Towel Manufacturers Association of Pakistan

The Bulletin

Volume 35 ------- May 2023

For Information & Feedback

TMA House

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Comparison of Export for the Month of May 2022 & May 2023

S.#	COMMODITIES	UNIT	May 2022 QTY	May 2022 VALUE IN US$ (000')	Unit Price	May 2023 QTY	May 2023 VALUE IN US$ (000')	Unit Price	Change in Qty	% Change in Qty	Change in Value	% Change in Value
1	Raw Cotton & Cotton Carded OR Combed	M.T.				49	68	1.39				
2	Cotton Yarn	M.T.	27,053	106,571	3.94	35,435	100,355	2.83	8382	30.98	-6216	-5.83
3	Cotton Cloth	TH.SQM.	36,386	231,277	6.36	34,181	174,666	5.11	-2205	-6.06	-56611	-24.48
4	Cotton Carded OR Combed	M.T.										
5	Yarn Other Than Cotton	M.T.	1,979	6,608	3.34	1,468	4,371	2.98	-511	-25.82	-2237	-33.85
6	Knitwear	TH.DOZ.	14,250	428,278	30.05	16,858	332,659	19.73	2608	18.30	-95619	-22.33
7	Bed Wear	M.T.	39,918	281,373	7.05	32,064	201,485	6.28	-7854	-19.68	-79888	-28.39
8	Towels	M.T.	17,782	92,252	5.19	16,987	87,483	5.15	-795	-4.47	-4769	-5.17
9	Tent, Canvas & Tarpulin	M.T.	1,917	8,155	4.25	2,586	8,881	3.43	669	34.90	726	8.90
10	Readymade Garment	TH.DOZ.	6,215	321,670	51.76	7,014	267,692	38.17	799	12.86	-53978	-16.78
11	Art-Silk & Synthetic Textile	TH.SQM.	7,067	36,569	5.17	7,878	36,226	4.60	811	11.48	-343	-0.94
12	Made-ups (Other Textiles)	-		70,363			50,326					
13	Other Textile Products	-		58,785			56,346					
TOTAL			152,567	1,641,901		154,520	1,320,558					

Comparison of Export Year wise of July-May 2021-22 & July-May 2022-23

			July-May 2021-2022			July-May 2022-2023						
S.#	COMMODITIES	UNIT	QTY	VALUE IN US$ (000')	Unit Price	QTY	VALUE IN US$ (000')	Unit Price	Change in Qty	% Change in Qty	Change in Value	% Change in Value
1	Raw Cotton & Cotton Carded OR Combed	M.T.	2,752	6,577	2.39	11,603	13,425	1.16	8851	321.62	6848	104.12
2	Cotton Yarn	M.T.	312,930	1,112,712	3.56	243,260	737,186	3.03	-69670	-22.26	-375526	-33.75
3	Cotton Cloth	TH.SQ M.	414,393	2,236,855	5.40	314,008	1,859,389	5.92	-100385	-24.22	-377466	-16.87
4	Cotton Carded OR Combed	M.T.	1216	1631	1.34	1,253	996	0.79	37	3.04	-635	-38.93
5	Yarn Other Than Cotton	M.T.	19666	60,624	3.08	12,604	40,674	3.23	-7062	-35.91	-19950	-32.91
6	Knitwear	TH.DOZ.	148,307	4,646,097	31.33	162,162	4,044,754	24.94	13855	9.34	-601343	-12.94
7	Bed Wear	M.T.	477,094	3,008,838	6.31	369,231	2,451,263	6.64	-107863	-22.61	-557575	-18.53
8	Towels	M.T.	204,397	1,020,111	4.99	177,966	912,363	5.13	-26431	-12.93	-107748	-10.56
9	Tent, Canvas & Tarpulin	M.T.	32,803	99,463	3.03	34,324	125,840	3.67	1521	4.64	26377	26.52
10	Readymade Garment	TH.DOZ.	49,772	3,535,953	71.04	72,858	3,172,385	43.54	23086	46.38	-363568	-10.28
11	Art-Silk & Synthetic Textile	TH.SQM.	95,401	421,860	4.42	68,854	379,142	5.51	-26547	-27.83	-42718	-10.13
12	Made-ups (Other Textiles)	-		780,182			635,428					
13	Other Textile Products	-		692,793			657,002					
TOTAL			**1,758,731**	**17,623,696**		**1,468,123**	**15,029,847**					

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COMPARISON REPORT
OF
TOWEL EXPORT DATA COUNTRIES WISE FOR YEAR OF APR-MAY 2022 TO APR-MAY 2023
TERRY TOWEL H.S.CODE 6302.6010

