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Rent-seeking policies bite textile industry

LAHORE: Policy makers have no clue as to why our textile industry is weaker than other regional economies. One reason is the inability of the industry to upgrade technology, the other are the flawed government policies that have denied textiles the domestic market.

We all know that our textile industry is operating below its installed capacity. Almost 65 percent of what it produces is exported, while 35 percent is consumed in the local market.

The 35 percent local market share covers only 50 percent of the total domestic uptake of textiles. It has the capacity to produce more, but there is no market for its products.

Pakistan's competitiveness is the reason for limited global market but it has been denied major chunk of domestic market because of rent seeking policies that allow import of used clothing, under-invoiced garments, and smuggled textile range from fabric to home textiles and apparel.

Let us take a look at the used clothing imports. It might surprise many that Pakistan is the largest importer of used clothing in the world.

In 2018, total global worn cloth trade was \$4,017 million. Pakistan's share in global worn cloth imports was 7.0 percent of the total or \$283 million. India that is seven times larger in population imported worn clothing worth \$93 million only. This is three times less than worn clothing imports by Pakistan. The number of poor living in India is higher than the total population of Pakistan. Still their worn clothes import was very low. Even this import fulfilled the needs of the poor population of India.

No one among the planners probed the reason for such high imports.

The industry has been screaming since last 10 years that stock lots of fabrics and new garments are imported under the garb of used or worn clothing.

This has many times been proved as well because whenever the Federal Board of Revenue (FBR) thoroughly inspected the worn clothing consignments, it found that besides used clothes the consignment contained fabric and new garments as well.

These lots are imported at worn clothes prices and are cleared as such as well. The local textile manufacturers dare not produce many types of fabrics for local market because of these stock lots imported under the garb of worn clothing.

It is strange that planners have not taken notice of this malpractice. The bureaucracy would not curb this practice on its own because they are partners in crime.

Global average of clothing used by an individual is 12.5kg per annum. It is much higher in advanced countries.

A study by All Pakistan Textile Mills Association (APTMA) reveals that total fabric consumption was 3,751 million kg. This includes imported cotton and manmade fibres.

Out of this 2,441 million kg (65 percent) of fibre is exported in textile products. The balance 1,310 million kg of fibre is used domestically. This accounts for 6.3kg on per capita basis. The remaining 6.2 kg (total per capita fibre consumption is 12.5kg) comes from abroad.

Official import of textile and clothing (though heavily under-invoiced) is equivalent to 341 million kg of fibre. On per capita basis, its share comes to 1.6kg. Official worn clothing import is equivalent to 443 million kg which means its share in total 12.5kg per capita consumption is 2.1kg. Another 517 million kg fibre is imported informally in shape of clothing and other textile products.

This is equivalent to consumption of 2.5kg per capita. Informal trade is through our porous borders and from Afghan Transit Trade.

It is worth noting that Afghan smugglers do not hide their smuggling activities. In fact, an announcement is daily made from a mosque in central Kabul that informs public that such and such person is going to Dubai or Hong Kong and anyone wishing to import any item may deposit the advance with them.

These goods are booked under Afghan Transit Trade. The goods are unloaded in Afghanistan and then brought by reliable couriers through our porous border, of course with the connivance of Pakistani officials.

It is worth noting that the consumption of Chinese and Indian textile products is over 60 percent in their own countries.

This is the reason that even in global recessions their textile industries survive. Our industry caves in the moment global textiles come under pressure.