet the short fall and save on transportation charges and time.

Nevertheless the reports of imported cotton landing in Pakistan have failed to contain the fluctuations of price in the domestic market. Although the lint rates eased to Rs. 2,900 per maund in mid August, the prices again jumped to Rs. 3,350 per maund in a week time.

As the textile spinning mills have been facing several crises, they decided to close the spinning mills on August 14$^{th.}$ 2007 (Independence day-being National holiday) to ease the supply situation and price pressure. It is for the first time in the history of textile industry that spinning mills are being closed for a day.

3. Textile Industry of Pakistan

In 1947 when Pakistan came into being, two textile mills were established in the country as a colonial heritage. Since the independence, however, the Pakistani textile industry has played a crucial role in the country's industrial development.

Today, textile and clothing industry is the backbone of Pakistan's economy. Its cotton based textiles contribute over 65% to the total exports, 46% of the total manufacturing and provides 38% manufacturing labour force. The availability of cotton as basic raw material and cheap labour has played the principal role in the growth of Pakistan's textile and clothing industry.

It has an overall integrated structure with an important indigenous cotton crop, increasing man-Made Fibre production, large spinning, weaving, and knitting, dyeing/printing and finishing capacities as well as expanding garment and home textile industries.

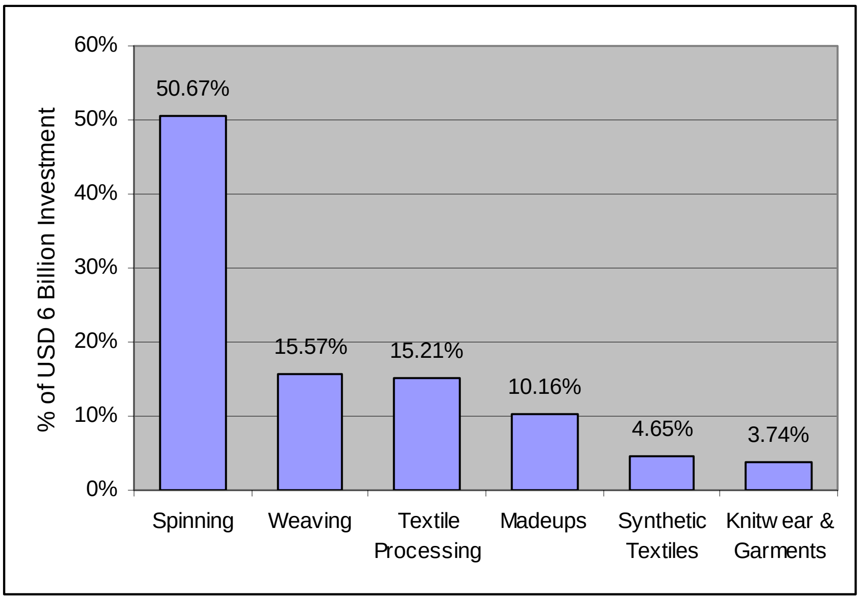
Structure of Textile industry of Pakistan:

Large Mill Sector			
Sub-sector	**No. of Units**	**Size**	**Production**
Spinning Units	458	a) 10.906 M Spindles b) 202,356 (Rotors)	2,290 Million Kgs.
Composite Units	50	10,416 Looms	925 Million Sq. Meters
Independent Weaving Units	150	27,500 Shuttle less Looms	-Do-
Finishing Units	115	-	-
Garments Units	800	-	-
Small & Medium-Scale sector			
Sub-sector	**No. of Units**	**Size**	**Production**
Independent Weaving Units	425	50,000 Looms	-
Power Looms (Conventional)	-	245,442 Looms	6,192 (Million Sq. Meters)
Total:	-	295,442 Looms	7,117 (Million Sq. Meters)
Finishing	635	-	4000 (Million Sq. Meteres)
Terry Towels	800	10,000 Looms (700 Shuttle less)	160 Million Kgs.
Canvas	-	2,000 300,000 (industrial)	35 Million Kgs.
Garments	5000	450,000 (Sewing machines)	56 Million Dozen
Knitwear	1200	18,000 (Knitting Machines)	80 Million Dozen

Source: Textile Commissioner Organization (July 2006)

Performance of Textile Industry: The performance of textile industry during the last five years has been satisfactory. The market was responsive, the Government policy was supportive and inputs were viable. The industry made profits and re-invested in new machinery for balancing, modernization, and restructuring (BMR) and expansion.

Sectoral share in total investment of USD 6 Billion during 1999 – 2006:



Source: Economic Survey 2006-07

The industry made an investment of approximately USD 6 Billion during the period 1999 – 2006. Import of textile machinery has been accounted for USD 0.817 million in 2005 – 2006 which is the single largest item in the machinery group. The major investment has been made in the spinning, weaving, textile processing and made-ups sectors.

This resulted into consequently, yarn production by 12% and cloth production by 7%. The export showed positive improvements, cotton textile export grew from USD 9.20 billion in 2004-05 to USD 10.21 billion in 2005-06 and to USD 10.75 billion in 2006-7. However, it fell its target of USD 11.5 billion set for the year 2006 – 07. Exports performance in the year 2006-07 hardly increased 5 percent which is not so impressive against 14 percent annual growth a few years ago.

Pakistan's share in world textile exports is observed to have been increased from 2.58 per cent in 1990 to 3.45 per cent in 2005. On the face of it, this appears to be a positive growth.

