ALL PAKISTAN
TEXTILE MILLS ASSOCIATION

PRESS RELEASE

All Pakistan Textile Mills Association (APTMA) issued the following Press Release

APTMA ADDRESSES CRITICAL ISSUES FACING PAKISTAN'S TEXTILE SECTOR AT MOC PRE-BUDGET SEMINAR

ISLAMABAD, 4TH April 2024 – All Pakistan Textile Mills Association (APTMA) took center stage at the Ministry of Commerce Pre-Budget Seminar, addressing the pressing challenges confronting Pakistan's textile and apparel industry. In recent months, we have seen an unprecedented decline in our exports, plummeting from an all-time high of $19.3 billion in FY22 to a concerning $16.5 billion in FY23. This stark downturn signals an alarming departure from our installed capacity and is a call for introspection and strategy.

Central to this challenge is the paradigm of our energy tariffs that have become shackles inhibiting our potential. The escalation of grid electricity tariffs to approximately 17.5 cents per kWh, paired with the surging cost of gas, has left us in a predicament where the production cost exceeds the competitive threshold on the global stage. It is not merely about numbers; it is about the sustenance of an industry that employs millions and the livelihoods tethered to its success. We have unequivocally identified the hurdles prohibitive energy costs, hinderance in tax refunds, an adverse duty structure for key raw materials, to name a few.

The way forward is charted with both immediate and long-term solutions that demand our collective resolve. We propose an actionable roadmap, one that envisions bringing power tariffs for industrial consumers to a regionally competitive level of 9 cents per kWh. This is not an arbitrary figure but one that aligns with the successful growth we experienced when our tariffs were competitive. The removal of cross subsidies and stranded costs is a strategic recalibration of our resources that will revitalize our textile and apparel exports.

We envision the empowerment of the industry through business-to-business (B2B) power contracts, which would enable our textile mills to secure green energy at competitive rates. By setting an upper cap of 1000MW/annum for these contracts, we can judiciously manage financial spillovers while fostering an environment conducive to export expansion. Moreover, increasing the cap on solar net-metering for industrial consumers from 1MW to 5MW would propel our strides towards a net-zero future, essential in an era where international trade is increasingly contingent on sustainable practices.

APTMA has also taken cognizance of the imminent threat posed by the EU's Carbon Border Adjustment Mechanism (C-BAM). To maintain our export competitiveness under C-BAM and similar green regulations, it is crucial to enable a transition to green energy immediately, and the measures we have proposed, including B2B contracts for power wheeling and increasing the cap on solar net-metering will also support this.

Additionally, the rationalization of tax rates, deepening of the stock market, and incentivizing exports, are the catalysts to our financial rejuvenation. As we juxtapose our corporate tax rates with regional economies, the imperative for rationalization becomes ever so clear. With the highest corporate tax rates in the region, we are inadvertently hindering the influx of both domestic and foreign investment.

The challenges of supply chain traceability are also not to be underestimated in an era where consumers and international markets demand ethical sourcing and sustainability. The need for a robust National Compliance Center (NCC) is clear.

However, concerns about the effectiveness of enforcing sustainability standards after the devolution of NCC functions to the Trade Development Authority of Pakistan (TDAP) require urgent addressal. We advocate for the establishment of a dedicated entity to ensure that the NCC's mandate remains focused on enhancing Pakistan's export capabilities through sustainable and transparent practices.

Turning to our product diversification, or the lack thereof, it is evident that our focus has remained constricted to cotton, while the global market for MMF and other textiles burgeons. Our import and anti-dumping duties discourage MMF production, keeping us from tapping into this lucrative segment of the global textile market. We have pinpointed the need to remove the import duty on raw materials such as Purified Terephthalic Acid (PTA) and Polyester Staple Fiber (PSF), the building blocks of MMF textiles that represent two-thirds of international trade. The current duty on PTA and PSF hampers our competitiveness and stymies growth.

The 5% import duty on PTA should be reduced to zero, and the PSF import duty should be adjusted to 2%. It is also imperative to reevaluate the anti-dumping duties on PSF to stimulate the production of MMF-based products and diversify our export basket.

In addressing the Duty Structure for Raw Materials, it's also important that we continue the import of duty-free cotton. Our local production stands at around 9 million bales, starkly insufficient against a demand exceeding 15 million bales. The bridging of this gap is crucial to the sustenance of our textile sector. Moving to the Duty Structure for Intermediate Inputs, it's evident that fostering growth in the nascent industry of recycled and regenerated polyester is essential. We propose that differentiating recycled from virgin polyester, and more importantly, remove the import duty on recycled polyester. This measure will signal our commitment to sustainable practices and support industry growth.

Moreover, dyes and chemicals, fundamental to the competitiveness of downstream industries, currently face duties that are antithetical to our goals of export enhancement. We must take decisive action to zero-rate these crucial inputs, thereby bolstering our textile sector's global position. When we consider the Duty Structure for Machinery & Equipment, the inequity in the imposition of customs duty on industrial spare parts and gas generators is clear. Our recommendation is unequivocal: to withdraw customs duty on these items, including spare parts used exclusively with machines and those for power plants. It is equally imperative to zero-rate spare parts for power plants, echoing our commitment to sustainable energy practices and international competitiveness.

Turning our focus to the Export Facilitation Scheme, we must expand the scope of the EFS to encompass the entire value-added chain of the textile sector. The current restriction to one stage backward in the value addition chain is a hindrance we can no longer afford. Additionally, the provisions for recording supplies made by indirect exporters need revision in the Sales Tax Return to ensure they are captured under row 11 of the returns, thus qualifying for FASTER processing.

We also see an urgent need to address the Customs Delay Detention Certificates issues. It's high time we revise Section 14-A of the Customs Act 1969 to enforce compliance by shipping lines and port operators, thereby alleviating the undue logistical bottlenecks faced by our businesses. The reduction of dwell time at customs stations stands as a critical logistical reform. By not detaining imports made directly by registered manufacturers for inspections at ports, we will significantly streamline the supply chain for our industries.

With these changes, APTMA firmly believes that we will not only be addressing the immediate fiscal and operational challenges but also laying a strong foundation for sustainable and long-term growth in Pakistan’s textile sector. APTMA stands committed to spearheading these initiatives, in close collaboration with the government and all stakeholders, to ensure that Pakistan's textile and apparel sector regains its competitive edge and continues to be a cornerstone of our economy.

Together, we can transform our industry into a dynamic, resilient, and sustainable force, capable of withstanding the ebb and flow of global economic tides. Let us forge a path that leads not only to recovery but to a future where Pakistan is synonymous with excellence in textiles and apparel on the global stage.

Forwarded for favour of publication in your esteemed newspaper / transmission.

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