BUSINESS RECORDER KARACHI SATURDAY 20 AUGUST 2016

Factors behind leather industry's woes identified

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ISLAMABAD: The absence of level-playing field, import duties on raw materials and slump in the international market has put Pakistan leather industry at a disadvantage, leading to a decline in exports by around 20 percent.

Expressing concerns over the unbridled decline of leather and allied products' exports, leather manufacturers and exporters said leather exports declined by 26 percent, leather apparel and clothing by 12.36 percent, leather gloves by 11.44 percent, leather footwear by 18.84 percent, other leather manufacturers by 6.25 percent and overall average decline remained at 18 percent during the 2015-16.

Talking to Business Recorder, office-bearers of leather manufacturers and exporters associations said that if obstacles faced by the industry were not addressed on war footing, exports would further plunge.

Despite the GSP plus status, leather sector exports to EU remained at $530 million in 2015 against $630 million in 2014. Pakistani leather is the best in the world, they claimed, ranked higher than India, Bangladesh however the government must take steps to provide a level-playing field to leather manufacturers-cum-exporters.

Lack of attention to the leather sector has resulted in negligible ratio of Pakistani products in the international market compared to those of other countries, said exporters/manufacturers, adding that Pakistan was fast losing its share in the international markets to regional countries because of higher costs of production. The leather exports hover around $1.2 billion for the last few years whereas regional countries had been posting double-digit growth.

Chairman, Pakistan Tanners Association Gulzar Firoz said that declining trend in finished leather exports was 20 percent, while more or less the same trend was observed in leather garments and other leather products.

There is around 30-40 percent slump in the footwear and jackets market of Europe, reduced demand in China & Far East market owing to heavy recession in international market of leather industry, directly affecting Pakistan.

Contrary to practices in other countries, government has imposed three percent import duty on raw materials - hides and skins, resulting in increase in cost of production. The industry stakeholders further blamed the government for failure to provide a level playing field, which has resulted in making the industry uncompetitive in the region.

The government allows three percent rebate and duty drawbacks for leather industry however it is 10 to 11 percent in India and Bangladesh, thus putting the industry at a disadvantage in the international market.

Firoz said that industry did not want subsidies but had asked for basic incentives, including re-notification of duty drawback rates. Further three percent custom duty on import of raw hides and skins should be waived.

The government had announced "matching grant for setting-up of Effluent Treatment Plants" for leather industry in 2009, however the incentive was yet to be given, said Chairman PTA, adding that huge amounts of the industry was stuck under that head and the government should release it immediately.

US leather related imports stand at $20 billion, however Pakistan's share was $102 million, said Firoz, adding there was dire need to focus on other markets including US to enhance exports.

Chairman Pakistan Leather Garments and Manufacturers and Exporters Association Khalid Jahangir said garments exports declined cumulatively by 30 percent during last two years, while further decline was imminent in 2016-17. China and India are the major competitors of Pakistan, however due to duties on raw materials and low incentives Pakistani manufacturers are subjected to higher costs of production which is making them uncompetitive in the international market.

Cost of doing business in Pakistan had increased manifold due to unnecessary burden of taxes imposed on leather sector by the government, said Jahangir, adding that duty drawback and sales tax refund claims had accumulated, which was severely hitting the industry thereby disabling it from carrying out its activities required to meet their export orders.