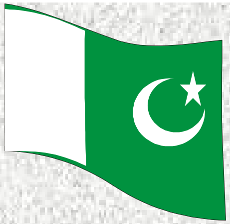

ROLE OF TEXTILE INDUSTRY IN PROMOTION OF EXPORTS

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MINISTRY OF TEXTILE INDUSTRY
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(March 31st,2006)

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ROLE OF TEXTILE INDUSTRY IN PROMOTION OF EXPORTS

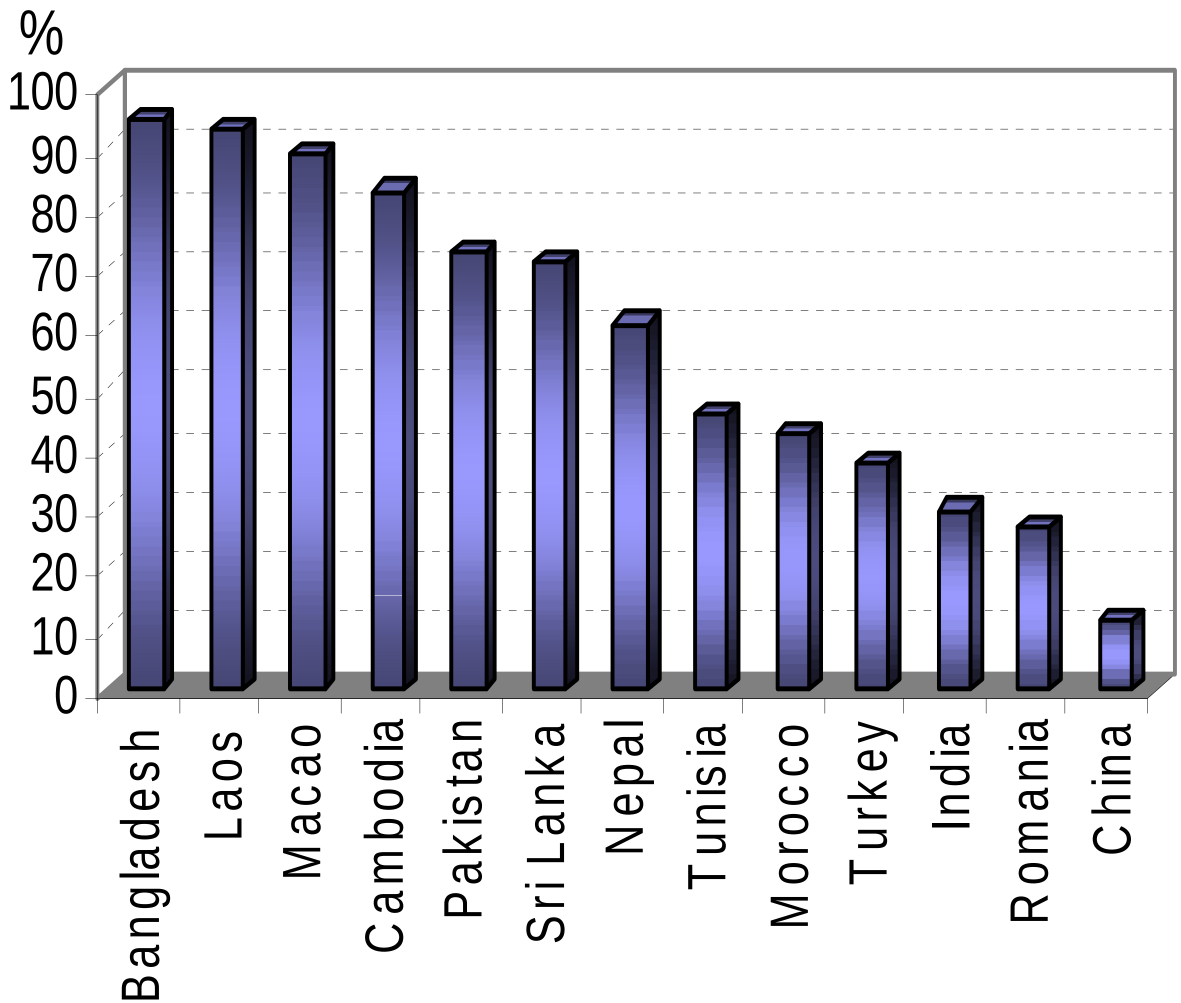
Export Countries in Asia

Exports – US$ Billion **-2004**

Country	Start Date	Textile	Clothing	Total Exports
• China	-	33.43	61.86	95.29
• Hong Kong	1950	14.30	25.10	39.40
• India	-	6.85	6.62	13.47 (2003)
• Indonesia	1970	3.15	4.45	07.76
• S. Korea	1950	10.84	3.39	14.43
• Malaysia	1970	1.23	2.33	03.56
• Pakistan	1950	6.12	3.03	09.15
• Taiwan	1950	10.04	1.95	11.99
• Thailand	1960	2.63	4.05	06.68