SR.#	NAME OF COUNTRIES	FOR THE YEAR 2022		FOR THE YEAR 2023		COMPARISON %	
		Apr-22	May-22	Apr-23	May-23	APR 22 V/S APR 23	May 22 V/S MAY 23
	TOTAL	100,453,419	86,540,837	71,478,629	76,156,431	(29)	(12)
1	UNITED STATES	41,021,438	28,016,032	21,165,169	25,865,235	(48)	(8)
2	NETHERLANDS	10,576,719	7,185,175	6,943,851	6,762,988	(34)	(6)
3	UNITED KINGDOM	9,380,574	11,525,598	8,569,399	8,035,403	(9)	(30)
4	GERMANY	4,466,671	2,628,479	3,094,004	2,152,877	(31)	(18)
5	SPAIN	4,393,479	6,564,140	5,158,132	5,007,472	17	(24)
6	FRANCE	3,971,731	3,290,517	3,666,635	3,317,076	(8)	1
7	POLANO	3,430,130	2,617,324	-	-	(100)	(100)
8	ITALY	3,239,879	5,960,295	6,346,850	7,391,001	96	24
9	SOUTH AFRICA	2,234,477	1,007,352	902,977	1,074,853	(60)	7
10	SLOVENIA	1,591,701	483,324	222,015	529,337	(86)	10
11	UNITED ARAB EMIRATES	1,555,906	1,317,184	1,197,014	1,151,314	(23)	(13)
12	GREECE	1,555,436	2,593,662	2,405,108	3,528,952	55	36
13	IRELAND	1,550,765	1,436,387	1,440,800	1,326,442	(7)	(8)
14	BELGIUM	1,340,426	1,661,035	1,773,815	1,319,916	32	(21)
15	SAUDI ARABIA	1,132,725	1,683,375	1,295,925	926,755	14	(45)
16	DENMARK	929,064	1,078,604	587,846	669,321	(37)	(38)

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		Apr-22	May-22	Apr-23	May-23	APR 22 V/S APR 23	May 22 V/S MAY 23
17	CANADA	818,236	670,166	604,921	653,615	(26)	(2)
18	AUSTRALIA	616,585	604,840	570,158	427,638	(8)	(29)
19	MALAYSIA	609,409	174,482	435,847	267,307	(28)	53
20	ROMANIA	598,559	177,336	460,954	553,619	(23)	212
21	HUNGARY	563,540	466,538	68,308	154,982	(88)	(67)
22	SWEDEN	538,535	535,605	520,478	458,335	(3)	(14)
23	BRAZIL	340,197	67,732	168,367	444,068	(51)	556
24	SENEGAL	328,029	261,311	405,342	129,932	24	(50)
25	LITHUANIA	295,689	88,426	122,929	74,156	(58)	(16)
26	QATAR	266,980	539,080	49,899	41,670	(81)	(92)
27	GHANA	257,301	712,357	200,709	377,378	(22)	(47)
28	PANAMA	254,671	378,828	16,551	141,471	(94)	(63)
29	PORTUGAL	243,456	105,359	634,538	488,613	161	364
30	KENYA	232,066	181,832	4,136	204,076	(98)	12
31	NORWAY	192,738	268,271	59,330	273,672	(69)	2
32	FRENCH POLYNESIA	156,155	-	-	60,977	(100)	#DIV/0!
33	MOROCCO	146,079	-	12,542	17,184	(91)	#DIV/0!

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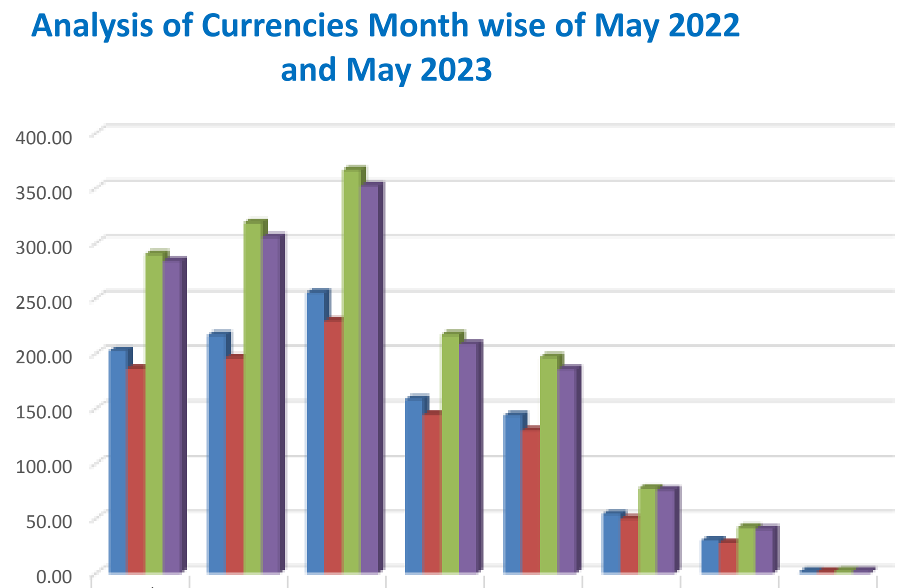
		Apr-22	May-22	Apr-23	May-23	APR 22 V/S APR 23	May 22 V/S MAY 23
34	BULGARIA	144,296	338,265	480,725	356,411	233	5
35	SINGAPORE	127,869	54,020	99,824	96,617	(22)	79
36	DOMINICAN REPUBLIC	120,549	75,933	33,843	51,598	(72)	(32)
37	MEXICO	120,445	81,306	186,146	55,005	55	(32)
38	SRI LANKA	117,933	336,401	21,280	64,317	(82)	(81)
39	CYPRUS	113,488	340,529	205,463	306,368	81	(10)
40	NEW ZEALAND	102,984	202,543	189,950	272,408	84	34
41	KUWAIT	99,658	95,302	185,226	123,188	86	29
42	TANZANIA, UNITED REPUBLIC OF	92,330	102,873	211,032	83,644	129	(19)
43	NIGERIA	81,109	49,568	50,093	52,640	(38)	6
44	CHILE	77,570	70,297	714	324,080	(99)	361
45	CROATIA	77,544	131,792	372,497	206,854	380	57
46	JAPAN	73,874	183,308	124,438	171,449	68	(6)
47	REUNION	72,828	81,707	64,326	105,660	(12)	29
48	CZECH REPUBLIC	70,095	80,585	81,685	-	17	(100)
49	MALTA	69,842	35,762	66,838	58,557	(4)	64
50	URUGUAY	61,659	-	-	-	(100)	#DIV/0!