However, the growth in Pakistan's textile exports have come mainly from increased sales of cotton yarn and woven grey fabrics, which are intermediary products of minimal value addition. Similarly, in world's clothing trade, Pakistan's share has increased from 0.94 per cent in 1990 to 1.31 per cent in 2005 by value. Clothing and home textiles are key labour intensive sectors where Pakistan should have comparative advantages. These advantages have not been exploited to the full potential.

Analysis of textile products during 2006-07 show that high growth in the textile products could not be achieved due to unimpressive performance of value added sector which posted growth a year before. Most worrisome was the decline in the export of bed-wear, which failed to match the past export figures and fell below the USD 2 billion mark. It has been pointed out that high cost of production coupled with high interest rates is the big factor in making the products un-competitive in the international market.

The industry's market competitiveness is dependent to a considerable degree on the operating environment in Pakistan as shaped by cost factors: gas, electricity, human resource development (academic/vocational), marketing support, taxation, investment policies and infrastructure development. At the moment, a relatively small number of companies match international levels for quality however most companies are aiming to improve their competitiveness via cost and quality control in the changing market environment of today.

The pace of the modernisation of textile sector or enhancing the production capacity has been stagnated for the last two years.

4. Value Chain of Textile Industry:

4.1 Ginning:

Ginning is the first mechanical process involved in the processing of cotton. During the process lint (fibre) is separated from seed to cotton. The ginning industry has mushroomed in the cotton growing area of Pakistan informally, without adequate regulations. There are 1,221 ginning factories in the country with installed capacity of more than one billion bales on a single shift basis and a total capacity of around 20 million bales on three shift bases, part of which lies unutilized. Out of 1,221 ginning units, 75 percent are based in Punjab and 22 percent in Sindh and only 700-800 units are operational with an average production of about 10 million bales per year.

Pakistan, being producer of good quality medium to medium long staple cotton varieties, suffer from a number of standards, ginning practices and poor management. The machinery being used is locally made and is very old. Hence the efficiency and productivity of the process is one-fifth of that of machines currently being used in USA or in other competing countries.

In Pakistan Cotton processing industry has catered to low quality products (lint, yarn and fabric) over the past few decades. Changing global demands and textile market profiles are demanding a shift to quality products. In this, the ginning factory plays a pivotal role for determining quality of cotton fibre as raw material for downstream industry. Yet this component of local textile industry is the most neglected and antiquated.

Most Pakistani cotton continues to carry an unacceptable level of contamination. This phenomenon is clearly reflected in the rising volume of imports from countries who produce contamination free cotton or longer staple cotton which the saw gins of Pakistan cannot handle.

By having an efficient raw material, Pakistan has the chance to produce textile products of better quality and more economically by saving freight costs and avoiding supply shortages as well as time lags. Unless up-gradation of this industry is undertaken, it would not be possible to remain competitive in export markets.

4.2 Spinning sector:

This is the first process that adds value to cotton by converting into a new product i.e. conversion from ginned cotton into cotton yarn. If spinning industry produces sub-standard yarn, its effect goes right across the entire value chain.

Pakistan has the third largest spinning capacity in Asia with a spinning capacity of 5% of the total world and 7.6% of the capacity in Asia and an annual growth rate of 6.2%. At present, cotton-spinning sector is comprised of 458 textile units (50 composite units and 408 spinning units). Almost 70 percent of total production is consumed in local industry and the rest is being exported.

Major share holders of machinery market in this sector are Switzerland (Rieter), Germany, Japan and China respectively. The spinning sector has approximately invested USD 3.04 billion during the period of 1999 – 2006.

Production of Yarn, Category-wise (Metric Tonnes):

Period	Units	Count					Blend Yarn		Grand Total
		Coarse	Medium	Fine	S. Fine	Waste	P/V	P/C	
2000-01	444	832,400	410,910	37,892	20,204	34,222	112,289	281,212	1,729,129
2001-02	450	885,889	381,387	53,674	25,410	38,545	101,823	331,619	1,818,347
2002-03	453	916,370	430,130	60,282	35,086	27,185	84,492	371,391	1,924,936
2003-04	456	928,589	417,779	60,015	34,690	26,148	89,624	376,044	1,938,889
2004-05	458	1,003,636	457,543	91,754	38,006	27,483	90,833	378,032	2,087,287
2005-06	461	1,045,372	479,708	101,980	53,756	36,255	95,671	403,860	2,216,602

Source: All Pakistan Textile Mills Association (APTMA)

4.3 Weaving & Made-up sector:

The weaving sector is one of the most important sub-sectors. The exports of woven fabrics and other related woven made-ups comprise a major portion of textile exports from Pakistan. The weaving sector can be broadly classified into three main segments:

a. Composite Weaving units
b. Independent Shuttle less weaving units
c. The power Loom sector

Investments have taken place in shuttle less loom, both in integrated and independent weaving sector. During the period of 1999 – 2006 an investment of approximately USD 0.93 billion and USD 0.61 billion has been made in weaving and made-up sector respectively. Further investment in this sector will be forthcoming in the medium term.

a. Composite Weaving Units:

The composite weaving units comprise of integrated textile mills having their own spinning and dyeing facility. A total of fifty such units currently exist with an installed capacity of about 10,416 Looms. Recent phenomenon of induction of shuttle-less looms, viz. Projectile and Air jet looms, in this sector is a healthy sign. As a pace of investment increase, the number of modern looms in this sector is on increase. However, the textile millers still prefer to setup an independent weaving unit rather than integrated ones.

b. Independent Shuttle less looms:

This is a new segment of weaving units, which is in the process of coming up on the same pattern as independent spinning units. Motivated by market demand and government incentives as well as shift towards high quality fabrics. The entrepreneurs are establishing independent weaving units with shuttle-less looms. These looms are both second hand and new ones and employ the modern technology of rapier, projectile and air-jet looms.