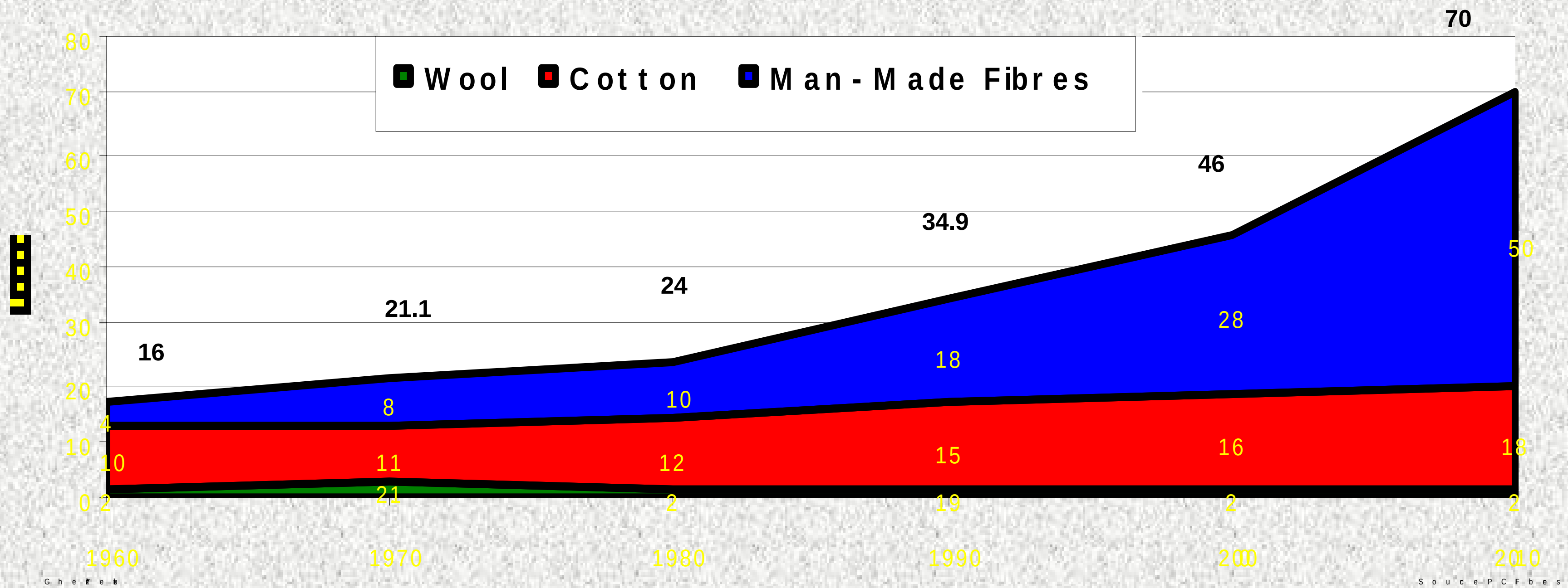
Source: WTO/Country Reports.

Dependency on T&C exports (as a share of total manufactured goods exports) of selected countries