Analysis of Currencies Month wise of May 2022 and May 2023

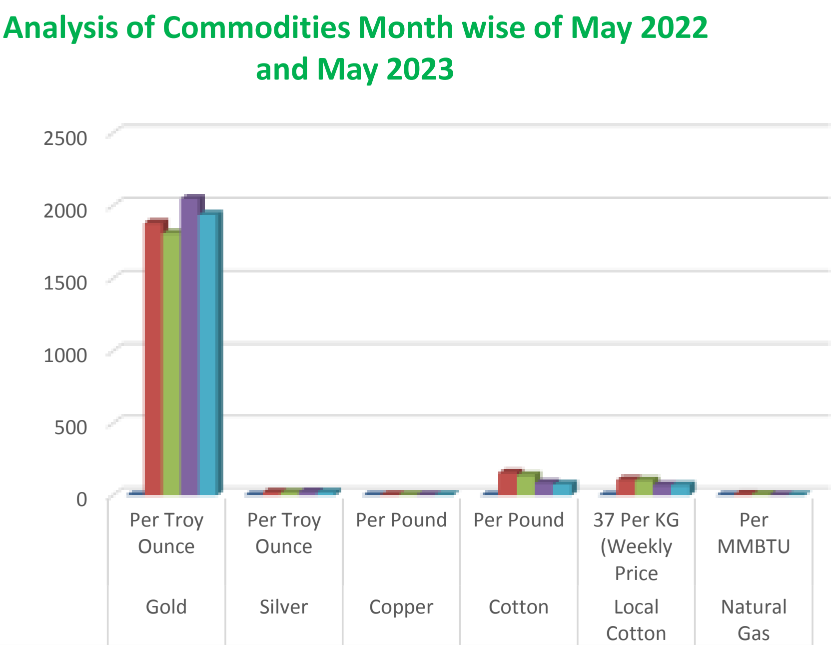
Month	Indicator	US$	EUR	GBP	CAD	AUD	SAR	CNY	JPY
May 2022	Maximum	202.50	216.62	255.17	158.61	143.71	54.05	30.27	1.59
	Minimum	186.50	195.89	229.60	144.32	130.36	49.61	27.88	1.43
May 2023	Maximum	290.00	318.37	366.15	216.90	196.60	77.42	41.83	2.16
	Minimum	283.90	305.50	352.05	208.50	185.81	75.74	40.29	2.03



	US$	EUR	GBP	CAD	AUD	SAR	CNY	JPY
May 2022 Maximum	202.50	216.62	255.17	158.61	143.71	54.05	30.27	1.59
May 2022 Minimum	186.50	195.89	229.60	144.32	130.36	49.61	27.88	1.43
May 2023 Maximum	290.00	318.37	366.15	216.90	196.60	77.42	41.83	2.16
May 2023 Minimum	283.90	305.50	352.05	208.50	185.81	75.74	40.29	2.03