Weaving units, equipped with shuttle less technology are dominated by Sulzer projectile looms, which constitutes more than 60% of the equipment installed in the sector. The rest of the technology in the sector includes rapier and air-jet looms for which Sulzer is getting tough competition from German, Italian and Japanese companies.

c. The Power looms sector:
The Power loom sector has modernized and registered a robust growth over the two decades. The growth in Power loom sector is to a larger extent a result of the government policies pursued, as well as increased demand for the product. This sector is producing comparatively low value added grey cloth of mostly inferior quality. The problem of the Power loom sector revolve around access to credit facilities to modernize their equipment as well as purchase of yarn especially when prices of yarn increase and the prices of cloth increase with a time lag.

There is a need for training facilities and guidance to diversify their products, especially to cater to the needs of the garment industry.

4.4 Knitting:
The knitting (hosiery) is playing a pivotal role in the value addition of the textile sector. There are about 18,000 Knitting Machines spread all over the country producing 80 million dozens of knitwear. The capacity utilization is approximately 70%. There is greater reliance on the development of this industry as there are substantial value additions in the form of knitwear. The products made in Pakistan includes T-Shirts, jogging suits, jerseys, pyjamas, sport shirts, children wear, gloves, nightgowns, tracksuits, sweaters and socks etc.

The knitwear industry is export oriented and highly value added. The bulk of knitwear garments are mainly exported to developed countries like USA, Germany, UK, Canada, France, etc. About 15% of the total output is consumed domestically.

4.5 Readymade Garment sector:
The garment industry provides highest value addition in the textile sector. This industry is distributed in small, medium and large scale units most of them having 50 machines and below, large units are now coming up in the organized sector of the industry. The industry enjoys the facility of duty free import of machinery and income tax exemption. This sector has further export performance for the future.

Pakistan with total exports of around USD 1 billion has a meagre share of 1% in the global market apparel market. The apparel export product mix from Pakistan is heavily tilted towards men's wear and knitted garments.

4.6 Towel sector:
There are about 10,000 Towel looms in the country in both organized and unorganized sector. This industry is dominantly export based and its growth has all the time depended on export outlets. Over 300% increase of towel in the past indicate that tremendous possibilities exist for further expansion provided the existing towels manufacturing factories are up geared to produce high value towels.

4.7 Tarpaulin & Canvas sector:
All of the different types of canvas are being manufactured in Pakistan. Being the highest raw cotton consuming sector its production capacity is more than

100 million square meters and around 90% of its production is exported while 5-10% is consumed locally.

4.8 Synthetic Fibre sector:
This sector has made progress in line with demand of the textile industry. Presently there are seven Polyester Fibre units in the country with producing capacity of 625,000 tonnes per annum, two acrylic fibre units of which one unit has started production in December 1999 with rated capacity of 25,000 tonnes per annum while another unit is under installation.

One unit of Viscose fibre with a capacity of 10,000 tonnes has also gone into production. Beside imports of M.M. Fibres is permissible to supplement the local production.

4.9 Synthetic Filament Yarn:
Synthetic filament yarn manufacturing industry picked up momentum during last five year plan when demand and hence imports increased and private sector was permitted to make feasible investment in the rising market condition. Today the production of tree kind of filament yarn is as follows:

- Acetate Rayon Yarn, one unit with a production capacity of 3000 Metric tonnes.
- Nylon Filament Yarn, three units with a production capacity of 2000 Metric tonnes.
- Polyester Filament Yarn, twenty one units with a production capacity of 95,000 Metric tonnes.

Government, in the last year reduced duty on filament Yarn. While it was helpful to the Synthetic Weaving Units, its impact on the Filament industry is evident in the form of closure. Hosiery sector has started consuming synthetic yarns for export of knitted garments which are both value added as well as diversified in product.

4.10 Art Silk and Synthetic Weaving sector:
Art Silk and synthetic weaving has developed over the time on cottage based power looms units comprising of 08 – 100 looms spread all over the country. There are approximately 90,000 looms in operation of which 30,000 looms are working on blended yarn and 60,000 looms on filament yarn. The major concentration is in Karachi, Faisalabad, Gujranwala, Jalalpur Jattan as well as in the unsettled area (Bara-Swat-Kyber Agency and Waziristan)

4.11 Textile Processing:

Textile Processing Sector has been operative virtually since the very inception of Pakistan in 1947. With the sudden upsurge of Textile industry in Pakistan during the last two decades when quite a few Textile Spinning and Composite Units started picking up roots and Power Loom Units sprang up like mushroom in Pakistan in the unorganized sector.

As out of necessity, a proportionate number of Processing Units was required for dyeing, bleaching, printing, sunforising, finishing, packing and packaging of the raw-fabric which was being mass-produced by the unorganized Power Loom Sector. And this was the occasion when the entrepreneurs and pioneers of the Processing Sector rose and, remarkably enough, came out with flying colours. They succeeded not only in making the country self-sufficient in dress and apparel, but also in providing quality fabrics to the International Export Market.

The industry houses around 10 large and 625 small processing units. Since 1999-2006 an investment of approximately 0.91 billion has been made in this sector, which is 15.21% of the total investment made in entire textile sector during the same period. Machinery being used in the industry is imported form Germany, Italy, Switzerland and China.

