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Pakistan loses textile export share from 2.2pc to 1.7pc

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ISLAMABAD: Pakistan has lost its textile export share from 2.2 to 1.7 percent in the world market over the last decade, Adviser to Textile Industry Shahid Sattar told The News.

"Pakistan's textile industry is currently facing the toughest periods in decades as despite being the 4th largest producer and 3rd largest consumer of cotton, country is facing deficit in cotton production since 2013 and relies heavily on imports of cotton to meet local demand." During ongoing season, he said, industry has failed to achieve the cotton production target of 14.1 million bales. The production has been estimated at 11.9 million bales against the domestic demand of approximately 15 million bales. "As the cotton sowing season has ended on May 31 (started in April), only 50 to 55 percent of sowing target has been achieved so far."

He said that cotton oriented textile industry is mainstay of economy of Islamic Republic of Pakistan. It contributes to 60 percent of countries' exports, 8.5 percent to total GDP and provides employment to 40 percent work force.

Highlighting the agonies that the industry is facing since long he argued saying that an industry with such a great potential has been subjected to significant threats and challenges over past few years. The major challenges faced by the industry are unstable world prices, macroeconomic instability and high cost of doing business, inappropriate policy environment and anti-industry government attitude. In addition to economic issues, Pakistan's textile industry is also facing strong competition from the regional competitors (Vietnam, Bangladesh, India and China) as well as from the global competitors like American and European textile industries.

Cotton production has declined in the past few years due to many reasons; like ongoing water shortage, outdated technology, low quality seeds and fertilizers. Government's biased policies towards sugarcane, natural disasters, high cost of doing business and high prices of raw materials and competing crops etc. are responsible for the drop in cotton production.

The policies to support sugar cane, Sattar said, has been short sighted and detrimental to the economy of Pakistan as investing in sugar cane crop actually lowers the overall wealth generation in the country, apart from the wastage of our scarce water resources as sugarcane is more water intensive than cotton. Moreover, cultivation of cotton can also contribute in the production of edible oils that is a significant import of Pakistan.

"Our government accepts that one million bales change in production of cotton translates into a 0.5 percent impact on GDP." He said that textile industry of Pakistan has been the worst hit by power cuts. In addition to energy crisis, a massive increase in gas, electricity and other fuels has forced the textile mills to close their units, especially in Punjab the industry is under severe pressure due to unsustainable gas pricing. Almost 200 textile mills have closed their operations and about one million workers lost their jobs. As a result low profitability and loss in textile industry, the machinery being used is obsolete and has not undertaken up-gradation.

This has resulted in a vicious circle, outdated machinery, inefficient and expensive energy and expensive output. It would not be possible to remain competitive in export market unless up gradation in industry is undertaken.

At present, farmers fear that because of severe water shortage the production of cotton may decline by 35-40 percent further compared to last year. Loadshedding in cotton belt areas, shortage of water and severe heat waves are causing seed burns. To protect the sown seeds government will have to provide uninterrupted electricity in cotton belt areas to keep irrigational tube wells functional, if a half decent cotton crop is to be expected.

Under these circumstances, imposition of 10 percent custom duty on imports of cotton is anti-industry and growth. In Pakistan cost of doing business is already extremely high as compared to regional countries so the import duty of 10 percent will affect the exports of textile industry and will make the industry uncompetitive in the global market. In January 2018, Pakistani government withdrew 4% custom duty and 5% sales tax to meet the shortfall of silver fiber and to promote value addition. This withdrawal of custom duty contributed positively in the growth of textile industry and as a result the exports of value-added textile products recorded a growth of 12.8 percent in the first five months of 2017-18.

Previous year cotton growers, he said, received 3,100 rupees per mound and this year expected price is around 4,200 rupees per mound which means farmers will receive 35 percent higher remuneration as compared to previous year, therefore abolishing import duty will not jeopardise the livelihood of cotton producers.

"Cotton forms almost 70 percent of the total cost of textile final product and an increase of 10 percent in raw material prices will result in further closures of firms and millions of people may lose their jobs. An economy where cost of doing business is already high cannot absorb 10 percent increment in cost of raw material may result in to decline in the mainstay of our industrial sector."

He stressed his arguments further saying: "Our regional competitors have thrived under the zero tariff policy. Bangladesh, the regional competitor of Pakistan, in spite of being second largest exporter of readymade garments (RMG) after China, also relies on imports of cotton to meet its almost 99 percent domestic demand for cotton. Regardless of cotton deficit industry, Bangladesh textile industry is flourishing because of its duty free cotton imports. Even with increasing cotton import trend, 0.34 percent growth in RMG exports' earnings and 10.21 growth rate in world exports was recorded in fiscal year 2016-17, with a duty free import policy. The third largest exporter of textile, Vietnam has also recorded a growth of 10.23 percent in previous year. With a custom duty of zero percent and value added tax of 5 percent, Vietnam's production capacity is expected to rise by 12-14 percent and export potential is also forecasted to grow by 15 percent during the period 2016-2020."

And to compete with Bangladesh, Vietnam and other regional competitors like China and India, he suggested that the government of Pakistan should revise its current tariff policy. If the cost of doing business is not decreased and brought at par with other Asian countries, our products would not be able to compete in global markets both in price and quality. "To promote textile industry and economy of Pakistan all the utility charges and levy of taxes should be brought down to the level of our competing nations," he said.