Analysis of Commodities Month wise of May 2022 and May 2023

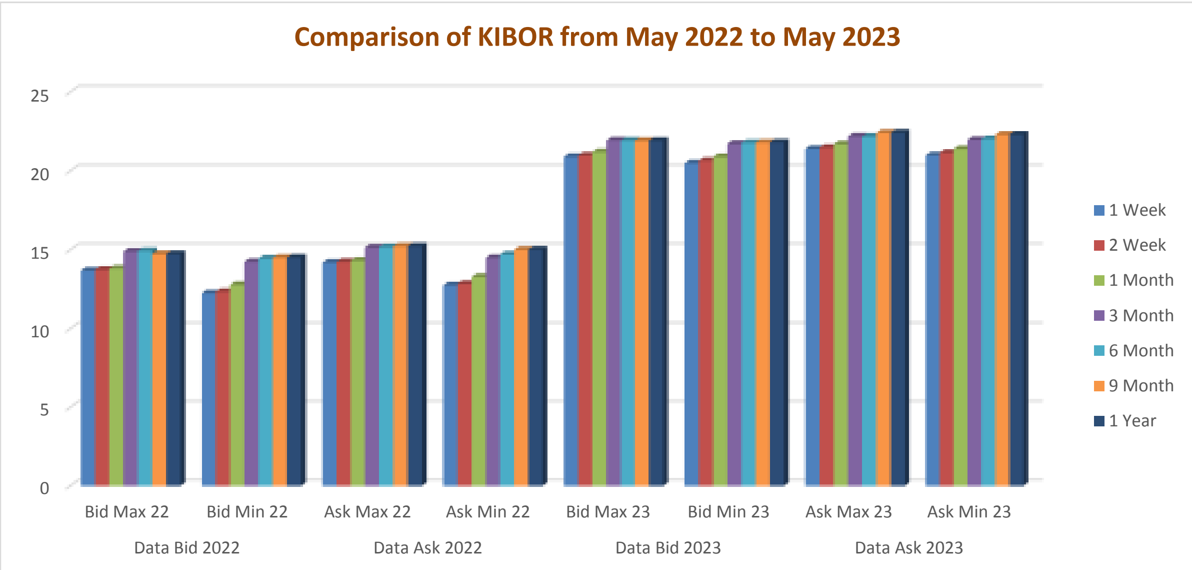
		Gold	Silver	Copper	Cotton	Local Cotton	Natural Gas
		Per Troy Ounce	Per Troy Ounce	Per Pound	Per Pound	37 Per KG (Weekly Price	Per MMBTU
Month	**Indicator**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
May 2022	**Maximum**	**1,883.25**	**22.96**	**4.35**	**158.02**	**108.89**	**8.97**
	Minimum	**1,811.15**	**20.77**	**4.11**	**138.98**	**104.78**	**7.03**
May 2023	**Maximum**	**2,049.65**	**26.06**	**3.92**	**86.94**	**70.52**	**2.59**
	Minimum	**1,940.60**	**22.77**	**3.55**	**76.99**	**70.52**	**2.10**



	Per Troy Ounce Gold	Per Troy Ounce Silver	Per Pound Copper	Per Pound Cotton	37 Per KG (Weekly Price Local Cotton	Per MMBTU Natural Gas
Month Indicator	0	0	0	0	0	0
May 2022 Maximum	1,883.25	22.96	4.35	158.02	108.89	8.97
May 2022 Minimum	1,811.15	20.77	4.11	138.98	104.78	7.03
May 2023 Maximum	2,049.65	26.06	3.92	86.94	70.52	2.59
May 2023 Minimum	1,940.60	22.77	3.55	76.99	70.52	2.10

Comparison of KIBOR from May 2022 to May 2023

	Data Bid 2022		Data Ask 2022		Data Bid 2023		Data Ask 2023	
	Bid Max 22	Bid Min 22	Ask Max 22	Ask Min 22	Bid Max 23	Bid Min 23	Ask Max 23	Ask Min 23
1 Week	13.69	12.25	14.19	12.75	20.9	20.49	21.4	20.99
2 Week	13.75	12.35	14.25	12.85	20.98	20.65	21.48	21.15
1 Month	13.82	12.78	14.32	13.28	21.2	20.89	21.7	21.39
3 Month	14.9	14.24	15.15	14.49	21.94	21.72	22.19	21.97
6 Month	14.93	14.45	15.18	14.7	21.93	21.78	22.18	22.03
9 Month	14.73	14.5	15.23	15	21.91	21.8	22.41	22.3
1 Year	14.73	14.51	15.23	15.01	21.92	21.81	22.42	22.31



BUSINESS RECORDER
Founded by M.A. Zuberi

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Pakistan not on IMF board's agenda

TAHIR AMIN

ISLAMABAD: The International Monetary Fund (IMF) Executive Board has issued meetings scheduled till June 29, but Pakistan is not on the agenda as the 9th review under the Extended Fund Facility (EFF) programme remains pending.

The current IMF programme of $6.5 billion is scheduled to end on June 30, 2023, with around $2.6 billion remaining undisbursed.

> P 10 Col 4

The fault is not in our stars
Editorial on Page 6

FBR's revenue target: Page 6

Stock market plummets

RECORDER REPORT

KARACHI: Pakistan Stock Exchange Monday witnessed a bearish trend and closed in deep red due to heavy selling on investor concerns over the delay in the IMF deal and negativity on the macroeconomic

> P 10 Col 1

BRIEF RECORDINGS

Faysal Bank Limited

[See Page 15]

THE RUPEE

Inter-bank market rates for dollar on Monday.

BID	Rs 287.20
OFFER	Rs 287.30

Open-market rates for dollar on Monday.

