

**Introductory Remarks by Mr. Shafqat Ellahi Shaikh,
Chairman,
All Pakistan Textile Mills Association**

Representatives of the Government of the Republic of Turkey,

Mr. Tuncer Kayalar, Chairman of the 66th plenary meeting,

Ms. Elena Cores, First Vice-Chairman,

Mr. Halit Narin, President of the Turkish Textile Employers' Association

organizers, distinguished speakers, honourable delegates, ladies and gentlemen:

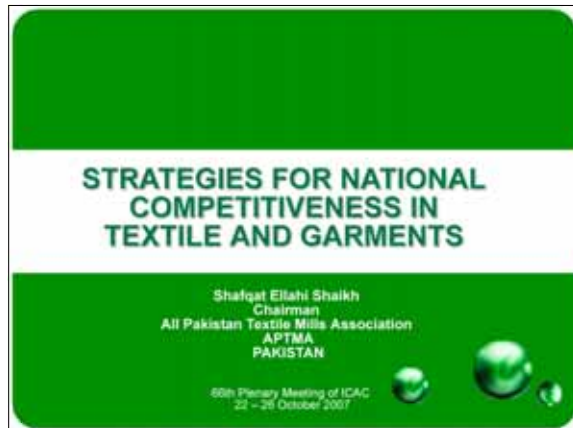
I wish to thank the organizers of the 66th Plenary Meeting of the International Cotton Advisory Committee, for inviting me to speak at this important forum.

In today's globalised trade, ruthless competition is the order of the day. Textiles is no different, and successful players must be able to nurture their textile economies where comparative advantage exists.

Pakistan, a potentially large cotton producing country, with state of the art spinning and air jet weaving infrasturcutre, is one of the major textile economies in Asia, and enjoys an inherent advantage in basic textiles.

Currently, Pakistan feeds the textiles, garment and clothing industries of the world. In addition, our strength in basic textiles is being utilized by the industry as a springboard to move down the textile value chain.

With this in mind, I have prepared the following presentation:



Presentation Flow

- Introduction of Pakistan textile Industry
- Structure of textile industry
- Cotton production and consumption
- Economic performance of Pakistan
- Textile Export Targets for 2014
- Opportunities for the Industry
- Promotion of textile & garments
- Input cost comparison
- Potential areas for foreign investment

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Introduction of Pakistan Textile

- Largest Exporter of Cotton Yarn
- Leading Exporter of Home Textiles
- 4th Largest Producer of Cotton
- 3rd Largest Consumer of Cotton
- 63% Share of Total Exports
- 46% Share in Manufacturing Sector
- 9% Share in GDP
- 38% of Manufacturing Sector Labor Force
- Consumer of Leading Cash Crop - Cotton

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Structure of Textile Industry

- 12 million installed spindles
 - 50% are less than five years old
- 24,000 shuttle less looms
- 6,000 Air jet looms
- 300,000 auto/power looms
- 18,000 knitting machines
- 4.6 billion sq mtr fabric processing capacity
- 450,000 stitching machines

Source: Textile Commissioner's Organization

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Cotton Production and Consumption

- Production estimated at 2.4 mill tons.
- Consumption at 2.7million tons
- Consumption increasing @ 8% per annum
- 2006-07 imports 0.5 million tons
 - 45% more than previous year
- Potential to increase cotton production with the introduction of Bt. technology.
- MMF consumption 0.5 million tons per annum

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Economic Performance of Pakistan

- Government of Pakistan is an advocate of an open deregulated & market driven economy
- GOP involved in creating enabling environment by investing heavily in infrastructure & capacity building
- Special emphasis on privatization, liberalization and attracting foreign investment
- Strong economic growth ranging between 7-8% per annum
- One of the fastest growing economies in the region.

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Textile Export Targets for 2014 (mill US\$)

	Current Exports		Government Targets		Private Sector Targets	
	2007	2014	CAGR	2014	CAGR	
Cotton Yarn	1,418	1,995	5.0%	2,132	6.0%	
Cotton Fabrics	1,856	3,180	8.0%	3,392	9.0%	
Bedwear	1,868	4,969	15.0%	6,693	20.0%	
Made-Ups & Towels	1,012	3,626	20.0%	3,626	20.0%	
Knitwear Hosiery	1,945	4,038	11.0%	5,837	17.0%	
Readymade Garments	1,387	2,703	10.0%	4,163	17.0%	
Other Textile Products	1,152	2,547	12.0%	3,064	15.0%	
Total Textiles	10,638	23,058		28,908		

Source: Medium Term Development Framework

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Opportunities for the Industry

- **Market access**
 - **FTA with China**
 - Special market access to textile and clothing
 - **Reconstruction Opportunity Zones (ROZs)**
 - Special market access to textile and clothing in USA
- **Alliances / Joint Ventures**
- Proximity to major emerging markets China & India
- **Domestic market of 160 million people.**
- Three warm water ports : Karachi, Port Qasim, & Gawader
- Land route to Central Asia & Afghanistan
- **Land route to Turkey**

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Promotion of Textile and Garments

- **R&D on exports:**
 - Garments **6.0%**
 - Dyed/printed home textiles **5.0%**
 - Dyed/printed fabrics **3.0%**
- **Financial Costs:**
 - Long-term project finance **7.5%**
 - Working capital **7.5%**
- **Income tax:**
 - Full and final liability on export proceeds **1.0%**

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Promotion of Textile and Garments(contd.)