GLOBAL FIBER CONSUMPTION

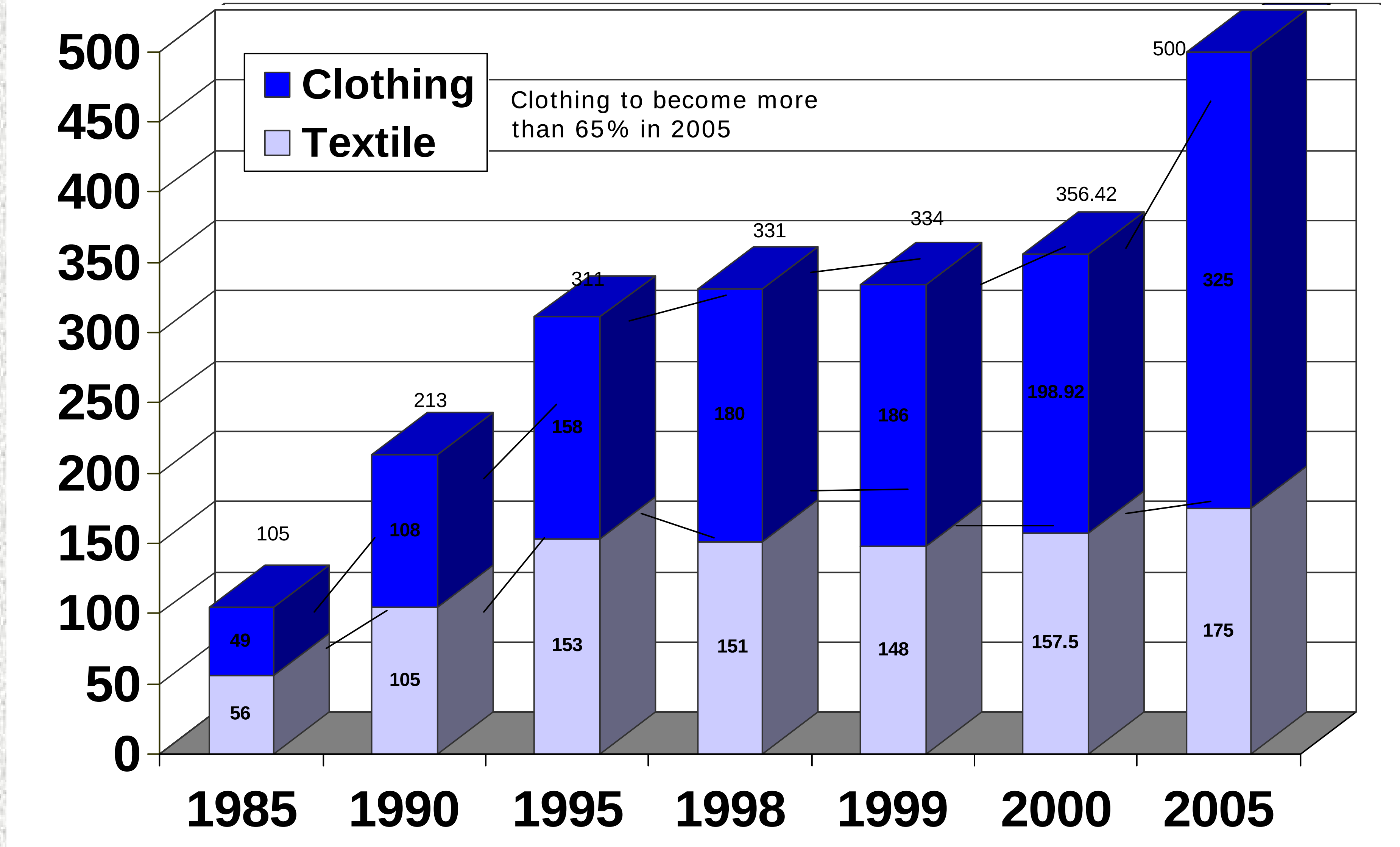
COTTON's share of mill fibre consumption reduced below 50% in 1990, POLYESTER'S majority share to grow further



Source: WTO/Gherzi

World Textile & Cloting Trade

(US$.billion)



IMPORTANCE OF TEXTILE INDUSTRY IN PAKISTAN'S ECONOMY 2004-05

SHARE IN TOTAL EXPORTS	66%
SHARE IN MANUFACTURING	46%
TEXTILE EXPORTS (2004-05)	$9.505 Bln.
SHARE IN EMPLOYMENT	38%
SHARE IN GDP	8.5%
MAJOR BUYERS	U.S.A - E.U , JAPAN, CHINA (HONGKONG), TURKEY
INVESTMENT IN TEXTILE (1999-2005)	$ 5.5 Bln.

Source:EPB/E Survey/State Bank.

Continuation Of

Textile Vision 2005

Vision Statement 2005

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`

Textile Vision 2005

Three Scenarios (Assumptions)

Low Road

Exports growth at historic patterns.
Export growth rate will match the growth rate of import markets.
Market shares growth in ignored markets.

Do-able

Unit Prices will improve.
Cotton production will increase.
Share of Man-Made Fiber will increase.

High Road

Value Added Products (Garments/Made-Ups)will be the engine of export growth.
Product & Market mix will be diversified.
50% of the total fabric will be imported.

GOVT INITIATIVES

- Federal Textile Board
- Contamination free cotton programme
- Ginning Institute
- Garment Cities
- Textile City
- TUGF of Rs. 3.47 billion: hiring of consultants for technology upgradation and marketing, brand name acquisition, warehousing, support for J.Vs, franchising, social compliance, waste water treatment, and all developmental issues.
- Cluster Development.
- Compliant Labour laws.
- Perception management and image building.
- Increased market access through PTAs and FTAs.
- Garment Skill Development Board.
- Tariff rationalization.
- Infrastructure improvements.
- Availability of water, gas, power.

INVESTMENT IN TEXTILE

Total investment = 5.5 Billion $ (Last 5 Years)	
Spinning	47.0 %
Weaving	26.3 %
Textile Processing	10.5 %
Knitwear +Garments	4.8 %
Made Ups	7.7%
Synthetic Textiles	5.2%

EMPLOYMENT IN TEXTILE INDUSTRY

		Base	Employment Generated		
		1998-99	1999-03	2003-4	2004-05
1	Spinning		65,000	10,000	15,000
2	Weaving		46,000	2,000	3,000
3	Processing		7,500	1,000	1,500
4	Hosiery		5,000	1,000	1,000
5	Garments		150,000	30,000	32,000
6	Bedwear	-	50,000	10,000	13,000
7	Embroidery	-	3,000	500	500
8	Towel		3,000	500	500
9	Synthetic	-	2,000	200	200
10	Total:	1,338,579	331,500	55,200	66,700