5. Initiatives of Government of Pakistan during the years 2003-4 to 2006-07:

During the past four years, the government announced and implemented the following important initiatives to support the textile industry.

5.1 For reducing cost of doing business:

5.1.1 Long Term Financing of Export Oriented Projects (LTF-EOP): This scheme was announced by the State Bank of Pakistan at the initiative of the Ministry of Commerce. It provides concessionary long-term project finance to export oriented enterprises since May 2004 for import of machinery for various projects. The interest rate is around 7.5% - repayable in seven years, against the normal rate of 12-13%.

5.1.2 Relocation of Industries: The government shares 50% of the cost for relocation of export oriented industry to Pakistan. This includes freight expenditure, machinery/equipment transfer cost, wharf age and handling costs, inland transport, offloading, insurance, and agency charges.

5.1.3 Freight subsidy: Considering the high freight costs from country's ports to export destinations, it was decided to share some of the burden with exporters. This scheme provides 25% freight subsidy for designated products and countries.

5.1.4 Sales Tax Facilitation for Export Sectors: Sales tax on textile machinery and on most raw materials, intermediaries and finished goods has been zero-rated.

5.1.5 Reduction of import duties on machinery: Custom duties on import of textile related machinery has been reduced gradually since 2004 - 2007. Presently import duty levied on textile machinery rages from 5% to 25%.

5.1.6 Research and Development (R&D): Anticipating the challenges to the Garment and Home Textile Sectors in the post-quota period, the Government introduced a special textile garments package in the shape of Research and Development (R&D) Support at 6%. This support has provided to help the textile garments sector to survive and sustain itself, prevent potential export losses of millions of dollars, and retain jobs in the sector. A similar support has now been extended to the Home Textiles sector in 2006-07. This support will continue in 2007-08.

Gherzi Textile Organization – Switzerland, mandated by the Government of Pakistan to conduct a comparative study of incentives for the Promotion of Textile Industry in Pakistan, India, Sri Lanka and Bangladesh, has revealed in its report that the commercial exporters have grabbed the lion's share of 20 billion R&D rebate given by the government at the rate of 6%, 5%, and 3% on export of garments and home textile respectively, for last two years, while manufacturing companies got a very small share.

5.2 For marketing and business facilitation:

5.2.1 Expo Pakistan: Pakistan has a wide range of quality products which can find markets globally. To show-case these products, Expo Pakistan, an annual event is held at Expo Centre in Karachi since 2005 to show case Made in Pakistan products. A similar Expo centre is now nearing completion in Lahore and centres are planned for Islamabad, Peshawar and Quetta.

5.2.2 Retail Sale Outlets: Under this scheme, Pakistani companies with their own brands wishing to open their own retail outlets abroad are provided financial support.

5.3 For infrastructural development:

5.3.1 Special Export Zones: A Special Export Zone is being set up at Karachi called the Textile City. It is owned and operated as a corporate entity, in which Government of Pakistan, multilateral institutions and stakeholders are equity partners. This zone would have modern infrastructure like water supply, sewerage, self-power generation and effluent treatment plants. This zone will be focusing on the textile sector particularly on dyeing, processing and finishing. The Sundar estate Lahore and Faisalabad M3 value added city are following the same concept.

5.3.2 Garment Cities: Garment Cities are being set up at Lahore, Faisalabad and Karachi, to be owned and operated as corporate entities, in which multilateral institutions and stakeholders are equity partners. These cities are for value added finished textile products.

5.3.3 Garment Skill Development Board: Textile Garments and Home Textiles Skill Development Board has been established in the Ministry of Textile Industry. The government is also providing funds required for affiliation of this Board with Foreign Institutes.

5.3.4 Contamination Free Cotton: A training Institute is being established with funding from the Export Development Fund for training farmers and ginners in production of contamination free cotton. Quality control standards are being developed for cotton, and a research centre is being established at Rahim Yar Khan for development of quality cotton.

5.4 For compliance facilitation

5.4.1 In-house Effluent Treatment Plants: Export oriented enterprises in order to meet the requirements of foreign buyers, can establish in-house Effluent Treatment Plants, by importing them at 5% duty only even if such plants are produced locally. The raw material required for them is importable duty free. The first 6% mark-up cost of loans obtained by existing units for establishing such plant is picked up from the Export Development Fund (EDF).

6. Textile Machinery Market:

Pakistan's textile industry estimates that around USD 32 billion of investment is required till 2010 in order to achieve the government's export target (Former federal secretary and chairman of the National Tariffs Commission of Pakistan, Mr. Masud Daher).

Pakistan has been a major Asian market for textile machinery manufacturing nations. China and Switzerland have been among the top exporters of textile machinery to Pakistan. Germany, Italy and Taiwan follow the lead.

During the period of 2001-2005 duty rates on the import of textile machinery were gradually reduced. Sales tax on the import of textile machinery was abolished. Loans were also provided to the textile sector on soft terms to encourage investment. As a result a rapid growth was observed in the textile sector as far as installing latest machinery whether new or second hand.

Import of Textile machinery by category 2002 – 2005 (in 000 Rs.)

