

Textile industry: A poor stitch-up

LAHORE: Boosting apparel exports is the only option left for Pakistan in textiles, as it stands no chance in substantially increasing its yarn and fabric exports simply because most of its competitors' have better and efficient basic textile technologies.

For years Pakistan remained the preferred supplier of yarn and fabric to major global producers of garments and knitwear. Indians mostly got orders of yarn that Pakistan was not able to supply due to capacity constraints.

The industry invested heavily in basic textiles after 9/11 on the strength of low interest rate regime that continued till 2004. But after 2005 Pakistan lost the technology edge in basic textiles it enjoyed over India, Bangladesh and China, as its investment in this sector dried out while its competitors regularly upgraded technology.

One cannot absolve the governments for their flawed and inconsistent policies for this debacle, but the main blame lies on the basic textile entrepreneurs.

They got maximum government facilitations and subsidies than any other industrial sector of the economy. They also accumulated tons of wealth. Reinvestments in the industry were only sporadic and made when government offered them some concession.

Cement industry for instance flourished without government incentives, though investment in a cement plant is much higher than the investment in a large spinning mill.

Today the cement sector is operating with best technology and is very efficient as well. The poultry sector developed its self, and we now have a very vibrant poultry industry.

It has the potential to add \$5 to \$10 billion in Halal exports, provided the industry is refunded the taxes it pays during poultry product. In fact, it has been put under pressure by allowing import of processed chicken from few countries at zero duty.

To add insult to the injury, the industry pays cumulative 45 percent taxes and duties on same spices used by the zero-rated processed imported chicken.

We have seen that textile tycoons in this country belong to basic textile sector. Their standard of living, their luxurious homes and farmhouses and expensive cars speak volumes of the wealth they have accumulated over years.

This industry is in trouble for over 15 years, but the lifestyle and foreign leisure tours with families are on record to watch.

Compared with that, the value-added textile exporters live modestly when compared with these tycoons. Many of them are among the top exporters of the country.

Most of them are self-made individuals who promoted their companies through hard work and dedication.

They do not have much access to credit from the banks.

The value-added apparel sector accounts for more than 45 percent of our total exports and its exposure to project loans from the banks is less than 10 percent.

Most of these loans and accompanied mark-up concessions are enjoyed by spinners and weavers. More than 80 percent subsidies that the government offers from time to time on energy and power go to the basic textile sector.

Our planners should analyse the current textile scenario in the country and deeply study the developments in this sector in successful countries.

China, India, Bangladesh, Vietnam and Cambodia are the largest consumers of yarn and fabric. Over years the first three countries have installed modern and efficient machines first for domestic consumption and then for exports (particularly India).

The chances of increasing yarn and fabric exports from Pakistan are very low particularly with the technology that we currently possess.

Pakistani weavers and spinners would have to pay full attention to the domestic market and facilitate the garment and knitwear exporters through quality and low cost supplies.

The value-added sector would be at a disadvantage if they get yarn and fabric (that are basic raw materials for value-addition) at higher than global rates. Moreover, there are variety of blended yarns and fabrics that are not produced in Pakistan.

They should be allowed to be imported at zero duty binding the exporters to export 80 percent of that yarn and fabric in their garments and knitwear.

Countries like Bangladesh, Cambodia and Vietnam flourished in apparel exports through this approach. Pakistani spinners have the capability to produce yarns of all kinds. But first they would have to upgrade their technologies for efficient and quality production.