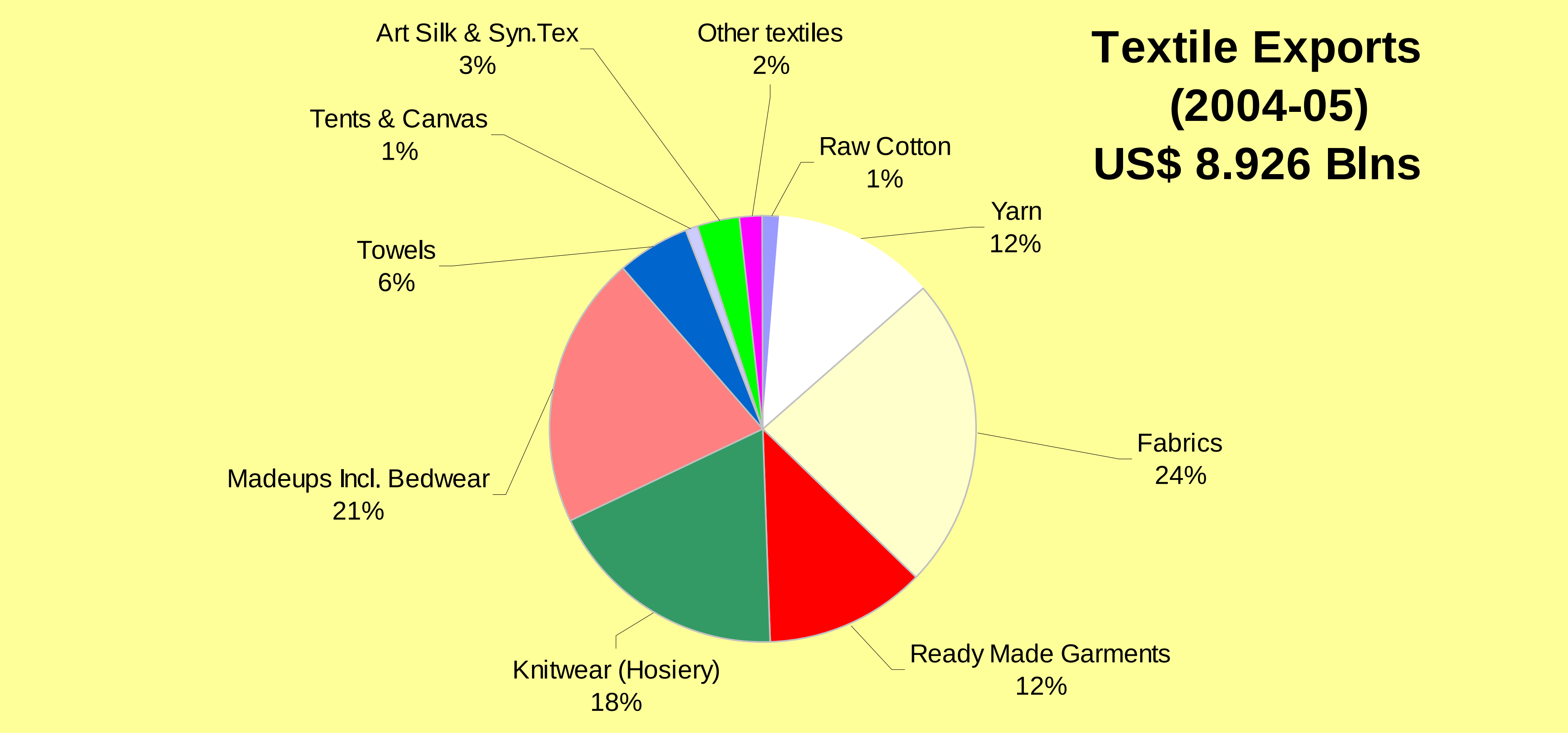
1.M/o labour
2.TCO survey

EXPORT OF PAKISTAN TEXTILES

	1995-96	1998-99	1999-2000	2000-2001	2001-02	2002-03	2003-04	2004-05
Cotton & Cotton Textiles:	5514	4506	5201	5398	5563	6661	7616	8926
Synthetic Textiles:	457	396	458	545	460	562	471	300
Wool & Woolen Textiles:	221	193	266	290	250	209	231	279
Total Textiles:	6192	5095	5925	6232	6273	7432	8318	9505
Total All Exports:	8707	7718	8569	9202	9134	11031	12313	14410
Textiles as % age:	71%	66%	69%	68%	68%	67%	67.5%	66%