	2002-03		2003-04		2004-05	
Items	**Qty**	**Value**	**Qty**	**Value**	**Qty**	**Value**
Carding Machinery Cotton	1,068	783,350	1,372	1,475,390	2,460	3,567,258
Combing machinery	199	164,211	383	605,791	850	1,584,199
Drawing or Rowing Machinery	1,345	1,087,002	1,536	2,106,481	1,999	3,555,835
Machinery for Preparing Textile Fibre	4,613	2,345,321	1,480	1,803,931	1,624	1,851,287
Textile Spinning Machines	3,342	2,849,255	3,737	4,523,038	5,983	9,376,476
Textile Doubling or Twisting Machines	359	257,141	658	451,942	655	454,922
Weft Winding Machines	449	394,450	222	340,896	712	572,417
Textile Winding Throwing & Realing Machine	1,947	1,785,276	2,756	2,948,613	4,103	4,924,112
Spindles	494,297	330,056	1,497,295	528,083	1,458,390	131,936
Spinning Ring	-	512,571	-	656,471	109,976	54,006
Card Clothing	53,147	225,202	440,327	267,764	593,888	513,707
Looms	33	51,989	1,133	627,147	1,139	719,054
Circular Knitting Machine	850	429,711	1,623	1,329,844	1,529	1,283,735
Flat Knitting Machine	857	128,111	753	166,559	2,235	312,387
Machine for Making Gimped Yarn	3,670	2,751,339	2,944	2,159,528	5,411	3,801,469
Machines other fiber	2,593	1,979,046	2,179	2,162,583	2,677	2,706,112
Shuttles	21,685	4,944	12,953	3,496	11,940	5,200
Part & Accessories of Weaving Machine (Qty. in Kg)	1,099,887	513,154	971,279	530,906	669,099	395,639
Needles Hosiery (Qty. in Kg)	111,899	160,719	107,346	157,233	163,616	218,370
Part & Accessories of Knitting Machine (Qty. in Kg)	107,787	126,285	171,769	287,756	268,506	78,673
Draying Machine	355	111,636	576	188,585	1,073	457,144
Bleaching Machine	200	134,481	865	96,223	3,363	1,531,135
Dyeing Machine	455	872,375	836	1,973,812	1,300	2,260,512
Dressing & Finishing Machine	176	96,533	164	137,422	322	209,149
Coating or Impregnating Machinery for yarn	108	89,177	200	157,131	54	14,691
Textile Printing Machines	930	542,342	761	486,262	2,249	1,336,634
Ironing & Textile Pressing Machinery	628	33,287	1,875	72,052	1,462	111,860
Machinery for pressing Bleaching Ns	-	2,991,691	-	2,172,842	-	3,872,782
Weaving Machine	274	6,589,575	297	3,651,358	1,908	7,583,459
Spindles textile machinery	-	-	-	-	226,006	131,936
Flocking machies	185	110,195	7	10,096	33	12,732
Total	**-**	**31,199,195**	**-**	**33,275,096**	**-**	**56,430,182**

Source: APTMA

Import of textile machinery in Pakistan registered an impressive growth of 55.3% in the fiscal year 2004-2005 amounting USD 928.6 million. After that a substantial decline in the import of textile related machinery has been observed. During 2005-2006 import of textile machinery amounted USD 817.24 (-12% against previous year) and USD 503 million during 2006-07 (-38% against 2005-06).

Trend in Import of Textile Machinery: 1999 - 2007

Year	Million USD	%Change
1999-00	210.9	28.6
2000-01	370.2	75.5

2001-02	406.2	9.9
2002-03	513.9	30.7
2003-04	597.9	12.4
2004-05	928.6	55.3
2005-06	817.2	-12.0
2006-07	503.0	-38.4

Source: Economic Survey 2006-07

During a direct discussion with the local suppliers of Swiss textile machinery, it has been revealed that textile related machinery and parts from Switzerland are very much appreciated and have very good reputation in the Pakistani market. The high price is compensated by quality, latest technology, and durability and reliable after sale service.

Switzerland exported textile machinery of around 91 Million CHF to Pakistan in 2006, which is 11% less compared to the year 2005. The negative trend has been observed due to an overall decline of investments in the sector.

Despite governments' support in terms of about Rs. 50 billion bank loans on concession rates of 7.5 percent since May 2004 and some other incentives have also failed to motivate textile industrialists to invest for improving their production capacities.

It is expected that investments in technology up-gradation may take place after the ITMA – 2007 (Munich), as more than one thousand executives/decision makers have planned their visit to the exhibition.

Pakistan has signed a Free Trade Agreement (FTA) with China, which will certainly increase bilateral trade between Pakistan and China.

Pakistan is also striving to make same kind of agreements with non-European Union member countries, like Bosnia, Serbia, Croatia, Montenegro, Belarus, Ukraine and EFTA. If done, this agreement will further stimulate the trade between Pakistan and the countries concerned, including Switzerland.

7. Trade between Switzerland and Pakistan in last five years 2002 – 2006

Bilateral trade balance between Switzerland and Pakistan has traditionally been in favour of Switzerland. Textile machines are one of the main Swiss exports to Pakistan.

Switzerland's import from Pakistan in 2006 has shown an increase of 42.5% against the year 2005. Textile is the largest item of Switzerland's import from Pakistan, it counts 60% of the total import from Pakistan, followed by agricultural products. Some traditional products, like sports goods, surgical equipment and carpets also have minor export share.