BID	Rs 291.00
OFFER	Rs 294.00

PKR: marginal loss

RECORDER REPORT

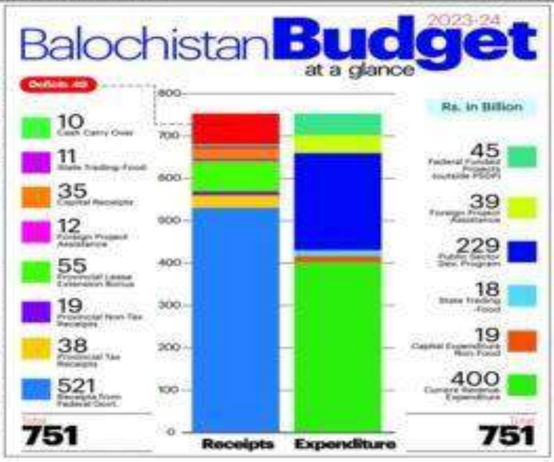
KARACHI: The Pakistani rupee saw a marginal loss

> P 10 Col 1

NY MIDDAY

EURO	1.0916
STERLING	1.2783
SWISS FRANC	1.1158
YEN	141.9300
GOLD	1,950.39
COTTON	—
DOW	34,678.00
NASDAQ	13,689.57
BRENT OIL (London)	76.09

INSIDE



Rs750bn Balochistan budget presented

QUETTA: The Balochistan budget for the financial year of 2023-24 has been approved.

The Rs750 billion budget

> P 10 Col 3

NCC — Get the ball rolling: Page 6

4-month Rs 1.719trn Punjab budget unveiled

RECORDER REPORT

LAHORE: With an outlay of Rs1.719 trillion, the caretaker Punjab government Monday presented a tax-free budget for the first four months of the next financial year

> P 10 Col 7

Senate wraps up budget debate

SARDAR SIKANDER SHAHEEN

ISLAMABAD: What appeared to be an embarrassment for the upper house of the parliament, Finance Minister Ishaq Dar

> P 10 Col 6

Budget debate

Over Rs41.367trn charged expenditure to be tabled in NA

ISLAMABAD: The federal government would table more than Rs41.367 trillion charged expenditure included in Demands for Grants and Appropriations for the financial year ending on 30th June 2024 for discussion in the ongoing budget session of the National Assembly under clause (1) of Article 82 of the Constitution.

Finance Minister Ishaq Dar would table more than Rs41.367 trillion charged expenditure included in Demands for Grants and Appropriations for the financial year ending on 30th June 2024 in the ongoing budget session of the National Assembly. A total

> P 10 Col 1

Super tax waiver, tax on real estate, agri sectors in phases proposed

SOHAIL SARFRAZ & ZAHEER ABBASI

ISLAMABAD: The Senate, on Monday, proposed 55 recommendations and changes in the Finance Bill 2023 including the abolition of super tax and gradual imposition of taxes on the real estate and agricultural sectors.

Moreover, the Senate has also submitted 31 recommendations regarding the public sector development programme.

The recommendations on the Finance Bill, 2023 would be forwarded to the National Assembly which would decide whether or not these recommendations are to be incorporated into the money bill.

During the session of the upper house of the parliament on Monday, Senator

> P 10 Col 4

Economic crisis

PM calls for 'minimum common national agenda'

RECORDER REPORT

ISLAMABAD: Prime Minister Shehbaz Sharif on Monday called for minimum common national agenda to steer the country out of the current economic crisis, deal with external and internal challenges and put Pakistan on the path of development and prosperity.

He was addressing the Prime Minister's National Innovation Awards ceremony held under the aegis of the Prime Minister's Youth Programme under which a total of Rs160 million were distributed among more than 100 talented youths for achieving innovative business projects.

"Pakistan is facing financial challenges, but I'm confident that we would be able

> P 10 Col 4

BUSINESS RECORDER
Founded by M.A. Zuberi
June 23, 2023

TMA says textile sector 'completely' ignored in budget

KARACHI: The Senior Vice Chairman of the Towel Manufacturers Association of Pakistan Syed Usman Ali has expressed grave concern over the completely ignored export sector in the budget 2023-24 and did not incorporate their valuable proposals/ suggestions for the growth of the Textile sector which is the backbone of our economy. It is surprising for the economic managers that the entire government has not taken any positive steps for the betterment of this sector which is an earning machine of foreign exchange.

From time to time all the stakeholders highlighted the problems of the Textile sector to the government i.e. the restoration of zero rating for the export sectors is entirely need of the hour and billions of rupees are stuck up with the FBR which is creating a financial crunch for the exporters. Ensure Sales Tax refund within 72 hours for the export sectors. To withdraw SBP FE Circular No 02 of 2023. Due to this circular, the exporters are in deep trouble. To provide regional competitive energy tariff (RCET) to the five zero-rated sectors. To continue drawback of Local Taxes and Levies (DLTL) scheme which expired on 30th June 2021 and after passing around two years the government did not issue the notification for the continuation of this scheme. Our Association also published an advertisement on 20th June 2023 in the print media wherein highlighted these problems of the export sector.

