

PRESS RELEASE

LEATHER SECTOR FACES SEVERE CRISIS

The Newly elected **Chairman, Pakistan Tanners Association for the year 2016-17, Mr. Anjum Zafar** highlighted the core issues of **Leather Sector of Pakistan**, which are the real causes for declining of exports **recorded at (-) 21%** for the **year 2016-17** based on PBS's figure :-

1- There is slow down of world economies but our regional countries have arrested or reduced the decline and taken various steps to help exports whereas our cost of doing business has been increasing and we are losing share in the international market. Regional currencies have been depreciated by 7 to 12% and Euro by 20%. In addition regional countries have other related incentives on exports much higher than Pakistan which reduces their overall cost of doing business. We don't want devaluation of currency but we cannot also export inflation and neither can we pass on various federal and provincial taxes and surcharges on utilities which amounts to about 8/10% to importers abroad. Our labour cost is highest among the neighboring countries and with lower efficiency. Our electricity supply to tanning industries specially in Punjab is still having 6 hours load shedding and fluctuations despite Tall claims from Government of having removed load shedding on industries. Government has to understand these ground realities which is badly hurting export competitiveness and declining share. Markets once lost are very difficult to regain back. We can fight our competitors on level playing field. We cannot fight with the regional governments who support exporters. It seems that our governments priorities are not exports and this mind set has to be changed to regain our competitiveness and share of market and arrest closing down of export industries before it is too late.

2- An updated export figure of Pakistan to various countries of the world is enclosed. As you can see the overall decline and this declining trend has been seen since few years.

3- Quality of Pakistan hides and skins is considered to be good average in the world and is used for making fine quality finished leather for world renowned brands fetching good value addition. Hides and skins imported from Africa and Saudia are considered to be of low quality and low price and basically supplement our raw material for the use by lower end markets by converting into products and garments for exports and this helps in our exports but the irony is that this basic raw material import has also been taxed by 3% customs duty. This is the additional cost that the exporter has to pay and this is not refunded back. Only duty draw back on chemicals is refunded which too has been taxed by FBR. The recommended export duty draw back after three years of working and surveys with Government IOCO department by PTA has been slashed by about 15/20% arbitrarily on various export leather and product categories while notifying SRO against wishes of the industry and without discussing with the industry.

4- Main issues have already been highlighted in first and third paragraphs. However major reason for the leather product decline is also heavy burden of direct and indirect taxation

as focus of government has been to further tax the already taxed indirectly as all vendors pass on the indirect tax to the industry as their cost. Moreover the duty on imported raw material of hides and skins as mentioned in third para is also one major reason and hurdle in cost for lesser imports for value addition in products. Our country livestock is reducing although in theory and government papers it is increasing but this is not reality. We are fastly depleting our livestock population by exporting raw meat and slaughtering livestock in huge numbers and government is not taking any steps to raise live stock population. Due to urbanization villagers are now keeping less and less animals so attention has to be given on priority to the livestock population increasing in coming years on urgent basis as it will take many years to do this.

5- The steps to be taken are fully explained in above four paragraphs and this has also been explained to the concerned ministries and FBR in various meetings but industry has not been to get any attention on these problems.

6- This year in kurbanı the hides and skins fetched prices according to world markets and our high cost of doing business.

The **Chairman, PTA, Mr. Anjum Zafar** articulated on redressal of above issues for Leather Sector to provide level playing field as compared to neighbouring countries to enable PTA member exporters to play their viable role to arrest the declining trend of Leather exports and trying to get back to previous achieved levels presently in general and nothing to speak about to meet the export target set by the Government in particular which seems hardly possible in present un friendly business conditions and export environments