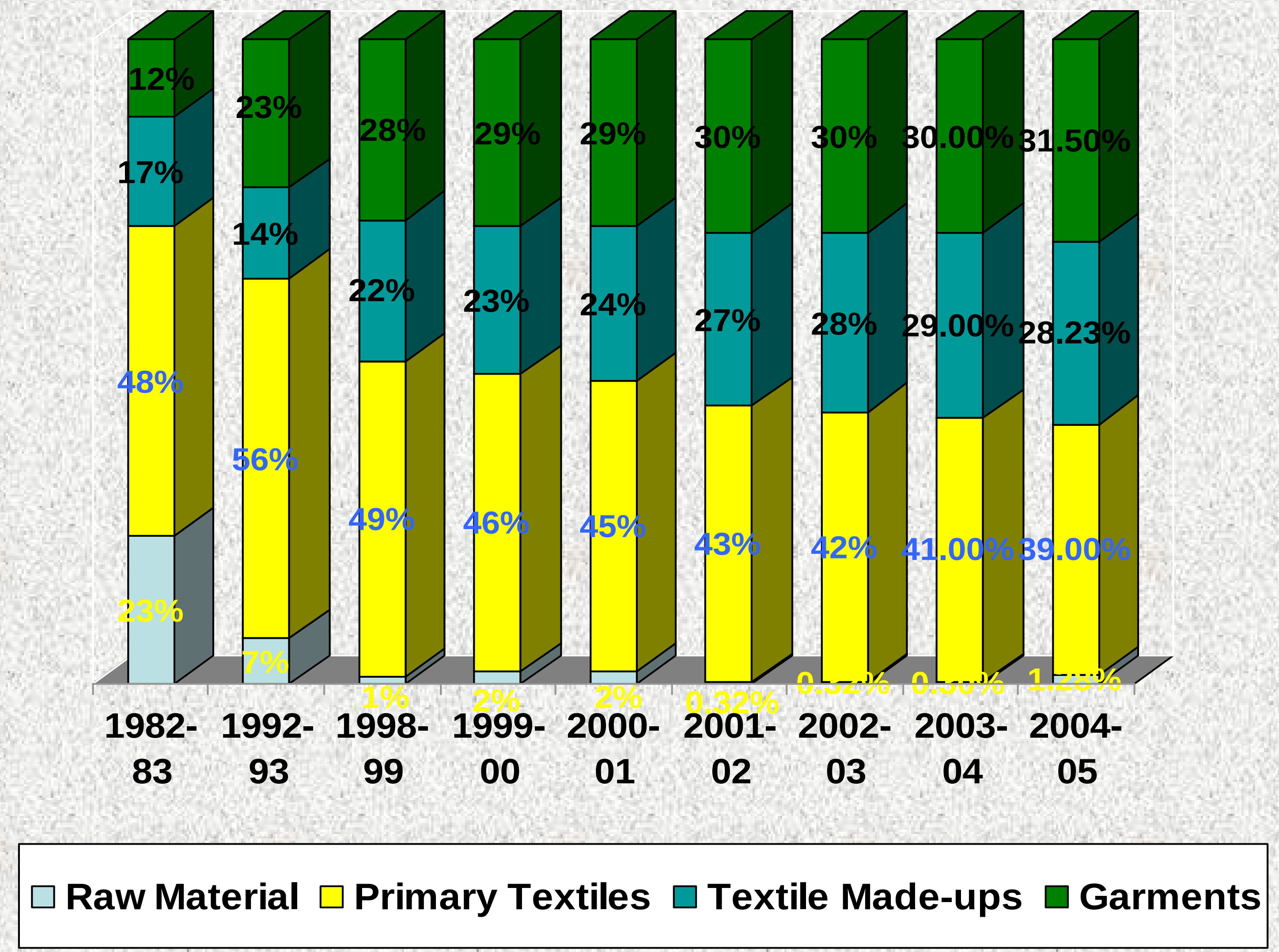
SOURCE: C.S.O./ E P B

PAKISTAN TEXTILE EXPORTS



SHIFT TOWARDS VALUE ADDITION 1982-2005

(% in textile exports)



Export Performance Comparison ($ million)

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-5	2005-06
Actual Exports	5,741	5,943	5973	7,409	8,252	9,5o5	10.6 T
Growth Rate	12.48%	3.34%	0.5%	23%	11.38	9.43%	15%
Target Low Road	5,402	5,720	6,059	6,423	6,627	6,973	7.341
Target Doable	5,702	6,369	7,117	7,955	9,149	10,229	11.440
Target High Road	5,909	6,852	7,956	9,254	11,979	13,982	16.345
% low Road Realized	106%	104%	99%	115%	124%	136%	141%
%Doable Realized	101%	93%	84%	93%	90%	93%	91%
% High Road Realized	97%	87%	75%	80%	69%	68%	69%

GLOBAL TEXTILE SCENEARIO

POST MFA – NEW DEVELOPMENTS

- Global sourcing strategies have been affected in the recent past by a number of new trends.
- The large retailers have consolidated their position through mergers and acquisitions and by moving into new emerging markets. They put pressure on their suppliers to set up production facilities in their new markets, which has subjected local producers to growing competition.
- Big retailers are also exercising an increased influence on prices. As they are sourcing large volumes, their bargaining power is strong and they can obtain lower unit prices from manufacturers.
- This in turn affects producers' margins and limits their capacity to modernize and provide better wages and working conditions.
- Consumers are more demanding in terms of fashion and services. They are also more "value-driven" and concerned about the conditions in which the garments they wear have been produced.
- Prices are also coming under further pressure as a result of the stagnation in the world market for T&C products. T&C consumption worldwide is not progressing as quickly as for other goods and services. In developed countries,
- According to Kurt Salmon Associates, the top ten retailers could be in a position to control almost 30% of world Textile & Apparel Trade. Small manufactures will be at the mercy of large buyers, who are likely to turn to China for big volumes & low

