

Challenges of Textile Industry in Modernization and International Compliances

By
 Kanwar M. Usman
 Director
 Ministry of Textile Industry

Sequence of the Presentation

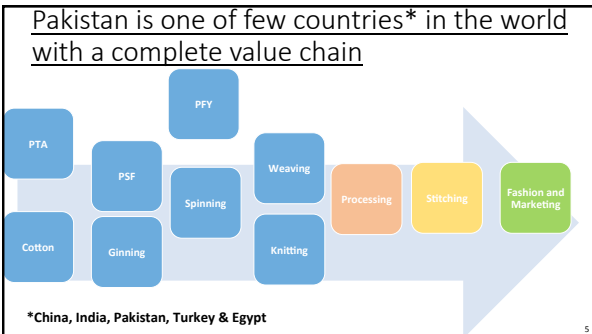
- Introduction of Textile Sector
- Textiles Dynamics
- Social Compliance
- Initiatives for Compliance
- Modernization / Investment
- Initiatives

Importance of Textiles Sector

Contribution to National Economy	Percent
Share in GDP	8%
Share in industrial value added	21%
Share in total exports	60%
Share in industrial employment	40%
Share in banking credit (manufacturing)	36%

International Standing of Pakistani Textiles

	Percent	Rank
Production	9.5	4 th
Consumption	10.0	3 rd
Yarn Production	9.0	3 rd
Yarn Export	26.0	2 nd
Cloth Production	7.0	3 rd
Cloth Export	14.0	3 rd
Garment Export	1.0	20 th
Total Textiles Export	2.0	15 th

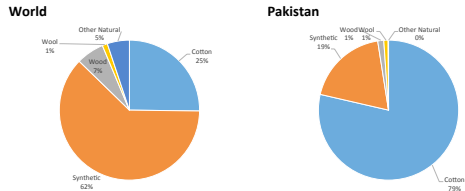


Capacity of Textile Sector

The textiles sector in the country represents a complete value chain with

- 13 million bales of cotton production
- 500,000 tons capacity of PTA production
- 650,000 tons of manmade fibres including polyester fibre
- 21 filament yarn units having capacity of 100,000 tons capacity
- 13.3 million spindles, 0.03 million rotors
- 35,000 shuttle-less looms, 350,000 power looms
- 18,000 knitting machines
- Around 765 processing units
- 700,000 industrial stitching machines

Fiber Consumption Pattern



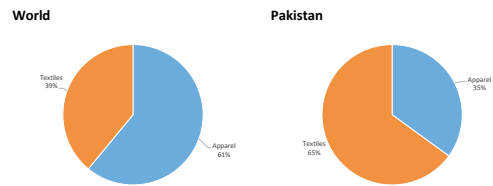
Import Mix of USA

Product Identity	Cotton	MMF	Textile Material Not Specified	Others	Wool	Silk	Vegetable	Metal	Rubber	Total
Garments	39.38%	22.96%	5.60%	3.66%	2.81%	0.52%	0.00%	0.00%	0.00%	74.93%
Made-ups	4.35%	2.06%	3.47%	0.13%	0.03%	0.00%	0.00%	0.00%	0.00%	10.04%
Fabric	0.97%	2.40%	0.58%	0.01%	0.15%	0.15%	0.15%	0.00%	0.00%	4.41%
Other Products	0.09%	1.43%	1.25%	0.11%	0.00%	0.00%	0.07%	0.00%	0.00%	2.94%
Special Fabrics	0.05%	0.79%	1.39%	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	2.29%
Yarn	0.15%	1.69%	0.00%	0.00%	0.12%	0.01%	0.05%	0.02%	0.00%	2.05%
Carpets & Carpeting	0.00%	0.82%	0.27%	0.28%	0.61%	0.00%	0.02%	0.00%	0.00%	2.00%
Raw Material	0.01%	1.12%	0.00%	0.00%	0.06%	0.00%	0.03%	0.00%	0.00%	1.21%
Thread	0.01%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.08%
Waste	0.02%	0.02%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.05%
Total	45.04%	33.33%	12.55%	4.24%	3.78%	0.68%	0.34%	0.02%	0%	100%

Import Mix of Germany

Product Identity	Cotton	MMF	Textile Material Not Specified	Wool	Others	Silk	Vegetable	Metal	Rubber	Total
Garments	35.57%	19.79%	5.39%	3.87%	4.87%	0.34%	0.00%	0.00%	0.00%	69.83%
Fabric	1.71%	4.52%	0.86%	0.57%	0.01%	0.11%	0.11%	0.00%	0.00%	7.89%
Made-ups	2.44%	1.60%	2.23%	0.02%	0.14%	0.00%	0.00%	0.00%	0.00%	6.44%
Yarn	0.54%	2.62%	0.00%	0.57%	0.00%	0.06%	0.10%	0.02%	0.00%	3.91%
Raw Material	0.23%	2.07%	0.00%	0.98%	0.00%	0.02%	0.04%	0.00%	0.00%	3.33%
Special Fabrics	0.11%	0.93%	2.08%	0.01%	0.03%	0.00%	0.00%	0.00%	0.00%	3.16%
Carpets & Carpeting	0.00%	1.46%	0.42%	0.44%	0.19%	0.00%	0.01%	0.00%	0.00%	2.51%
Other Products	0.09%	1.19%	0.90%	0.00%	0.22%	0.00%	0.02%	0.00%	0.00%	2.43%
Waste	0.12%	0.10%	0.00%	0.01%	0.00%	0.02%	0.01%	0.00%	0.00%	0.26%
Thread	0.02%	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.24%
Total	40.83%	34.46%	11.88%	6.47%	5.46%	0.55%	0.29%	0.02%	0%	100%

