

## Indian yarn triggers considerable controversy

TAHIR AMIN

ISLAMABAD: The value-added and spinning textile sectors have locked horn on the withdrawal/imposition of a Regulatory Duty (RD) on the import of Indian yarn and started lobbying at different forums to achieve the objective, it is learnt.

Official sources revealed to Business Recorder that spinning sector is lobbying to impose a 15 percent RD on Indian yarn on the plea to save domestic market while value-added textile

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sector is vying for a free market mechanism.

All Pakistan Textile Mills Association (APTMA) has approached the Ministry of Textile Industry and Ministry of Finance for imposing safeguards on the import of Indian yarn into Pakistan. The Association has urged the government to take corresponding and reciprocal measures by providing a level playing field to compete in the international market and immediately impose safeguard measures on the import of Indian yarn into Pakistani commerce, which registered about 100 percent growth in the current season as compared to the last season.

India is the biggest competitor of Pakistan in the international textile arena and it is a matter of grave concern that Pakistani export market is being slowly taken over by an aggressive Indian marketing; during the last one year, the Pakistani Rupee has appreciated and the differential between Pak and Indian Rupee has dropped from Rs 44.92 to the current value of Rs 36.89 thus appreciating by Rs 8.03 (18%).

The impact of appreciation has further aggravated by massive subsidies that the Indian government gives to its export industry in the form of export subsidy @ 3% of export value, 5% relief in interest payment on capital expenditure, subsidy on electricity tariff and numerous other incentives.

If it is not enough, the import of Indian Yarn into Pakistan is increasing day by day and during the last three years the import of Indian Yarn has increased from 4,927 tons to 25,839 tons. Now 3000 tons of yarn is being imported per month and it is a matter of serious concern that India has erected an impregnable wall particularly against yarn imports, as a result of which there are no

meaningful yarn imports into India.

At the same time value-added textile sector seeks an immediate withdrawal of 5% duty on import of cotton yarn.

Chairman Pakistan Apparel Forum Jawed Bilwani said that globally import of raw material is allowed duty free while exports of raw material is restricted to benefit value added sector to earn more foreign exchange.

Moreover, majority of manufacturers-cum-exporters cannot import yarn under DTRE Scheme just because Federal Board of Revenue (FBR) clarification that "the facility of import of yarn by the stitching units for manufacturing of garments meant for export is currently not available under the DTRE scheme".

Value-Added Textile Sector's share in exports is 83.64% and it employs 18 million people while the spinning sector's share is only 16.36; and it employs 0.28 million workers, he said.

He said the spinning sector seeks a 15% duty on import of cotton yarn from India. This demand is for the benefit of just 30 industries while, the Value-Added Textile Sector's demand is for thousands of industries all over Pakistan which are greatly burdened due to the current 5% duty on import of cotton yarn and are on the verge of collapse.

He revealed that previously duty exemption on import of cotton yarn was implemented vide SRO 15(1) 2010 on the recommendations of the Ministry of Textile Industry in the light of the free market mechanism that there should be no duty either on import or export of cotton yarn but most unfortunately this exemption was withdrawn by the Economic Coordination Committee on April, 2014 which was "most unethical and unjustified".



# Value-added textile sector, spinners at loggerheads

By Our Staff Reporter

KARACHI: The value-added textile sector and spinners, two powerful lobbies, are testing the nerves of policy makers in Islamabad over the issue of cotton import.

Both sides are putting up their cases forcefully to convince the government to support their position. While leaders of value-added textile sector are seeking withdrawal of 5 per cent duty on import of cotton yarn, the spinners lobby All Pakistan Textile Mills Association (Aptma) strongly opposes it.

The leaders of value-added sector under the umbrella of Pakistan Apparel Forum (PAF), a platform of 12 trade bodies, argue that globally import of raw material is allowed duty free while exports of raw material is restricted.

However, Aptma believes that heavily subsidised Indian fine count cotton yarn is causing grave harm to 30 local producers of yarn and the government should immediately impose 15pc regulatory duty. They quoted figures to show the surge in import of fine count cotton yarn from India.

The PAF leaders contested the wisdom of protecting the interest of only 30 units producing fine count cotton yarn at the cost of thousands of value-added textile units spread all over the country.

They said that already there is 5pc import duty on cotton yarn, increasing the cost of production and rendering production uncompetitive in the world market.

In support of their argument, they said spinners are doing well as there are no reports of any closures whereas multiple units engaged in production of garments, hosiery goods, apparel, home textiles and bed wear are on losing end.

There was no duty on import and export of cotton yarn till 2014 when government imposed 5pc customs duty on import of raw cotton.

The textile made-ups share in exports was claimed to be 83.64pc. It employs 18 million workforce against 0.28 million by spinning units.

The Aptma leader (Sindh-Balochistan region) on Saturday complained that Indian and Chinese manufacturers of man-made fibre enjoyed advantage over local producers.

He further said that both countries have huge production base of man-made fibre which gives them competitive edge over local manufacturers of polyester fibre. As a result of this, the local producer of blended yarn faces threat from Indian yarn.



# Textile sector demands withdrawal of tax on yarn

**By our correspondent**

KARACHI: The value-added textile sector has urged the government to withdraw five percent additional duty on import of cotton yarn in order to protect the sector from further losses, a statement said on Saturday.

