US$ 1.7 billion package provides hope for declining textile exports

The mood was buoyant at Heimtextil exhibition which is considered as a barometer for Pakistan's valued added textile industry at the start of the new year. The news of the textile package announced by the Prime Minister, Nawaz Sharif, on January 09, 2017 most certainly helped create this positive mood. The buyers at Heimtextil were fully apprised of the package by the exporting companies from Pakistan that comprise the best representation of our textile sector. Country's biggest ever export package is worth Rs 180 billion or US$ 1.7 billion with an objective to arrest a decline in exports and to post healthy growth in the short term.

Under the package, duty drawback rates for textile garments would be 7%, the textile made ups 6%, processed fabric 5%, yarn and grey fabric 4%, sports goods, leather and footwear 7% respectively. The duration of the package is 18 months from 1st January 2017 to 30 June 2018. The exporting companies have to show a 10% growth during this period 18 months in order to continue enjoying these rebates.

This is a more comprehensive package than the previous package in 2015, that did not allow any rebates for yarn and fabrics while the extent of drawbacks for the garments was 4% only. The package has been welcomed by the industry players albeit with certain reservations. The period of 18 months (practically 17 months taking into account the period of implementation), is insufficient to show a significant growth in view of the vast number of issues faced by the industry, liquidity being only one these factors. The exporters are facing severe competition from regional players such as India and Bangladesh that have reported a significant increase in textile and clothing exports as compared with declining exports from Pakistan. Another measure that the government must undertake to arrest this negative trend is a gradual devaluation of Pakistani Rupee that is kept pegged to the currently untenable level at the detriment of the exports.

It is also important to note that this package, however late was absolutely necessary, due to the fact that there was a remarkable support given by the governments of our competitors such as India, Bangladesh and Srilanka. According to a report in Business Recorder, India has consistently provided exemplary support to all sectors of the textile industry. Around the US $3.5 were allocated to Indian textile industry in the 11th five-year plan from 2007-12 and USD $5 billion in the 12 five-year plan from 2012-17. It was this support which allowed Indian textile exports to surge by 76% since 2007, while its global market share increased from 3.5% to 5% during this period. On the other hand, Pakistan's global market share in textile and clothing has shrunk from 2.2% to 1.6%. The lucrative GSP Plus status granted by the European Union at best arrested the further decline of our global exports without resulting in the significant growth as anticipated.

It is true that the energy shortage and the poor law and order situation in the country contributed to the woes of the textile industry. However, the situation in both these areas of vital importance has improved greatly over the last two years. This is indeed the right time for the industry to receive the relief in form of the announced textile package.◆