Usman further said that only the viable solution for our survival in this world with due respect is to increase our exports and bar importing luxury items which will ultimately put a positive impact on the balance of payment as well as the balance of our national reserve also be improved. The growth in exports is only possible when the government will provide their full support to ease the export business after the consultation of its true stakeholders. The export industry has need for level playing field in the international market for the enhancement of exports to $ 50 billion by 2027 and we cannot achieve this target without concrete planning for the flourishing of our country's exports. Unfortunately, our economic managers set the target but they avoid consulting its genuine stakeholders for the achievement of desired goals. Our officials are setting goals but their priorities show that they are not interested in achieving the Textile export target.

On the other hand, our regional country Bangladesh which is our competitor in the international market has set a vision to achieve US 100 billion dollars in apparel export by 2030. They also understand this will not be easy for them. To reach 100 billion dollars, they are also to focus on enhancing their industry capability i.e. more vertically integrated, innovative, diversified, technologically upgraded and they are focusing on adapting themselves to the Environmental, Social and Governance (ESG) requirements.

To achieve the desired goal, the government of Bangladesh has created a BDT 5000 crore called a “pre-shipment credit refinancing scheme” to support export-oriented companies affected by the Covid-19 pandemic in April 2021. Previously, the interest rate for such loans at the client level was 5%. As per the new circular (BRPD circular no-08 on May 18, 2022) issued by Bangladesh Bank, the rate has decreased to 3% at the client level. Also, the banks are able to disburse up to 50% of loans for packing credit under this pre-shipment credit refinancing scheme. This will significantly help their factories to meet the need for working capital.

The Bangladesh Bank has also created another scheme titled “Export Facilitation Fund” of BDT 10,000 crore to support export-oriented companies to import raw materials. As per the BRPD circular no-1 dated January 01, 2023 of Bangladesh Bank, an exporter is allowed to take a loan of a maximum of BDT 200 crore from the fund with only 4% interest rate, which is a pre-finance scheme by nature. This will add further flexibility in securing funds for raw materials sourcing at a lowered cost if we can make use of it.

The senior vice chairman of the Association further said that our government is offering 18% interest rate on ERF to the exporters. It means that the cost of exports business has no comparison with our regional country, so our Textile exports continuously slash and in the month of May our textile export crashed by 30%, while Bangladesh, Vietnam and Sri Lanka exports increased by 20-30%. Our government should come forward and should take on board the representatives of all export oriented associations for viable and sustainable solutions to the problems of the Textile sector to sketch a better Pakistan future. It will be also helpful for the government to generate employment, economic activities, and collection of taxes for the national exchequer. The entire government should be focused on the economic agenda rather than the political agenda. Pakistan’s economic survival is more important than any issue.—PR

BUSINESS RECORDER
Founded by M.A. Zuberi
June 15, 2023

A timid budget by a hesitant govt

Tahir Jahangir

The budget was really not a budget per se. We have come to expect major policy measures being enacted, loads of fresh taxes for the law-abiding and goodies for the supporters. There were dire warnings that the corporate sector, the only one paying taxes religiously, will get clobbered by fresh taxation. They have largely escaped, except for the inexplicable tax on bonus shares. Normally, bonus shares are doled out to shareholders in lieu of dividends so that the company can re-invest its profits. What is the Finance Minister saying? Don't save, just spend? A strange advice for a developing country!

The government is hemmed in by its political foes, the dire economic situation and powerful lobbies so badly, that it is quite understandably frightened of doing anything in case it backfires. Mercifully, the major job required to correct the external account imbalance has already been done. The rupee has been devalued so much that in my opinion it is already under-valued. It is poetic justice that this was done in the reign of the very same finance minister who kept it overvalued for years. The consequences of that over-valuation were rampant imports and stagnant exports.

Now the job of the government is to hold the ship of the state steady. Just try to govern well and correct the misdeeds of the past. If the gross mis-declaration at Karachi port is reduced and the borders duly guarded against smuggling in and out of the country the economic forces will run their own magic. Wherever market forces are allowed to work the people of Pakistan respond rationally and work hard to improve their own livelihoods.

Imports will go on falling and exports will pick up again. The gross mis-declaration and smuggling badly erode the effect of the economic measures already taken. These two factors also deprive the state of valuable import duties and sales tax.

Much of our nascent industry has been destroyed by Chinese and other imports. This destruction was aided by an overvalued rupee, and the mis-declaration of import values, and rampant smuggling. Hordes of small factories making electric appliances, toys, household goods, sanitary wares and what have you, were routed by the larger, better organized, foreign, largely Chinese, manufacturers. The "infant industry" of Pakistan was asphyxiated by its own government under the guise of "free trade."

