BUSINESS RECORDER
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Textile exports will start falling soon

It seems that our economic planners are living in a fantasy world. Contrary to our budgetary expectations, which portray our exports rising from the current 30 billion dollars a year to 60 billion in a few years; our textile exports shall actually start falling.

The effects of all the adverse factors that have developed over the last couple of years should see a decline in our textile exports in the coming few years. This is not simply the result of the current budgetary measures, but the cumulative effect of the economic factors affecting our country. This shall be accentuated by the economic developments in our main competitor countries. The combined effects of all these will be to the detriment of our textile exports.

An industry is viable in world trade when it is cost competitive. We have seen how the dominance of the west in consumer durables, cars and trucks, electronics, was eroded first by the Japanese thirty years ago. They supplanted European- and US-made goods. Then the Koreans found their place and now the Chinese are flooding the world markets .The Japanese cars and consumer durables are being outsold by Chinese firms, not only by price but by an equally acceptable quality. The Japanese have moved on to higher technology products. The best price with a reasonable quality sweeps the market.

Much the same factors apply to the textile products that we specialize in. Our competitive strength has eroded and the obvious results will follow.

Pakistan today is a high-cost country for producing textiles as compared to other South Asian and some Far Eastern countries. It has no specialized skills that the others do not have and so will find it difficult to expand its markets.

On the contrary, however, the others have developed skills that we lack and their workers, management and regulatory authorities are far batter skilled and trained than ours. So we are in danger of losing what we have achieved and not expect to expand our exports further.

Firstly, let's examine the relative costs:

Cotton: Our current quotes for Punjab Cotton is about Rs19,000 per maund. This is equivalent to about 83 US Cents/Lb. The Indian Punjab cotton is quoted at Indian Rs5,900/maund. This is equivalent to about US 86 cents/lb. On the face of it, the Indian cotton is 3 cents/lb more expensive than ours. However, our cotton has a trash content of 7% to 8%.

The Indian cotton's trash content is guaranteed at below 3.5%. This eliminates the current price differential. Add to this the better uniformity of the staple fiber and the higher percentage of short fiber in our cotton, the Indian cotton is far more suited to produce the base line 20's cotton yarn.

This is the position of the short staple cotton used for coarse yarns. For longer staple cottons, India is way ahead of us. We have not bothered to develop any mid- or long- staple varieties. There are quite a few varieties available in India.

MCU 5 from Orissa/Karnataka is available at US 90 cents/lb.

Our domestic cotton advantage has vanished. Even if we are allowed to import Indian cotton through Wagah as before, we still have to pay for the transport, packaging, fumigation, border crossing, documentation and remittance fees. All this will cost us a pretty packet, plus the humiliation of restarting trade that we cut off some years ago.

Electricity tariffs in Pakistan are higher than any other developing country. This promises to destroy the viability of our industry across the board; here are the rates as reported in US Dollar cents per unit:

Pakistan Non-Textile 16.34

Pakistan Textile 13.31

Bangladesh 8.60

China 8.10

India Non-Textile 7.80

India Textile 6.00

Vietnam 7.20

Electricity bills are the second most important costs after cotton in the process of spinning yarn. In effect the Pakistani spinner is paying about double of what an Indian spinner is paying; that for a very low quality of electricity which has frequent shutdowns and voltage surges.

In many companies bank interest or financial costs are just as much as power costs. Here we have really gone overboard. As compared to the 6/8% prevailing in India and Bangladesh we are at over 20%. Whilst bankers reap huge profits the manufacturing industry is in ruins.

The other most important cost for a spinner and of most of the industry is salaries and wages. Here, admittedly, the Indians and Bangladeshis had lower wages but they are levelling up with our wage levels in terms of wages paid per worker. However, the skill levels available in India especially for engineers, supervisors, fitters, mechanics and managers are far better and cheaper than here. The women workforce was paid well below our levels, yet they had excellent skills and that was the basis of their garments industry. We have very poor skills, and do not encourage our women into the workplace. Here we end up with higher costs as well.

There is also a reliability factor, which the Indians and Bangladeshis have developed. Their exporting firms are not only established, they have also acquired subsidiaries and brands abroad. The two main towel brands in the USA, Canon and Fieldcrest, belong to Indian companies.

The main towel company in Australia and Australian weaving mills also belong to an Indian mill. Welspun from India has gone and established a towel company in China, supposedly an "enemy" country. Our firms are still at a pygmy stage. Our brands are not known abroad nor do we have any brands or labels that we own.

Then there is the forbidding nature of our country. Foreign buyers, designers, and quality supervisors feel far more comfortable travelling and living in India, Bangladesh and Vietnam than in Pakistan. Here they are frightened of being mugged, kidnapped, or worse lynched as happened in Sialkot. In sharp contrast to ours, the Indian, Vietnamese and Bangladeshi cities are welcoming to foreigners. They are pampered; they are not vilified as "non-Muslims." So why would the world want to buy a Pakistani product? How then does the government feel that we will double our exports in a few years?

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The writer is also the current Chairman of the Towel Manufacturers Association of Pakistan