POST MFA – NEW DEVELOPMENTS

- Quotas on Global Textile and Clothing Trade have finally eliminated in accordance with the Agreement on Textile and Clothing (ATC).
- Since then the attention of policy makers has shifted to the question of Import Tariffs.
- Tariffs on imports of textiles and clothing in major developed countries are high relative to those levied on other industrial products.
- Significant reductions in these tariffs would therefore open up opportunities for trade expansion, which would be of particular benefit to developing economies.
- The potential for tariff reduction is hampered by the fact that developed countries employ preferential tariff rates or duty-free access to favor particular countries or regions as part of their Trade Policies.
- A further complication is the use of Country of Origin Rules which restrict preferential treatment to garments made either from local materials, or from materials made in the country or region granting special treatment – such as the USA or the EU.
- To achieve a comprehensive reduction in tariffs and hence an expansion of trade a shared understanding and appreciation of the issues is needed.

Clothing- A Service Industry.

- Under pressure from buyers, clothing suppliers are becoming service providers. With buyers focused on their core business of retailing, the most competitive suppliers offer services that go far beyond sewing garments.
- With capacity twice the size of demand, the global garment industry entered the greatest buyers' market in its history. To compete, factories and entire national garment export industries will have to satisfy customers' ever-increasing demands
- The lesson of history is that the solution is not to lower FOB prices. Despite restrictions and the resulting higher prices, Greater China succeeded quite well before 1 January 2005. In fact, clients waited in line to buy Chinese-made garments and were willing to pay a premium to import those goods. Customers were willing to exchange higher price for better service.

  To put it another way, the post-2005 global garment industry will be a service industry.

The Chinese Advantage

- **When quotas restricted Chinese clothing exports, manufacturers had to find new ways to compete. They diversified into producing every kind of garment, not just low-value products.**
  The Chinese garment producers culled their customers by trading upward. In the process, they were forced to increase their skills and facilities to meet the higher demands of their new customers.
- **Despite this price premium charged by China and other efficient garment exporters, demand seldom fell below the available quota. Every year customers wanting to source garments from Chinese factories were forced to go elsewhere because of lack of quota.**
- **The levels of skill and service they acquired in the process set new standards in the industry, which they fully exploit as quotas ended.**
- **The approach paid off.**

POST MFA – NEW DEVELOPMENTS

- **China's textile and garment export reached US$ 115 Billion, up 20% from 2004 & will cooled down to 15% in 2006.**
- **In the next few years a new trade order is likely to develop and the world trade pattern will change.**
- **The situation of markets being divided by quotas will change, dictating market share will be competitive strength and comparative advantages.**
- **The textiles consumption markets will converge mainly in three regions : US,EU & Japan, which account for 70% of global consumption.**
- **The supply side will also focus on a few countries and China will be the largest suppliers.**
- **Pakistan also can avail opportunities but will have to develop core competitiveness in the whole supply chain.**

TEXTILE INDUSTRY

POST QUOTA REVIEW 2005

TEXTILE IMPORTS & EXPORTS – MAJOR MARKETS (US$ bn) (1990—2004)

- **TEXTILE EXPORTS**

	1990	2004
World	104	195.00
EU	50.8	71.29
USA	5.0	11.94
China	7.2	33.43
S. Korea	6.1	10.89
Taiwan	6.1	10.04
Japan		7.14
Turkey	1.4	6.43
Switzerland	2.6	1.66
PAKISTAN	2.7	6.12
India	2.2	6.85
Indonesia		3.15
Thialand		2.63
Canada		2.43

And Indonesia, Japan, Thailand, Canada, etc

Source: WTO

- **TEXTILE IMPORTS**

	1990	2004
World	104	195.00
EU	50.4	67.97
USA	6.7	20.99
China	5.3	15.30
Mexico	1.0	5.79
Japan	4.1	5.60
S. Korea	1.9	3.38
Canada	2.3	4.11
Turkey		4.17
Poland	0.3	----
Romania		3.33
UAE		2.15
Russia	-	2.10
Australia	-	1.83

And Bangladesh, Sri Lanka, Laos, Lesotho, Madagascar, Mauritius, etc

GARMENT IMPORTS &EXPORTS: MAJOR MARKETS (US$ Bln) (1990--2004)

GARMENT EXPORTS

	1990	2004
World	108.1	258.00
EU	40.8	74.92
USA	2.6	5.06
Mexico	0.6	7.20
China	9.7	61.86
Hong Kong	9.3	25.10
Turkey	3.3	11.19
PAKISTAN	1.0	3.03
India	2.5	6.62
Bangladesh	0.6	4.44
Romania	-	4.72
Indonesia	-	4.45
Thailand	-	4.05