Our small and medium scale industry, known as SMEs in economic jargon, never had the chance of growing into full-scale factories and businesses. Any economist will tell you that infant industries must be protected in their childhood so that they can withstand the full blast of international competition later. India did this rigorously so now they have industries which can withstand multi- national giants. Tata versus Toyota is an even match. Pakistan's cycle industry never got off the ground. The steel mill was still-born, BECO was nationalized and destroyed, and so on and on. It's not that we as a nation are incapable of building our economy, we have the ability to do so. There are prominent examples where people have withstood all odds to build institutions. Witness the success of Millat Tractors in engineering. The textile, sports goods, surgical instruments, leather tanning industry have developed into a world competitive industries despite being hobbled by unnecessary restrictions and lack of infrastructure, and a complete absence of educational and vocational inputs.

One measure of this budget, that of changing the definition of an SME from a company with an annual turnover of 400 million rupees to 800 million, will go a long way in rebalancing the scales, if properly followed up. The national credit policy should now allocate funds for the development of the SME sector just as it does for agriculture. The large-scale industry which is well established is always a better bet for any bank to loan too. The small factories cannot present smart feasibility reports, and do not have a depth of credit history. When we started off as a country this was precisely why large development banks such as PICIC, IDBP, NDFC, etc., were set up in the public sector. The fate of these is similar to all our other public-sector institutions. Nevertheless, the State Bank of Pakistan can effectively direct banks to give priority to SMEs. The huge allocations for the TERF (temporary economic refinance facility) loans were entirely gobbled up by the "Big Boys" who are now flush with money they borrowed at 3% or even lower.

There are obvious solutions staring us in the face. Trim the government back down to less than 20 ministries if not a dozen. Trim the bureaucracy, trim the army budget, sell off the loss-making public-sector enterprises (white elephants). These are difficult jobs but someone has to start. The one who does may just find that the public will respond and appreciate genuine reform.

All these reforms do not wait for budgets; they require a government with the will and a sense of purpose.

BUSINESS RECORDER
Founded by M.A. Zuberi
June 13, 2023

The cost of anti-export bias

Tahir Jahangir

Our country in general and our bureaucracy in particular have a strange bias against exports and a particular preference for imports. Wherever exports are concerned, roadblocks and difficulties shall be created to deter a business from exporting Pakistani products and produce.

"Where is the export surplus?" We are asked regularly by otherwise knowledgeable persons in authority. As if the exporter of sports goods will first produce half a million footballs, store them in a gigantic godown and then approach the organizers of the World Cup to try to sell them! A grower of tomatoes must first produce tons of tomatoes, store them, and then make an effort to sell them. Meanwhile, they've rotted! However, the grower of tomatoes is sure that once he has developed a foreign market for his tomatoes, and there is the whiff of a shortage in Pakistan, exports of tomatoes will be banned!

Similarly, imported products are shown a marked preference by our consumers. They are also facilitated by the authorities. Imports and importers flourish even in periods of grave shortage of foreign exchange and our government makes every effort to flog our self-esteem and sovereignty to borrow billions of dollars to import cars, chocolates, pineapples and toys.

The SBP (State Bank of Pakistan) has issued FE Circular No. 1 dated January 5, 2022 in terms of which the period of realization of export proceeds has been reduced from 180 days to 120 days. Then the State Bank comes up with penalties for delayed payments of exporters. This is Circular No. 02 dated 31st March 2023. It states that if an exporter does not receive payments for his exports within the stipulated 120 plus 15 days he shall be fined progressively. The fine is 3% up to 30 delayed, 6% up to 60 days delayed & 9 % beyond 60 days.

If for example there is a bad debt or a default by his customer then he not only loses his money but also lands up in jail U/s 12 (1) of F.E.R., 1947 Acts read with foreign exchange rules 1952 & notification No. FE 3/2001-SBP Dated 28-09-2001, which is punishable U/s 23B (4) of the said Act. First the firm suffers a bad debt and then the CEO lands up in jail.

Are we pretending that in business there are no bad debts or defaults? Exports like any other sales are often made on credit terms and thereafter the buyer pays within a certain stipulated period. Sometimes he may be delayed in his payments. When business or sales are slow, this happens very often. Payments are often delayed and the supplier has to live with this. Are there no defaults, bad debts or delays in domestic trade? Pick up the balance sheets of most large companies and you will find bad debts and defaults. Government-owned bodies themselves are in huge default and have accumulated gigantic sums threatening to drown our economy by their scale.

Witness the circular debt, which has been built up by successive governments.

Pakistani exports of non-traditional items and to non-traditional markets are particularly susceptible to default. Our country has a bad reputation abroad for quality products. Our standards are often lower than those of the developed countries. Moreover, the exporting industry is developing and finding new markets. To overcome the reluctance of buyers when buying from Pakistan for the first time the exporter often resorts to credit.

"Pay for the goods after you have received them," he offers.

For some deals things may not go smoothly. For example, the consignment may not come up to the expectations of the importer. When he asks for a discount, the exporter cannot allow this legally unless he goes through the rigmarole of an unsympathetic State Bank bureaucracy. First apply to them, explain to them the reasons for a discount and then, and if they so permit, which they never will, allow the reduction in the invoice. Meanwhile, six months, if not two years, will have elapsed and the whole consignment will have become out of date or rotted. The godown rents will have totted up and in any case, businesses do not have time to suffer such delays.