SWISS EXPORT (in 1000 CHF)

Description	2002	2003	2004	2005	2006
Machines	89910	110310	158400	141420	151690
Chemicals	52200	61050	79980	75510	44790
Pharma	23000	31820	37280	74330	60630
Watches	14920	16390	24430	23760	29750
Precision Instruments	7230	8590	13620	11310	13250
Others	19250	22810	27620	28580	27350
Total	**206510**	**250970**	**341330**	**354910**	**327460**

SWISS IMPORT (in 1000 CHF)

Description	2002	2003	2004	2005	2006
Textiles	27900	25930	27210	31870	39120
Agricultural Products	4360	4170	6810	4960	19300
Others	12870	6750	8300	9190	7170
Total	**45130**	**36850**	**42320**	**46020**	**65590**

During the period of January to July 2007, export of Switzerland to Pakistan totalled at 169.13 Mio CHF which is 15.5% less than the same period of 2006.

The export of machinery group has also shown an overall decline of 50% in the seven months of current year.

8. Conclusion:

The post-quota regime has brought many challenges for the textile sector of Pakistan in particular and of the region in general. Relocation of textile business to Asia from Europe has not only opened up new opportunities, but also exposed the textile sector to new challenges.

The Textile Vision 2005, prepared by the sector's gurus in the late 1990s, was implemented successfully and the textile sector, particularly the basic one, witnessed increased investment of $6 billion during the period of 1999 - 2006.

The major portion of the $6 billion investment, took place between 2001 and 2005. It was the period when the country was flooded with unprecedented inflow of remittances in the backdrop of 9/11 attacks. Many inexperienced investors jumped in the textile sector and set up industrial units, particularly in spinning and weaving sectors. Since heavy remittances were pouring in the banks of the country, the mark up rates was cut down drastically (3 – 5 percent only) and investors were able to borrow heavy amounts to set up these units.

It is also a fact that most of the textile units have failed in upgrading themselves in accordance with the present day needs. An exercise of Balancing, Modernisation and Rehabilitation (BMR) and expansion was done for the textile units, but textile industry focused on weaving and spinning as about 66.25% of the USD 6 billion investment in the sector went into these units. Insufficient investment was made in Knitwear & garments (3.74%) Made ups (10.16%) Synthetic Textiles (4.65%) and textile processing machinery (15.21%).

For the past two years, Pakistan's textile manufacturing industry is experiencing a crisis, facing stiff competition from China, India, Vietnam and Bangladesh in its major US and EU markets. It is claimed by the textile industrialists, that due to the disproportionate increases in cost of production, they are unable to compete with their regional competitors. During the last few years prices of Gas has been increased by 38 per cent from Rs. 172 to Rs. 238 per mmbtu; electricity cost by 10 percent with constant load-shedding; fuel prices has been increased, transportation costs has almost been doubled and increase in banks mark-up rate have gone up to 14 percent.

It is also learnt that over the last few years the textile industrialists have got involved in the real estate business. Many leading business persons in ready-made garments had also closed down their units and shifted all their investments to the real estate business. Bank loans, which actually were borrowed for the textile sector, were used for the real estate business. Hype in the business of real estate sector attracted many among the textile sector and they started investing in real estate at the cost of their textile business.

Another reason that Pakistan's textile industry could not exploit its potential in the free market post WTO regime is the shortage of trained manpower, less investment in innovative products, human resource management, and value addition in the garment industry.

The Textile College Faisalabad which was made National Textile University in 2002 is mainly focused on spinning and weaving and its curriculum needs to be updated.

The end of textile quotas (since January 2005) has opened up vast export opportunities for Pakistani textile products which will however require new investments in machinery, better labour skills, and improved product quality.

Though, textile exports of Pakistan in the past few years have increased but the target was not achieved because of various reasons including:

- Security concerns (refrained international buyers to visit Pakistan)
- Compliance with Social, Environment and Health standards
- Quality of products
- Focus on low value added products e. g. spinning than on composites.
- Insufficient product diversification
- The wastage of material during production is among 16-18 % which is very high in relation to competitors where wastage is around 4-5%.
- Availability of machinery but shortage of skilled operators
- Lack of Marketing efforts.
- Duty imposed on the import of bed linen by EU 7.5%

9. Proposed Textile Industry Development Policy 2007:

The Ministry of Textile Industry has proposed an attractive incentive package, which is expected to be included and announced in forthcoming Textile Industry Development Policy 2007. The aim of the policy is to develop textile sector on war footing and modern line to secure the market share of Pakistan in the international markets in the short as well as in the long run.

Salient features of the proposed Textile Industry development policy:

- The proposed policy says that textile industry, being the largest industrial sector of Pakistan requires a sizeable machinery-manufacturing base inside the country. Textile machine manufacturers are relocating in China and this is the right time to attract machine manufacturing in Pakistan.

- To attract foreign investment in textile machinery manufacturing incentives like zero-rating for import of plant and equipment, tax holidays for initial 10 years, inclusion of their end-product in any future scheme designed to subsidise import of textile machinery be allowed.

- The policy also encourages foreign investment in cotton warehouses, The ministry has proposed incentives of tax holidays for 10 year and 50 percent of the normal rate for the next 5 years may be provided to attract foreign investment in cotton warehouses.

- The proposals also include tax incentives for Chinese investment in dedicated textile industrial parks to be setup by the government. A package of tax incentives has been approved by the government for Chinese investment in Hier Ruba industrial estate for all those companies that may have at least 40 percent of Chinese equity.

- Some of the major concessions that have been proposed are allowing full exemption of custom duties and taxes on import of capital equipments (plant, machinery and accessories), corporate income tax holiday for a period of five year form the date of starting commercial operation. This shall also be available for the developers of the zones.

- Depreciation allowance 100 percent for five years form the date of starting commercial operation. It has requested that similar package may be allowed for Chinese investment in existing and future textile industrial parks setup by the government.