Source: WTO

And Magreb, E. Europe, etc

GARMENT IMPORTS

	1990	2004
World	108.1	258.00
EU	56.8	121.66
USA	27.0	75.73
Canada	2.4	5.22
China	-	1.54
Hong Kong	0.8	0.17
Japan	8.7	22.69
Switzerland	3.4	4.34
S. Korea	0.2	2.75
Mexico	0.6	2.58
Russian Fed	--	5.46
Australia	-	2.67
U.A.E.	-	2.05
Norway	-	1.67

Also, Singapore, Dubai, Norway,etc

Source: WTO

IMPORT OF COTTON KNITWEAR IN USA

(Category 338/339Volume-M Dozen)

Country	2003	2004	2005	%Change	%Share
1. Honduras	52.94	54.85	55.6	11.38	14.94
2. Mexico	47.59	44.62	39.73	- 10.95	10.68
3. China	2.60	2.82	20.62	632.32	5.54
4. Pakistan	12.72	12.96	15.57	20.14	4.18
5. India	5.19	6.31	13.36	111.81	3l.59
6. Haiti	6.73	8.86	11.77	32.86	3.16
7. HongKong	4.88	4.55	8.91	96.08	2.39
8. Bangladesh	2.47	2.70	7.34	171.52	1.97
9. Indonesia	2.27	2.53	6.96	174.80	1.87
10. Srilanka	2.19	3.06	4.42	44.63	1.19

IMPORT OF SYNTHATIC KNITWEAR IN USA

(Category 638/639Volume-M Dozens

Country	2003	2004	2005	%Change	%Share
1. Honduras	7.16	7.76	10.16	-4.05	11.42
2. Mexico	16.08	15.18	14.56	- 4.05	16.37
3. China	2.44	2.93	9.36	220.05	10.53
4. Hong kong	4.79	5.39	5.24	-41.59	4.33
5 Haiti	1.88	1.83	4.03	120.62	4.54
6.Taiwan	6.45	6.59	3.85	-41.59	4.33
7.Indonesia	2.57	2.51	2.65	5.53	2.98
8. India	1.72	1.64	1.01	-38.44	1.13
9.Srilanka	0.59	0.75	0.82	8.54	0.92
10. Pakistan	0.44	0.60	0.29	-51.27	0.33

Source:Otexa

WELCOME INVESTMENT IN PAKISTAN

PAKISTAN TEXTILE INDUSTRY

STRENGTHS

- Pakistan is the 4th largest producer of Cotton Yarn and Cloth in the World.
- It ranks 2nd in export of yarn & 3rd in export of cloth.
- It has Large spinning capacity – with major part of European Japanese & Chinese Machinery.
- Large weaving capacity – with about 27000 shuttleless Looms.
- Large, well equipped finishing sector – with recent wider width capacity.
- Good knitting capacity – modern equipment – for knit finishing

Continued ….

PAKISTAN TEXTILE INDUSTRY

STRENGTHS (Cont ….)

- **Ample availability of cheap labour – almost at par with China.**
- **Good markets for products.**
- **Large domestic market.**
- **Good and clear investment policies.**
- **Strong presence in international market.**
- **Free Import of cotton is allowed which aim at the development of special fabrics with yarn counts from 40's to 120's with yarn dyed fabrics & high quality blends & counts is increasing. dobby/jacquard Bed Linen-House hold products – shirts & blouses.**
- **Volumes of yarn with synthetic fibers in various counts.**

INVESTMENT IN PAKISTAN

Competitive Advantages Foreign Partners can see for Investment in Pakistan

- Emerging Economy
- Large area under cotton cultivation. High quality of cotton available at competitive prices.
- Availability of skilled personnel at low cost
- State of the art capital equipment available
- Large and growing domestic market
- Competitive manufacturing cost
- Large industrial base
- Developing Financial market. Effective Central bank
- Ease of communication

INCENTIVES FOR FOREIGN INVESTMENT

- Investment permissible with out any Govt. Sanctions.
- Location as per choice of area.
- 100% equity or joint venture.
- Full repatriation of profits dividends and capital permissible.
- Royalty – Technical and franchise fee payments allowed.
- No limit on investment.

Continued

PAKISTAN TEXTILE INDUSTRY

INVESTMENT OPPORTUNITIES

- Improvement of Marketing skills.
- Production of commodity products at good quality levels.
- Market Franchise Agreements.
- Joint venture in Higher Value Added Segments.
- Product & market diversification.
- Improvement in country image.

