

# Editor's Page

## What is the real issue, availability of yarn or high prices?

The global recession is over but the crisis in the textile industry continues in Pakistan. The spinners and the value added sectors remain at loggerhead. Is it a question of non availability of yarn in the market as claimed by the value added sectors or is it the increased price of yarn that is cause of the turmoil in the industry? PTJ spoke to a number of players in the industry to assess the situation objectively. According to a senior government official we need to go to the core of the issue, the basis of our textile industry, low cost raw material and labour. Pakistan retains its competitive advantage in labour but apparently have lost the edge in the raw material i.e cotton and cotton, especially in the last six months.

The basic raw material for the spinning industry is cotton and its price have increased from Rs. 3800 a few months ago to more than 5000 at present an increase of more than 31% in a period of few months. The global demand of yarn increased significantly during this period driving the international price of yarn several fold. After a low period of 3-4 years the spinning industry suddenly found itself viable and the exports of yarn witnessed several fold increase. Subsequently the price of yarn also witnessed more than 70% increase.

This increase rendered many units in the value added sectors of knits and garments non viable and unable to compete in the global market place. The orders were there but the quality yarn required to produce the high quality garments and knits had hit the ceiling in terms of price. The value added sector comprises of SME's who are under tremendous pressure from their customers while competing with their counterparts from China, India and Bangladesh. They do not hold the kind of weight as our well organised and efficient spinning sector and find it difficult to survive without their key competitive advantage of inexpensive and abundant raw material i.e cotton yarn.

The Textile Ministry came to the rescue of the value added sectors and for the first time in the history of Pakistan announced drastic remedial measures including, a cap of 50,000 tonnes per month, which is further reduced to 35,000 tonnes per month. At the same time the duty free imports of cotton yarn have been allowed to meet any shortage of yarn in the market.

The spinning sector contends that there is no shortage in the market and that it is only a matter of price. According to S.M.Naveed, Director Din Textiles, one of the most progressive spinning mills that produce only high value added yarns, the value added sector must learn to live without crutches and by capping the exports of yarn the Textile Ministry is "rewarding inefficiencies". The spinning sector did not get any subsidies and they were able to modernise and were able to achieve the highest level of efficiency. If there is any shortage the duty free imports of yarn is now feasible and is already taking place from India and other countries. The market mechanism should not be interfered with in the long term interest of all concerned.

Mr. Jawed Bilwani, the Chairman of Pakistan Apparel Forum and the spokesperson of the value added textiles believes that the spinning sector is unfairly hiking the price of the yarn and by exporting the yarn is supporting the competitors which will have adverse consequences for the exports of Pakistan's value added textiles. Mr. Bilwani believes that Pakistan will lose its competitive edge in high value textiles unless measures to curb exports of yarn are taken. Many countries according to Mr. Bilwani have protected their domestic industry by restricting the outflow of the basic raw material and such measures are not restricted by the WTO.

So what is the conclusion? We believe that allowing duty free imports of yarn as well the capping of yarn exports have been sensible measures by the government under the circumstances. The Ministry of Textiles has taken these measures by taking into confidence all concerned parties. The cap on yarn exports is at best a temporary measure to ensure abundant availability of yarn in the domestic market to relieve the upward pressure on the price.

On the other hand it is high time the value added sector attunes itself to the realities of the highly competitive global market place of today. The quotas that were abolished in 2005 helped our garment and knitting industry grow remarkably but also provided false security and bred inefficiencies. The industry should learn to stand on its own feet but at the same time should be allowed a level playing field. The government's job should be to ensure that the very basic and legitimate requirements of energy and proper infra-structure are provided to them. It should also sincerely try to secure a level playing field and the same market access for Pakistan's textile industry as its competitors. ♦