- **Equity fund for brand acquisitions**
- **Assistance/Support for:**
 - Relocation of industry to Pakistan.
 - International consultancy.
 - Opening exporter's office abroad.
 - Marketing of branded products.
 - Participation in trade shows.
 - International promotional costs.

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Input Cost Comparison

	Labor cost	Electricity cost	Water cost
	US\$/hr	US\$/kwh	US\$/m3
Pakistan	0.43	0.06	0.11
China	0.48	0.06	0.15
India	0.67	0.07	0.16
Turkey	2.88	0.09	1.50

Sources: International Energy agency
"Key energy statistics 2006",
Werner international

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Potential Areas for Foreign Investment

- Textile dyeing and finishing
- Textile machinery Assembly / Manufacturing
- Man Made Fiber Industry
- Denim, Towel and socks manufacturing
- Logistics
- Power Generation
- Cotton ware housing in **Export Processing Zones**

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Infrastructure & Capacity Building

- **Strengthening of physical infrastructure**
 - Gawader port
 - motor ways
 - Telecommunication
 - New airports
 - Electricity generating plants
- **Public Private partnerships to build:**
 - Textile and garment cities at Karachi, Lahore & Faisalabad
 - Industrial parks
 - Expo centers
 - Research institutes & textile laboratories
- **Capacity building**
 - 90 Social sciences and technical universities
 - Technical training institutes
 - Skill Development programs

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Environment for Foreign Investment

- Foreign direct investment allowed in all sectors.
- Equal treatment to local and foreign investors.
- 100 % foreign equity allowed.
- No government sanction required.
- Remittance of royalty, technical & franchise fee, capital, profits, dividends allowed.
- Export processing zones.

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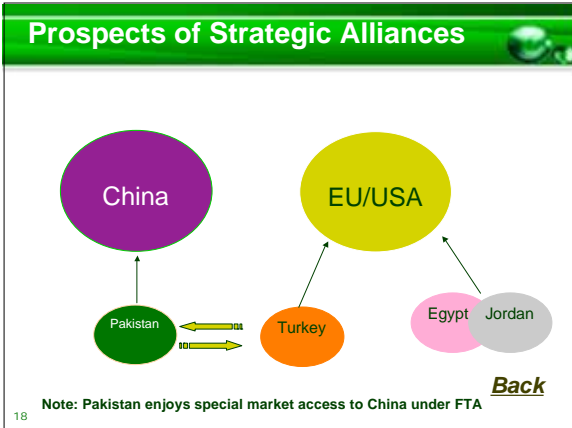
Economic Performance

Years	Foreign investment million US\$	Worker's Remittances US\$/annum	Per capita income US\$	Exchange Rates PKR/US\$
2002-03	816	4,237	586	58
2003-04	913	3,872	669	58
2004-05	1,677	4,169	733	60
2005-06	3,873	4,600	833	60
2006-07	6,282	5,300	950	60

Source: Economic Survey & State Bank of Pakistan

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China's Tariffs for Pakistan under FTA (%)

	MFN Tariffs	Tariffs under FTA		
		2008	2009	2010
Cotton Yarn	5.0	0.0	0.0	0.0
Greige Fabric	10.0	0.0	0.0	0.0
Processed Fabric	10.0	0.0	0.0	0.0
Bed Linen	14.0	0.0	0.0	0.0
Readymade Garments	16.0	10.08	9.0	8.04

- Textile machinery import from China at zero duty
- Textile and garments imports from China at MFN tariff

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Reconstruction Opportunity Zones: ROZs

- Bilateral arrangement between USA and Pakistan
- A 15 years arrangement
- Designated areas to be mutually agreed
- Duty free market access for export to USA
- Cut & sew facilities can be established
- Procurement of fabrics from any source

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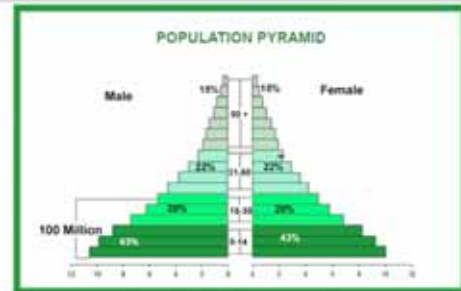
Investment Incentives in EPZs

- Duty free imports of machinery, equipment and raw material.
- Domestic market of Pakistan available on same conditions as for imports from other countries.
- Flexible labor laws to be solely regulated by the authority.
- No incidence of double taxation.

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Positive Features of Demographics



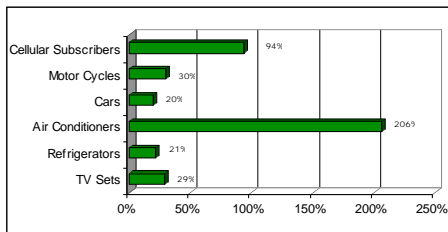
- 160 million population
- 100 million Pakistanis are less than 30 years old.

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Growing- Middle Class

Average Growth per annum in consumer durables since June 1999



Source: House Hold Survey 2004-05

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