CONTRIBUTION OF THE JOINT VENTURE PARTNERS

PAKISTANI PARTNER	FOREIGN PARTNER
Experience in Domestic Market	Technical know-how
Financial resources	Marketing expertise
Ability to raise funds	World wide distribution network
Strong infrastructure	Strong brand name
Strong management team	Innovative design every season unique production range

HIGHLIGHTS OF THE TEXTILE CITY

Exclusive production area with excellent infrastructure. Location	Compliant to WTO standards for social, health and environment Port Qasim, Karachi
Infrastructure	▪Land : 1250 acre ▪Water : 18 MGD ▪Gas : 1.5 CMtr/day ▪Power: 100 M.watt.
Capacity of one dying (knitting) Unit Capacity of one dying (woven) Unit	Average 40 MT/day (Min. 20 MT/day) 100,000 meters/day
Minimum No. of dyeing units in the Zone	35(woven : 15, knits : 10 towels:10) units

Karachi Textile City

ECONOMIC BENEFITS

(10 UNITS – FIRST PHASE)

- Private Investments : Rs. 12.5 Billions
- Production : 400 Tons / day
- Exports : US$ 2.188 billion /annum.
- Value Additions : US$ 2.00 billion /annum.
- New Jobs (direct) : 80,000
- Spiral Impact :-
  - Additional Demand for yarn / cloth / cotton.
  - Demand for additional capacity.
  - Enhanced Trade Activity .
  - Movement of good and transport activities.

Karachi Textile City

FACILITIES IN TEXTILE CITY

Zones	Amenities	Utilities
• Woven Garment Units • Denim Garment Units • Knit Garment Units • Woven Bed wear • Towel Units • Accessories Units* • Warehouses (Dyes , Chemicals, Fabrics etc.)	•Mosque •Banks •Business Center •Trauma Hospital •Testing Lab. •Training Institute •Sports Center •Restaurants/Motel •Parks •Bus Service	•Industrial Water & Potable Water •Stable Power •Natural Gas •Effluent Treatment Plant •Sewerage System •Telephone/Fax/Internet •Street Lights •Roads •Security System

*Labels, Barcodes, Sewing thread, Zippers, Buttons, Cartons, Plastic Bags etc.

KARACHI GARMENT CITY

ECONOMIC BENEFITS

(100 Units--FIRST PHASE)

- Private Investments : Rs. 5.50 Billions
- Production : 12.00 Million Dozens.
- Exports : US$ 400.0 Million /annum.
- New Jobs (direct) : 60,000 (Mostly Female)
- Spiral Impact :-
    - Additional demand for cloth and supporting material (viz Zippers, buttons, labels, threads and embroidery etc.)
    - Enhanced trade activity.
    - Movement of goods and transport activities.
    - Construction boom and hence additional demand for cement, steel and construction jobs.

Assumption:
No. of units = 100
Unit size = 200 M/C.
Building = 20,000 sq ft.
Machine / job ratio = 1 : 3

ROLE OF GOVERNMENT

- The Govt. has to redesign strategic policy to facilitate the industry under emerging scenario viz. Economic support aimed at improving the sustainability of the T&C industry in a post- MFA environment.
- Appropriate framework conditions to enable enterprises, and particularly SMEs, to fully exploit their competitive potential.
- The role of the supporting institutions and regulatory frameworks in the implementation of good governance practices.
- The crucial role of government is trade negotiations for Market Access, in bilateral and multilateral agreements.
- Economic reforms required including improved transport facilities and enhanced operational efficiency for quicker delivery, tax incentives, reduction of non labour costs, in particular water and electricity& mark up.
- Improved customs procedures, measures to combat corruption, and realistic foreign exchange policies.
- Government can support the Textiles and Garment industry by improving infrastructure and access to credit, streamlining administrative procedures, and creating an environment conducive to increased productivity.
- Provide technical and financial assistance to those particularly vulnerable enterprises directly affected by the opening up of markets.
- Facilitate the building of International Strategic Alliances.

Role Of Manufacturers

- Manufacturers will have to ensure market development, both internally and externally, and develop strategic alliances to improve their bargaining power.
- Market strategies will have to be carefully examined in the light of changing worldwide T&C consumption patterns. A high degree of reliance on traditional markets in developed countries, for example, might be in appropriate at a time when the fastest growing markets are located in emerging countries.
- Production structures will have to be modified towards more integration and larger units to benefit from economies of scale and to cope with a more concentrated demand. Small units are probably the ones that are going to suffer more from the liberalization of trade.
- The promotion of Cleaner Production Programs, decent work, respect for national labour law and core labour standards has become a key element of competitiveness for enterprises operating in the global market.
- Innovative strategies will have to be developed to ensure both the long-term viability of enterprises.

FUTURE COURSE

- To compete manufacturers will have to take urgent steps to minimize costs.
- Eliminate wastages at all stages of supply chain.
- Improve productivity levels.
- Shift to differentiated products.
- Market proximity will become an increasingly valuable competitive advantage as customers demand better quality of service, time lines and reliability of delivery.
- Government has to negotiate for Market Access and preferential terms.
- Trade Agreement (Bilateral, Multilateral, Regional, Free Trade) will gain more importance and hence needs more focus and professional approach.
- High level of understanding and skills are needed to ensure increase in Trade Opportunities.

Thank you