Business leaders, in a conference on Friday, said the spinning mills are making profits, as is evident from their balance-sheets, and there have been no reports of any closure, while the value-added textile industry has suffered losses and several companies

have closed operations because of high costs.

"If the running cost, especially the price of raw material declined then exporters will be able to get orders from foreign buyers," said Javed Bilwani of Pakistan Apparel Forum.

Exporters who participated in Heimtextil and Texworld, international textile trade fairs, bagged considerable orders, but the costs of operations have increased because of the import duty.

The speakers said the duty should actu-

ally be imposed on export of cotton yarn.

"If government desires to continue the import duty, then it should be imposed on export of cotton yarn, as well."

Bilwani said all over the world export of raw material has greatly been discouraged and restricted, while import of raw material had always been allowed, just because of value addition and earning of foreign exchange.

"In contrast, the government has allowed export of essential raw material for value addition."



# PYMA concerned over huge import of cotton yarn from India

## RECORDER REPORT

FAISALABAD: Pakistan Yarn Merchants Association (PYMA) has expressed grave concern over excessive import of cotton yarn from India and termed it a deep conspiracy to destroy the Pakistani yarn industry.

These apprehensions were expressed by Central Chairman Qaisar Shamas Guccha, Zonal Chairman Muhammad Akram Pasha, and Zonal Vice-Chairman Adnan Zahid Butt while talking to media persons here on Saturday.

They said that Indian government is providing rupees 26.72 per kilogram incentives to its exporters. In view of these incentives the Indian cotton yarn

became very cheap for export to Pakistani market. Substantiating their arguments, they said that in year 2012, the total import of Indian cotton yarn was 6,500 tons which rose to 30,000 tons in 2013. While in the first six months of current fiscal these have reached to 18,000 tons. It was feared that if this trend continued then India would later on dump its cheap cotton cloth in Pakistani market destroying the power looms industry, the yarn market and textile industry which was the back bone of Pakistan economy.

They further stated that fine quality yarn was available in the country and if the value-added industry wanted to import additional quantity they could import

only fine cotton yarn with 15 percent regulatory duty. They warned that India had deceived Pakistan many times in the past by providing cheap products and then totally cutting off supplies after making Pakistan dependent on it. This was done in case of electricity in 1950, they said.

The leaders of the Association drew attention that yarn making sector was not totally against import of fine yarn but would not favour its import at the cost of local industry. Therefore, the value-added industry could import fine cotton yarn after paying regulatory duty. They further demanded of the government to impose 15 percent regulatory duty on Indian cotton yarn import.



# 'Blended yarn under Indian threat'

KARACHI: Tariq Saud, Chairman – Sindh Balochistan Region of All Pakistan Textile Mills Association has said that Pakistan faces a grave threat of losing its market for its blended yarn at concessional rate from India and Far East.

In a statement issued to the press, Tariq Saud said Pakistan's competitors like India and China had huge industrial base and they were producing all products in the chain, "whereas we in Pakistan have the disadvantage of procuring most of our raw materials thru imports.

This not only reduces our capacity to compete but also long shipping times and other import duties and incidentals make us uncompetitive."

Tariq Saud said pure man-made fibre yarn, Indian and Chinese manufacturers enjoyed huge advantage as the polyester fibre prices and the prices in those countries were very low because they were the world's largest producers of man-made fibres and enjoyed competitive advantage over Pakistan due to economies of scale. Pakistani spinners are subject to non-

refundable six percent duty on import of polyester fibre – the raw material for man-made yarn.

He further said it was a huge anomaly that had been pointed out frequently to the authorities in Pakistan.

Polyester is the dominant material in the textile chain as cotton growth has almost hit its ceiling and it is expected that 70 percent of the incremental growth in textiles will be due to Polyester.

The current duty structure on PSF is six percent (HS Code 5503.2010); in addition import expenses of about five percent and anti-dumping duties on fibre originating from certain countries are also applicable.

Pakistan has no operating viscose fibre plant and still the import duty on Viscose Staple Fibre is five percent whereas under SRO 567(I) 2006 the import duty on yarn of Viscose Rayon, untwisted or with a twist not exceeding 120 turns per meter (HS Code 5403.3100) is five percent, which is a clear anomaly. A type of yarn made on Murata Jet Spinning (MJS) or Murata Vortex Spinning (MVS) is

imported in huge quantities from Indonesia, India, China and Thailand as it falls under this definition. APTMA also fears that under this heading Polyester Yarn made with MJS or MVS is also being imported and sold in domestic market.

Tariq Saud urged the government that in view of the above facts, 15 percent Regulatory Duty should be imposed on the import of man-made fibre yarns, however import under DTRE or manufacturing bond should be exempted from regulatory duty as APTMA believes in free market mechanism and the regulatory duty should be exclusively meant for domestic industry on domestic use of fine count cotton yarn.

He further demanded the government that in order to improve the value-addition, fibres of other types (HS Code 5503.9000, 5506.9000, 5505.2000) like bamboo fibre etc, as they were not being produced in Pakistan but were occupying niche places in the garment industry be allowed duty-free imports to help Pakistan to move up in the chain of value-addition.-PR

