

Textile potential continues to be under-tapped as policies remain over-tangled

LAHORE: Textile sector holds the potential to increase the exports to \$50 billion per year but to exploit it the industry needs a long-term policy and yearly investment of at least \$2 billion both of which are elusive.

Every government that comes into power looks towards textiles for boosting exports and rightly so because this sector accounts for around 60 percent of our exports.

Each time the industry asks the rulers to formulate a longtime policy for sustained growth in textile exports.

Last three governments took two to three years to announce a five-year textile policy.

None implemented even 15 percent of any of these policies. So the textile exports remained a dream.

Every government including the current one lacks experts on textile affairs. Even in bureaucracy the knowledge about textiles is rudimentary.

Every government depends solely on the input by different sectors of textile exporters. The most powerful of them usually dominate the brainstorming sessions for formulating long-term textile policy.

This government is also formulating a long-term textile policy. Would it be another exercise in futility or would it turn out to be a practical textile-exports-transforming policy?

Anyone with a little knowledge of textile trade is aware that its chain is such that the interest of one sector is against the interest of the other.

For instance the basic textile sector producing a limited variety of yarn and fabric would plead for a ban on import of all yarns and fabrics or ask the government to impose regulatory duty on imports of these items.

The garment manufacturers on the other hand want the government to allow the import of yarn and fabric at zero rates because these two are the basic raw materials for value-added sectors of textile.

They argue that when cotton import is allowed at zero rates being the basic raw material for spinners then why basic raw materials of value-added sectors are denied this facility.

After many deliberations the bureaucracy came out with a viable solution.

That was to allow the import of all inputs meant to be used in export products at zero rates under different schemes.

These schemes are manufacturing bond, duty tax remission for exports (DTRE) and zero-rated input imports for export oriented units (EOU).

In fact to boost exports and to ensure that the exports are zero-rated these schemes are crucial.

Under these schemes an exporter is allowed to import inputs be it accessories, yarn or fabric at zero rate and export the product made from these inputs within a stipulated time ranging from six months to a year.

Surprisingly none of the above schemes proved successful. Baring some larger units these schemes proved too cumbersome for the small and medium exports.

Obtaining license for any of these schemes is cumbersome and satisfying the bureaucracy about the use of the inputs for export is a tedious job.

Similar schemes are operating successfully in India transparently.

The schemes are approved electronically and the usage is proved through the exports as the officials have already calculated the quantity of each input used in each export product.

In Pakistan most of the small exporters that availed these schemes were ultimately forced to withdraw their permissions as they had to deal with bureaucrats at numerous stages from import to the final disposal.

The officials report everything is okay at every stage at a rent that increases the cost of the exporter.

There are at least 40,000 exporters in Pakistan and hardly a few hundred avail these schemes because of high costs of usage.

The duty tax remission for exports license for instance could be granted for a year but the officials issued licenses on quarterly basis because that way they could get the rent four times a year from the applicant.

Only recently the officials have been asked by the commerce ministry to issue duty tax remission for exports permission for a minimum of six months. Why can't it be for a year or even two?

Why can't the monitoring of the usage done electronically? This will eliminate the contact of the officials with the users.

Technology has advanced to a stage where even the storage facilities of the exporters could be monitored through Google technologies.

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