

22nd September 2020

Mr. Muhammad Samnoon Basraa
Deputy Director (TP)
Ministry of Commerce
Islamabad

Dear Mr. Basraa,

COMMENTS ON DRAFT - 3RD TEXTILES POLICY 2020 – 25

Thank you for sharing a Draft of the 3rd Textiles Policy with a request to share our comments on the same. Let me start by acknowledging that this is a very comprehensive and well thought out document. We believe that the implementation of the recommendations will go a long way to increasing Pakistan's exports of textiles.

To further strengthen this document, we would like to make the following recommendations:

1. **Export of Apparel Made from Man Made Fibres:** World demand for apparel made out of man-made fibres is growing faster than that for cotton-based apparel, yet our exports are predominantly of the latter. Import of man-made fibres from certain parts of the world, attracts anti-dumping duty, which exporters are unable to reclaim. Hence Pakistan is not able to participate in this growing segment of textiles, nor benefit from the move by US importers to diversify sourcing away from China. Exporters should be allowed to reclaim anti-dumping duty.
2. **Building Technical Capacity in the Industry:** There needs to be a program in place which allows for the transfer of technical and soft skills through foreign and domestic experts especially for the SME sector. Part of this cost should be borne by the local enterprise, the rest may be funded from the Export Development Fund or bilateral or multilateral programmes.
3. **Provision of Common Design Facilities:** Common design centers need to be setup in textile clusters to allow SMEs access to skills which they may not have in-house and which may too expensive to hire otherwise.
4. **Seminars to Create Awareness of Market Access Opportunities:** Pakistan has signed a number of market access agreements with various trade partners. In addition to PTAs, FTAs etc., certain partner countries offer unilateral market access. A series of seminars need to be conducted to

create awareness. The Pakistan Business Council has conducted studies covering most of the countries with potential for Pakistan exports. These are available on our website: www.pbc.org.pk and we can assist in designing the seminars.

5. **Warehousing to Support E-Commerce Platforms Such as Amazon:** E-Commerce platforms such as Amazon require physical presence of products within markets in which they offer a product for sale. Ministry of Commerce needs to work with the SBP to ensure that some relaxation is provided in the repatriation rules for export proceeds.
6. **Using EDF Proceeds for Repair & Maintenance of Infrastructure in Industrial Estates:** The condition of roads and other physical infrastructure in key industrial zones, especially in Karachi are in a deplorable condition, these need to be repaired and then maintained to ensure that industry is able to concentrate on its basic task. A part of the EDF collection can be used for this purpose
7. **Provincial Governments Need to Have a Stake in Exports:** Part of the Withholding Tax on Export proceeds should be directly shared with the province from which exports are made, conditional on proper accountability of how it is deployed to promote exports. This will ensure some ownership of the export industry by the provinces.
8. **Setting National Standards for Textiles:** National standards need to be developed in consultation with various stakeholders and no branded products be allowed to sell which don't conform to these standards. Standards should not just be for finished apparel but also for cotton, ginned cotton, yarn, fabric, etc.
9. **Promotion of Ancillary Industry:** Lead times for apparel can be significantly reduced if international manufacturers and traders of trims for apparels (buttons, zips, labels, thread etc.) are encouraged to setup manufacturing / assembly / trading operations in Pakistan. It would be ideal if such facilities were located in close proximity to users of the ancillary items so that cluster benefits are realized.
10. **Provision of Bonded Warehouses for International Suppliers:** International suppliers of cotton, yarn, fabric accessories etc., should be encouraged to setup bonded warehouses within the country. These bonded warehouses should be allowed to sell to buyers both within the country and in the region. This will not only reduce the lead times but also bring some element of stability in prices of inputs.
11. **Support for Brand Acquisition and Development:** MoC needs to work with the SBP / Ministry of Finance to allow exporters to utilize their 10% retention of export proceeds to acquire brands and companies without prior permission from SBP/ECC. This change in the Law is on the anvil and MoC needs to work with the SBP to ensure that this becomes law.
12. **Regulatory Duty on Export of Raw Materials & Semi-Finished Products:** Incentives to add value could include penalties/disincentives on export of raw cotton, yarn, cloth etc. Though controversial, it needs to be considered to transform our textile exports to higher value-addition. By exporting

these intermediate items, Pakistan fosters exports of finished products from and employment in other countries.

13. **Aggressively Pursuing FDI in the Textile Value Chain:** There is no significant FDI in Textiles. A comprehensive policy needs to be put in place to facilitate both 100% FDI as well as JVs in the textile value chain. This policy should be a priority as Chinese companies are currently looking for overseas destinations to move their production and marketing bases.
14. **Integrating SMEs into Value Chains of Exporters:** SMEs need to be integrated into the value chains of larger exporters. This can be done by allowing SMEs access to finance using the credit lines of the larger exporters especially for financing plant and machinery and working capital.
15. **Simplifying DTRE & other Temporary Importation Schemes:** DTRE schemes are complicated and difficult to use. The DTRE rules need to be simplified to allow SMEs to benefit from them.
16. **Standard Rates of Rebate and Automatic Payments of Rebates:** Ministry of Commerce and the Federal Board of Revenue need to work with industry to come up with detailed rates of rebates for various finished products. These should be automatically paid once remittance is received.
17. **Proactively Working on Travel Advisories:** The MoC needs to work closely with the Ministry of Foreign Affairs and embassies of major buyers of textiles in Islamabad to ensure that travel advisories are revised keeping the improved security conditions in the country in mind.
18. **Business and Work Visas for Buyers & their Staff:** The MoC needs to work closely with the Ministry of Interior to ensure that not only Business Visas but also Work Visas are issued for major buyers and their staff. Travel to and from Pakistan needs to be facilitated.
19. **Zoning Regulations in Industrial Estates Need to be Revisited:** MoC needs to work with the provincial governments to bring about changes in Zoning Regulations for industrial estates. Provisions need to be inserted to allow for vertical development of garment complexes in existing industrial zones.
20. **Special Economic Zones in “Plug & Play” Mode:** Special Economic Zones (SEZ) in “plug & play” mode need to be developed. These SEZs will have the entire infrastructure in place and entrepreneurs can simply move in with their machinery and staff & start operations in a minimum time frame. It will also be essential that SEZs are made “islands of exception” to the bureaucratic and regulatory constraints prevalent elsewhere in the country. Furthermore, a speedy dispute resolution mechanism needs to be in place.
21. **Cultivation of Cotton Needs to be Encouraged:** In addition to encouraging cultivation of cotton through the use of better seeds and on-farm management, the MoC needs to ensure that support prices of both wheat and sugarcane, especially the latter is done away with.

22. **Trade Diplomacy Needs to be Strengthened:** Trade diplomacy needs to be a top agenda item in the textile policy, some of the major challenges include:

- a. Ensuring Pakistan has tariff parity with Bangladesh in Canada, Japan, Australia and New Zealand.
- b. A limited PTA for textiles, rice and leather from Pakistan and Cotton, Beef and Soybeans from US would be beneficial. Pakistan should consider retaining a lobbyist in Washington.
- c. Preservation of GSP+ by the EU is critical. In addition to all the measures to conform to the UN Conventions, the possibility that Pakistan employ a lobbyist in Brussels and other major European capitals needs to be on the agenda.

Yours Sincerely,



Ehsan Malik

cc: Mr. Razak Dawood, Advisor to the PM on Commerce, Textiles and Investment