- Pakistan textile industry across the value chain lacks skills in higher and middle management. To fill the gap immediately, hiring cost of foreign technicians and consultants may be cheaper for local industrialists. The ministry has proposed that foreign consultants/technicians should be exempted from income tax to increase productivity of local business.

10. Useful Addresses:

Agents of Swiss Textile Machinery Manufacturers:

Name of Company	Contact Person	Principal Company
Acmatex Corporation Pvt. Ltd. 10-J, Block-6, P.E.C.H.S., Karachi – 74500 Tel.: 021.4540775 – 77 Fax: 021.4538262 E-mail: i.rehmani@acmatex.com.pk	Mr. Imtiaz Rehmani Managing Director	Benninger, Loepfe
AHS Textile machinery Company 66-H, Block 2, P.E.C.H.S., Kashmir Road, Karachi Tel.: 021.4387715, 4556038 Fax: 021.4387716, 6341760 E-mail: ahstmc@super.net.pk	Mr. Muhammad Azam Hashmi Director Mr. Hafiz Ur Rehman Director	SSM, Santex Group, Weko
ATC Pvt. Ltd. Associated Textile Consultants 219, The Forum, G-20, Khayaban-e-Jami, Block – 9, Clifton, Karachi-75600 Tel.:021.111.222.282, 5821241 – 6 Fax: 021.5821559 E-mail: atc.karachi@atcpak.com	Mr. Abdul Majeed Chairman Mr. Zahid Majeed Corporate Dir. Marketing (National Foods)	Jakob Muller, Bracker AG
Al-Ameen Industries Plot no. 23, Sector 24, Korangi Industrial Area, Karachi – 74900 Tel.:021.5055363 – 4, 5057118 – 9 Fax:021.5065705, 5055625 Cell: 0300.2017681	Mr. Sajid Ashraf Khan Senior Marketing Executive	Graf, Luscher, Kern-Liebers
Almurtaza Machinery Co. Pvt. Ltd Shaheen View, A-18, Block -6, P.E.C.H.S Shahra-e-Faisal	Mr. Asif Ali Rashid CEO & MD	Perfecta Schmid

Karachi – 75400 Tel.: +92.21.4543060 – 65 Fax: +92.21.4546555, 4540558 E-mail: info@almurtaza.com		
Industrial Trading Impex Suit # 04, 2nd Floor, 67-D_I, Al-Hafeez View, Sir Syed Road, Gulberg-III, Lahore – 54000 Tel.: 042.578.9855, 578.9657 Fax 042.578.9858 Cell: 0345.4441777, 0333.4288855	Mr. Mahmood Zia Director	Rotocraft (for Punjab Territory)
Investco Ground Gloor, Ocean Centre, Talpur Road, Off. I.I. Chundrigar Road, Karachi – 74000 Tel.:021.2410150,2410152,2419926 Fax:021.2429340 Cell: 0333.2144475 E-mail: amin@investcopakistan.com	Mr. M. Amin Habib Executive	Rotorcraft (for Sindh Region)
International Sales & Services 1st. Floor, Plot * A-287, Block-2, K.D.A., Scheme * 24, Gulshan-e-Iqbal, Karachi Tel.:+92.21.4971827/4970082/4971848 Fax:+92.21.4972392 E-mail: isskarachi@cyber.net.pk	Adnan Hayat Noon Director	Xetma Vollenweider AG (Dry Finishing technology) Grob Horgen AG (Weaving Accessories)
Noon International Pvt. Ltd. 7th Floor, Laksin Square no. 3, Sarwar Shaheed Road, Karachi-74200 Tel.: 021.5685052–55, Dir. 5680923 Fax:021.5685051-5681397 Cell: 0300.8270259 E-mail: mirza.ahmed@noon.com.pk	Mr. Mirza Muhammad Ahmed Sales Manager	Sultex Limited, Willy Grob, Crealet Ltd. Hubziker Ltd, Steinemann, Strahm.
Simag (Pvt.) Ltd. 505-506, Al-Almeera Centre 105, A.M. Shahrah-e-Iraq, Saddar Karachi-74400 Tel.: 021-5670757, 5685470 Fax: 021-5200098 E-mail. info@simag.com.pk	Mr. Abdul Aziz Badi CEO Mr. Rashid Jalal (Dir.)	Rieter Machinenfabric Winterthur Rieter Synthetics Winterthur Staubli AG Horgen Uster Technolgies Uster Xorella AG
Moonaco Room No. 302, 3rd Floor Business Plaza Mumtaz Hassan Road I.I. Chundrigar Road Karachi Tel.: 021-2421171-3 Fax: 021-2421176 E-mail: moonaco@moonacokhi.com	Mr. Mahboob H. Shakoor Chief Executive Mobile: 0300-8249883	Luwa Textile Air Engineering Ltd. Benninger Co. Ltd. (Weaving) Amsler Tex AG
Mustex Corporation 311-A/1, Zubeda Garden, Near Awami Markez, Shahra-e-Faisal, Karachi-75350 Tel.:4540215 Fax: 438109 / 4386109	Mr. Mustafa Ashraf Director Cell.: 0321.2421131	Buser Print System Ltd.
Nazer & Co. L-31, Block 22, Federal B Area, Kara-chi-75950, Pakistan. Ph:+92-21-6362121 Fax: +92-21-6341072 E-mail: nazerpk@attglobal.net	Mr. Abbas Mooraj	Habasit
Intertex Corporation 407, 411, 412 Uni Towers I.I. Chundrigar Road Karachi-74000 Tel.: 021-2415088, 2410850 Fax: 021-2417247, 2418937 E-mail: intertex@super.net.pk	Mr. M. Sohail Shekhani	Werner Mathis AG
SKS Brothers Suit # 11, Floor-5, Shan Arcade, Barket Market, New Garden Town, Lahore Tel: 042.5830680, 5848117 Fax: 042.5863443	Mr. Shahid Mahmood Director Sales Cell: 0300.8855799	Perfecta Schmid, Kern-Liebers

