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Export growth: towel makers come up with proposals

KARACHI: Senior Vice Chairman of the Towel Manufacturers Association of Pakistan (TMA) Syed Usman Ali has submitted various proposals as the Ministry of Commerce (Textile Wing) has sought proposals from the trader bodies for the growth of textile export.

He emphasised for providing facilities as per the regional countries because competitor's countries were providing the same quality products at low prices, adding "while we are unable to compete with them because our cost of doing business is very high. Hence international buyers convert their orders to those suppliers' countries which have low prices."

He further emphasised that "we should realise that we cannot attract to international buyers to purchase goods from Pakistan until or unless our products have low cost and meet the international standard."

He furthermore said gas, electricity and water were the basic raw materials for the process of textile manufacturing goods timely. He asked "how we can increase textile exports with two days of weekly gas holidays in the hub of textiles, Karachi while we are facing low gas pressure thrice a week."

He said "from time to time the government increases the cost of electric tariffs which increases our incompetency in the international market as well as it also increases the cost of doing business. Earlier, when the government was offering concessionary rates to the five export-oriented sectors, the textile exporters were **paying Rs19.99/kWh but discontinued from 1st March and now exporters are paying Rs55/kWh**." He suggested that the cost of electricity should be at par with regional countries.

Secondly, the most important factor in which exporters have been trapped badly is the imposition of 18 percent sales tax on the five export-oriented sectors and billions of rupees stuck up with the FBR. Due to this exporters are facing severe financial crunch which forced them to take loans from banks at hefty costs.

Syed Usman Ali further said that after the abolition of SRO 1125(I)/ 2011, the export sectors always insisted on **"no payment no refund system of sales tax"** which was very supportive of the growth of export of the country as well as exporters were very comfortable and focused on completing their export orders well before time. The export sectors are demanding the government to restore the **SRO 1125(I) /2011 in its true spirit**. It will be a huge relief for the exporters as well as the tax authority can focus on new taxpayers for the collection of taxes for the national exchequer.

Export refinance rate should be par as per competitors countries but the State Bank of Pakistan (SBP) has already increased the rate of export refinance rate and reduced the gap between the policy interest rate and export refinance to 3 percent from the earlier 5 percent. The current policy rate is 22 percent which means exporters will have to pay about 19 percent markup. He said that the rate was already very high compared to competitors while the increased cost of electricity had paralyzed the industry.

The SBP also notified the reduction in the period for export proceeds realization from 180 days to 120 days vide their EPD Circular No.2 of 2022 dated 1st February 2022, which is also creating hurdles in the growth of exports. The international markets are slow/under recessions and buyers are interested in buying goods on the credit of 180 days rather than 120 days. He said the MoC should revisit its decision & restore the condition of 180 days. "Due to unrealistic policies, many buyers moved to other countries where they were getting lucrative terms," he added.

He said SBP has started to mark lien vide FE Circular No.2 of 2023 dated 31st March 2023 SBP made again a slap on the face of exporters and decided to **deduct 3 percent, 6 percent and 9 percent from its export proceeds if realized late even one day**. In a few cases, export proceeds realized but not appearing in NOSTRO are also treated similarly. A new hue and cry by exporters and to recover a long gathering was seen at the adjudication court of SBP. As per the Adjudication Court, only owners are allowed to explain the case of late realization. Exporters have their own target to export goods, satisfy buyers and look after many hurdles but SBP made a new hurdle in the way of exports.

He further said that no system had been created to refund the incidence of indirect taxes paid by the exporters which were as per calculation 12 percent of export value.

The senior vice Chairman of the Association also highlighted that **the restoration of the DLTL scheme was part of 'Textile Policy 2021-25' but from time to time the government made textile policies for the betterment of the textile sector but completely failed to implement**. "Unfortunately, the implementation managers totally failed to implement these productive policies in reality and the **DLTL notification is still pending**."

"We suggest to MOC to remove all bottlenecks in the growth of exports and immediately implement the exporters' suggestions to avoid further deterioration of the exports," he said.—PR