15% regulatory duty on exports

The government imposed 15% regulatory duty on exports of all types of cotton yarn after demands by textile workers, including garment, towel and bed-ware makers, to ban cotton and yarn exports because of short supplies. All 400 spinning mills across the country kept their operations suspended while protesting against the textile ministry decision of imposing prohibitive duty on export of yarn. About 10,000 spinning industry workers took out processions against the Textile Ministry in Faisalabad, Lahore, Multan and Karachi, demanding the government to immediately reverse its decision.

In Karachi export of cotton yarn has come to a halt and some 400 containers worth Rs 1.5 billion loaded with the commodity are stuck at the port after the imposition of 15% regulatory duty.

Exporters had already signed contracts for different types of cotton yarns with buyers of various countries, however, due to R&D, it is not possible for them to meet these orders.

They said that 15% duty translates into a loss of Rs 20 billion in two months; of which, Rs 16 billion would go into pockets of the value-added industry and Rs 4 billion to the government. Spinners said that the loss of the spinning industry would be passed towards the growers and the cotton prices would come down. Phutti (raw cotton with seed) would be sold at a maximum rate of Rs 2,000 per maund against Rs 4,000.

The cost of production had increased, so the growers must get good rates, which were impossible after imposition of the regulatory duty. After protest of the value-added sector against non-availability of yarn, the Cabinet Committee on textile imposed 15% duty over yarn export, as yarn was exported in bulk quantity to China and other countries amid shortage of cotton in the world. Prior to that the government had imposed quota of 35,000 tonnes per month over yarn exports, but it could not be implemented, as individual exporters got relief from the courts

On the other hand value-added Textile Forum (VTF) Convener Muhammad Aasim Shah said that imposition of 15% regulatory duty on export of cotton yarn by the government was considered to be insufficient and half-hearted measure. He rejected the 15% regulatory duty announced by the government and demanded to enhance this duty to 30%.

Elaborating their argument they stated that with the export of 1 kilogram of cotton yarn foreign exchange of 1 dollar is earned whereas with the export of the same quantity of yarn in shape of value-added textile finished goods and readymade garments 8 times more foreign exchange is earned.

The cotton output during the current fiscal year registered positive growth and surpassed the target of 12.7 million bales. Early arrival of lint encouraged the traders to sale it in the foreign markets as the global market faces severe shortfall. Therefore, the exports of such raw materials registered significant growth and now it resulted in difficulties for the value-added sector. The country's textile exports registered a growth of 7.04% to reach $8.461 billion during July-April (2009-10) from $7.905 billion during the corresponding period last year. The major contributors in the overall textile exports are mainly raw materials, which experts termed as alarming for the future growth of the value-added products.

The exports of raw cotton registered 140% during the period to $194.154 million from $80.835 million. Similarly, the cotton yarn exports and pure yarn registered an increase of 32.13% and 103.53% to $1.21 billion and $40.79 million, respectively from $916.461 million and $20.046 million.

Experts attributed significant growth in the raw cotton and yarn exports to huge demand in the international markets due to domestic lower prices. China remained the major importer of Pakistani cotton during the current year. Low cotton production in China resulted in high imports of cotton yarn from Pakistan. In the Textile Policy, the government had estimated that the exports of the sector will surge to $25 billion during the next three years.◆