I will state a personal example. My company had exported towels to a customer in Sweden. When my customer received the goods, I got an SOS from our agent saying that there were stains on the towels. Since it was a large shipment and this was potentially a very important customer, I took the first flight out to see things for myself. I found that the scotch tape used to seal the polybags was defective and had imparted a stain on the towels through the polybag. There was a stain on every third towel. (They were packed in bundles of 6 and so the top and bottom ones had a small stain.)

What do I do?

Settle a discount with the customer and get on with my life, or go back and battle it out with the authorities for the next six months and forget about the Swedish market for my company. Meanwhile, Pakistan gets a bad name too.

In businesses, as in life, there is always the unforeseen. The private sector including the exporters should be left to fend for themselves and they will do a better job of it than the huge bureaucracies we have built up to govern them.

These laws emanate from a fear that if allowed, Pakistanis will transfer all their money and savings abroad! A realistic fear perhaps. The cure for this is not to make more and more rules to regulate foreign currency transactions, but to make it worthwhile for Pakistanis not to flee their country.

We are now effectively operating a dual exchange rate system. There is the "interbank rate" which is where all official export earnings and remittances are converted to the Pakistan rupee. This is hovering at around Rs285 to a US Dollar. Then there is the "open market" rate, which is at Rs305 to the Dollar.

If you are an exporter what would you prefer? If you are sending money from abroad to assist your family living here, what would you prefer to use? The choices are obvious. Why are we making open invitations to exchange rate violations and sabotaging those who prefer to operate within the ambit of the law? The answer to all these issues is that the State should allow its citizens to get on with their lives and livelihoods. The more it interferes the more of a mess it makes.

BUSINESS RECORDER
Founded by M.A. Zuberi
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TMA rejects RRMC's tax imposition proposal : Failure to bring in forex proceeds within stipulated time

KARACHI: Syed Usman Ali, Senior Vice Chairman of the Towel Manufacturers Association of Pakistan has expressed deep distress about the budget proposal of the Reforms & Revenue Mobilization Commission (RRMC) for 2023-24 revealed that an income tax has been proposed on exporters not bringing foreign currency within a specified time period, and resultantly earning a gain on foreign exchange.

He said that on behalf of this Export Oriented Association, we absolutely rejected the said proposal and this type of proposal is an anti-export drive that does not know the day-in, day-out efforts of exporters for the enhancement of exports of this country. The anti-export measures ruin the remarkable efforts of exporters to enhance exports as well as their valued efforts to earn valuable foreign exchange for this beloved country. Everyone should realize that the exporters are the backbone of the economy and are playing their significant role in the improvement of the economy. The Government should address all grievances of exporters in the upcoming budget of 2023-24 and ease the export business.

Syed Usman Ali further said that for the information of Ashfaq Tola that the SBP has already taken an anti-export measure and marked a lien on the realization of foreign remittance beyond the specified period which is badly hurting the country's exports. The SBP marks a lien on the amount of export proceeds realized by 3%, 6% or 9% according to the delayed period as described in the FE Circular No. 02 of 2023 which is absolutely unfair. The interesting thing is that the banks are charging 1% withholding tax on the whole realized amount and after the deduction of withholding tax, banks applied mark lien rates as per the SBP circular. Exporters did not get the complete realized amount but paid the tax on the whole amount which is absolutely unfair. It means exporters are paying taxes on those amounts which they have not earned.

Syed Usman Ali, Senior Vice Chairman of the Association further clarified the misconception in the government officials as well as RRMC Chairman Ashfaq Tola that the exporters willingly delay their remittances from abroad in order to gain the benefits of the currency devaluation which is absolutely wrong and his proposal is totally base on wrong assumptions. Every exporter is trying their best to repatriate their amounts as early as possible. For this purpose, from time to time, exporters remind their buyers to release their payments before time to improve their cash flow.

He further highlighted that the exporters also have liabilities to pay against their purchases which they have to pay in a specific time to continue the purchase of further raw materials for performing their business activities smoothly. The timely remittance ensures that their cash flow runs smoothly and avoids mark lien on late realized amounts. By and large the delays in the remittances are not a positive nod for the exporters in any manner as well as for the country.

The delayed remittance can be caused by various factors generated by the importer's side only i.e. slow sales, delayed deliveries, delayed in vessel arrivals, the slowdown in remittance from the final customers, these are some of the many factors due to which the importer delays the payments and none of these factors can be rectified by the exporters. Once the shipments are exported to foreign buyers, the repatriation of the amount is beyond the control of exporters.

The exporters of this country urged the Ministry of Finance and the Ministry of Commerce that they should consult with its real stakeholders for the upcoming budget proposals rather than depend upon the anti-export suggestions of the consultants/ advisors. We ask the economic managers, why the finance minister/ commerce Minister and other government officials have not invited textile exporters to hear their grievances and sought suggestions in the upcoming budget for the betterment of the economy as well as for the growth of exports. The only way to come out from the economic crisis is to enhance our exports.—PR

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