Value Added Exports



Fragmented Industry

		Units			
		Weaving		Knitting	
		Organized	Unorganized	Organized	Unorganized
No of Units		549	28,000	300	900

		Units			
		Processing		Stitching	
		Organized	Unorganized	Organized	Unorganized
No of Units		165	635	1,000	4,000

Laws related to Compliance *contd..*

- Pakistan has been the Member of ILO since 1947 and already ratified 36 ILO Conventions of which eight are Core Conventions
- Article 17 of the Constitution assures and guarantees all citizens to form not only union but also associations
- Article 11 of the Constitution prohibits forced labor, including slavery, servitude and trafficking in persons.
- The Constitution under Article 11(3) and 37(e) specifically prohibits child labor

Laws related to Compliance *contd..*

- Article 25 of the Constitution provides equal justice and equality of legal status
- Article 27 of the Constitution provides safeguards against the discrimination in service
- The Government of Pakistan is committed to abide by international labor standards through promulgation of various labor laws to ensure worker's security of employment, safe working conditions, fair wage, health and safety, payment of wages and social protection
- The Industrial and Commercial Establishments Ordinance 1968 guarantees terms of employment, gratuity, bonus and disciplinary proceedings
- The Factories Act 1934, deals with working conditions, working hours, holidays, leaves, industrial hygiene and importantly health and safety at the work place in factories

Laws related to Compliance

- The Minimum Wage for Unskilled Workers Ordinance 1969 determines a threshold of minimum wage for unskilled workers employed in Industrial and Commercial Establishments
- The Workers' Welfare Ordinance, 1971 and the Companies Profit (Workers' Participation) Act, 1968 deals with workers welfare through provision of financial aid., free education for worker's children and provision of housing facilities to the eligible workers
- Further, the country has also promulgated laws for employment, vocational training, apprenticeship, rehabilitation of disabled persons and prohibition of sexual harassment at the workplace

Compliance Monitoring Organizations

Sr.No.	Department
1	Directorate of Labour
2	Social Security
3	EOBI
4	Education Cess
5	Electricity Inspection
6	Health Department
7	Civil Defence
8	Directorate of Manpower
9	Directorate of Industries
10	EPA

Initiatives for Compliance

- The 2nd Textiles Policy 2014-19 approved by the ECC of the Cabinet approved:

"To attain international compliance in Occupational Health and Safety, trainings would also be provided to the SME sector"

"Special Purpose Vehicle (SPV) will be incorporated to establish Model Combined Effluent Treatment Plant (CETP)

- The Ministry in collaboration with the textile associations is in process of development of a comprehensive scheme

Machinery Imports (US\$)

US\$	Pakistan	Bangladesh	China	India	Turkey	Viet Nam
2005	961,932,594	593,866,000	4,774,581,000	1,676,662,000	1,865,218,000	601,892,000
2006	762,092,544	757,993,000	5,290,873,000	2,381,776,000	1,539,988,000	598,432,000
2007	487,646,982	761,322,000	5,630,868,000	2,198,965,000	1,976,014,000	798,651,000
2008	396,391,941	794,730,000	4,396,584,000	2,058,915,000	619,702,000	972,950,000
2009	228,562,287	491,658,000	3,017,796,000	1,380,324,000	1,325,863,000	585,551,000
2010	469,504,019	702,774,000	5,025,460,000	1,910,643,000	2,100,169,000	730,745,000
2011	501,449,456	809,520,000	6,165,381,000	2,516,454,000	2,115,552,000	882,958,000
2012	459,823,008	758,073,000	4,817,601,000	2,117,402,000	2,435,163,000	748,910,000
2013	497,685,257	737,426,798	4,496,819,003	2,053,013,561	2,198,402,409	772,458,423
2014	583,630,389	942,591,316	4,353,346,885	1,942,331,695	2,054,552,036	940,454,152
2015	512,170,556	1,142,708,074	3,197,370,785	2,207,070,671	996,846,952	1,131,811,802

China, India and Turkey manufacture textile machinery as well

17

Budgetary Measures 2016-17:

- Sales Tax for five export oriented sector including textile has been made part of zero rated tax regime from July 1, 2016.
- The facility of Duty free import of textile machinery will be continued for 2016-17.
- In 2014-15 the Government reduced mark-up rate on exports finance from 9.4% to 7.5%, the rate was reduced subsequently and from July 2016 the mark up rate has been brought down to 3%
- In the budget 2014-15, the Government reduced mark-up rate on long term financing facility for 3-10 years duration from around 11.4% to 9.0% and wef from Nov 2015 the mark up rats is at 5% Further, Spinning and Ginning sector have been included in Long Term Financing Facility

Technology up-gradation Fund (TUF)

- Objective: To improve overall technological configuration of the sector; remove critical imbalances in the value chain; achieve compliance with international standards and increase overall investment through support with special provisions for supporting the SME Sector
- Every manufacturer will be provided one time financial support per annum on purchase and installation of new machinery in the textile sector
- The 2nd TUF Scheme has been Notified wef July 1st, 2016

Technological Up-gradation Fund

S. No.	Textile sub-sector		Rate of Financial support as %age of cost of prescribed machinery	Financial support limit per annum (Rs. in millions)
1	Garments and Technical Textiles	Non-SME	15	25
		SME	20	15
2	Made ups and Carpets	Non-SME	10	15
		SME	15	10
3	Processing	Non-SME	10	20
		SME	15	10
4	Spinning, Knitting and Weaving	Non-SME	5	20
		SME	10	10
5	Ginning	Non-SME	10	15
		SME	15	10
6	Fiber	Non-SME	5	20

Thank You