E-mail: sksbroth@wol.net.pk		
Unitex Corporation 224-225, Sunny Plaza Hasrat Mohani Road Karachi-74200 Tel.: 021-2637507, 2636273 Fax. 021-2637448 E-mail: unitexx@cyber.net.pk	Mr. Tufail S. Khatri Director Cell.:0300.8271656	Saurer Embroidery Heberlien Fibre Technology Perfecta Schmid, E. Froelich Ltd., Casati Carlo, Retech, Electrotex AG, F + L Bachman, AGM Jactex Pantec (Leichtenstein)
ZONA Pakistan (Pvt.) Ltd. A-5/C, S.I.T.E. Karachi Tel.: 021-2575023-5 Fax: 021-2575021 E-mail: zonapak@cyber.net.pk	Mr. Shamim Ahmed Shamsi C.E.O. & Managing Director	Norsel Textilmaschinen AG Steiger SA

Ministry of Textile Industry:
Due to the intrinsic importance of textile industry, the Government of Pakistan created a separate Ministry of Textile Industry in 2004 that could exclusively focus on the formulation of long-term policies for the development of the textile sector in the country.

Ministry Of Textile Industry
2nd Floor FBC Building ,
G-5/2, Attaturk Avenue, Islamabad.
Phone:+92-51-9203626 Fax: +92-51-9203345
Email: contact@textile.gov.pk & info@textile.gov.pk Web: www.textile.gov.pk

Textile Commissioner's Organization
2nd Floor, Godrej Kandawala Building, Karachi
Phone: +92-21-9215075-76 , 92-21-215080-83 - 9215538
Fax: +92-21-9215014
E-mail: texcomorg@hotmail.com, tcogobpk@yahoo.com
Website : http://www.tco.gov.pk/

Leading Sector Associations:

All Pakistan Textile Mills Association (APTMA)
APTMA House, 44-A,Lalazar,
Off: Moulvi Tamizuddin Khan Road, Karachi-74000, Pakistan.
Tel.:+92-21-111-700-000 (+92-21-5610181, 5610191-92 & 5610195)
Fax:+92-21-5611305
E.Mail : aptma@cyber.net.pk
Web : www.aptma.org.pk

All Pakistan Textile Processing Mills Association (APTPMA)
213-Main Soosan Road, Ibrahim Plaza,
Near The Bank of Punjab, Madina Town, Faisalabad – Pakistan
Tel.:+92.41.8721013 – 14
Fax: +92.41.8718982
E-mail: pktexpro@fsd.paknet.com.pk

Leading Instititues :

National Textile University
Sheikhupura road,
Faisalabad - 37610, Pakistan
Tel.: + 92-41-9230081-82,
Fax: +92-41-9230098
E-mail: info@ntu.edu.pk

Textile Institute of Pakistan
EZ/1/P-8,
Eastern Zone, Bin Qasim, Karachi - Pakistan.
Tel: (92-21) 4750611 – 4
Fax: (92-21) 4750615
www.tip.edu.pk

Pakistan School of Fashion Design
2 Sunderdas Road , Lahore-Pakistan
Tel.: +92.42.6317033, 042-6366774
Fax: +92.42.6360118
e-mail: info@psfd.edu.pk

Trade Journals:

Pakistan Textile Journal
B4, 2nd Floor, 64/21
Miran Mohad Shah Road, M.A.H.S., Karachi – Pakistan
Tel.:+92.21.4533616, 4311674 – 5
Fax:+92.21.5206188
www.ptj.com.pk

Trade Shows/Exhibition:

Textile Asia (International Textile and Garment Machinery Show)
www.textileasia.com.pk

Organizers:
E-Commerce Gateway Pakistan (Pvt) Ltd.
18 C.P. Berar Society, Off: Amir Khusro Road,
Karachi – 75350
Tel.: +92.21.111-222-444 & 4536321
Fax:+92.21.4536330
www.ecgateway.net

IGATEX
(International Garment, Textile & Leather Machinery & Accessories Exhibition)

Organizers:
CEMS Pakistan Pte. Ltd.
220, 2nd Floor,
Clifton Centre
Block 5, Clifton,
Karachi - Pakistan

11. Recommendations to Swiss companies/associations regarding sales promotional and successful market processing measures:

- To provide technical know-how by sending some experts/professors to the textile institutes of Pakistan as visiting faculty.
- To provide some scholarships for Pakistani students of textiles to do higher studies in Pakistan/Switzerland.
- To help Pakistani Industrialists to find Swiss textile experts/consultants (could be retired/working personnel) as Pakistani industrialist are willing to hire foreign experts on permanent and short term basis.

- Joint Participation in Trade Shows/Exhibition.
- To conduct technical seminars in Karachi and Lahore. (It could be done during the trade shows or on other occasion).
- Textiles processing and garments machinery from Switzerland need to be promoted as Pakistan's textile industry is tending towards value added products.

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