

# Pakistan: Hungry for Cotton

By

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As most contributors to this Special Feature have acknowledged, Pakistan has a long and distinguished history as a producer and consumer of raw cotton and the industry as a whole plays a vital role in the economy. Domestic spinners have benefited through the years from an ample supply of raw material and a skilled labour force, both available at low cost in global terms. It is therefore unsurprising that the textile sector attracted large-scale investment during the period leading up to the removal of textile and clothing quotas (details of which are provided in the first article by the Secretary to the Minister of Textiles). Moreover, the lasting impression gleaned by the author, during a recent visit to that country, was that investment is continuing, especially in primary textile production. The implications of that expansion for the country's cotton supply and demand balance (see the accompanying chart) provided the premise for this publication.

Attempts are under way to make the necessary changes to local cotton production, in order to satisfy domestic demand, both from a quantity and quality perspective, and to allow exporters to maintain a presence on international markets. The adoption of improved agricultural techniques and new technology (including the development of genetically-modified varieties) is seen as key by Dr. Ibad Badar

Siddiqui, the Vice-President of the Pakistan Central Cotton Committee. The standardisation of the system used to grade the domestic crop and the minimisation of contamination are also viewed as areas where improvements can be made to facilitate the marketing of local cotton. The Karachi Cotton Association's investigations into the feasibility of establishing a cotton futures market in Pakistan, outlined herein by the Association's Chairman,

have also been prompted by that last-mentioned objective.

The spinning industry has increasingly turned to raw cotton imports to bridge the growing shortfall in local supply, but also to meet its changing quality requirements, and in doing so has adopted new business strategies. Forward, 'on call' raw cotton purchases are proving increasingly popular, especially in reference to growths from Brazil.

Those involved further down the textile production chain note a buoyant mood but also recognise that the swift expansion of the industry has presented new challenges. The recently-liberalised, global trading regime has opened up new business opportunities, but has also resulted in increased competition in the main export markets. The latest data reveal that US imports of Pakistan textile and clothing rose by over 10 percent during January/November 2005, against the comparable period in 2004 (Pakistan is now the

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third largest supplier to that market), but imports by the European Union fell modestly during the first nine months of last year. In this latter regard, the continuing imposition of anti-dumping duties on local bedlinen by Brussels and the failure of Pakistan to qualify for the European Union's lowest preferential duties, under its revised Generalised System of Preferences, have been viewed as detrimental. Consolidation in the retail sector in those lucrative Western Hemisphere markets has resulted in a greater reliance on a fewer number of end-buyers, which some manufacturers believe has afforded the major retailers

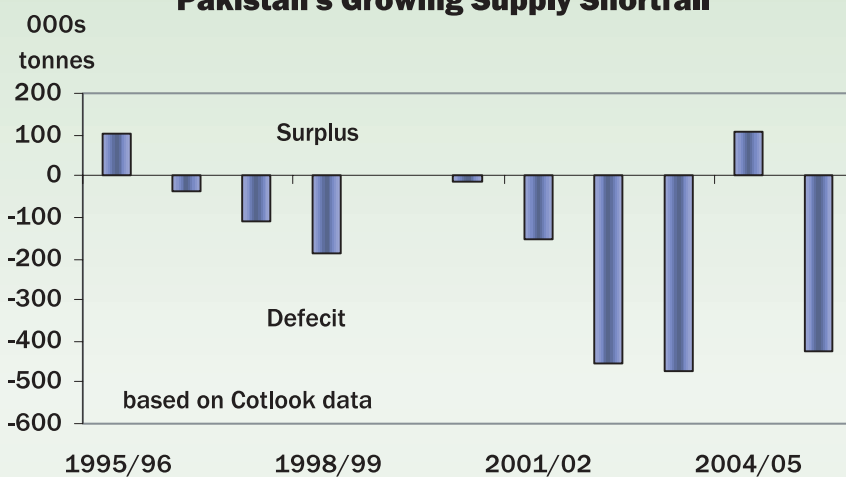
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**Pakistan's Growing Supply Shortfall**



more room to dictate prices. A need to diversify into a wider range of products, with a focus on value addition, has been identified, in order to boost profit margins and open up new markets.

Pakistan's cotton and textile sectors will doubtless succeed in making the necessary adaptations to the changing business environment and these industries will remain at the forefront of the country's continuing economic development. The potential that lies within Pakistan, in terms of cotton and textile production and consumption, will also ensure that it continues to be a key participant in global trade.

I would like to take this opportunity to thank all the contributors to this Special Feature, our first of 2006, for their support.

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