

Leather garments sector: Razak vows to help resolve ERF issue

Prime Minister's Advisor on Commerce, Textile, Industries and Production and Investment, Abdul Razak Dawood has promised to help resolve Export Refinance Facility (ERF) issue being faced by the leather garments sector. He made this commitment with a delegation of Pakistan Leather Garments Manufacturers and Exporters Association (PLGMEA) which recently met him Karachi.

Chairman PLGMEA, Syed Shujaat Ai, apprised the Advisor that their members face lot of problems when they go to commercial banks for Export Refinance Facility (ERF). He added that leather garments industry is one of the largest foreign exchange earners and such poor response from the banks affect its performance. Irfan Iqbal, Member PLGMEA also apprised the Advisor about imposition of penalty by State Bank of Pakistan on late payment on ERF has caused heavy losses to his industry.

The Association, therefore, suggested that National Bank of Pakistan (NBP) may be assigned the task of ERF. The Advisor promised that he would take up the issue with the SBP. Razak Dawood also approved subsidy ratio of 80:20 for participation of PLGMEA for their participation in six international fairs/ exhibitions effective from July 1, 2019 to June 30, 2020 including Leshow, Istanbul (Turkey) held in January 2019 but the expenditure may not exceed Rs 3 million for one event.

Further TDAP will select the companies and export value of any company should not be more than Rs 200 million. Moreover, the subsidy ratio for delegation of PLGMEA will remain as per present policy of \$ 100 per day and one way airfare of economy class. Chairman PLGMEA requested the Advisor to raise the issue with the SBP so that commercial banks could facilitate leather garments industry which come under SMEs. Advisor promised to take up this matter with State Bank of Pakistan.

PLGMEA apprised Advisor about the export performance of leather and its sub-sections for last six months; out of four sub-sectors i.e. tannery, garments, foot-wear and gloves, foot-wear and gloves are showing increasing trend. PLGMEA assured the Advisor that the remaining two sub-sectors tannery and garments will also do their best to increase their exports within coming six months.

Former Chairman PLGMEA, Fawad Ijaz Khan informed the Advisor that EDF Board, in 2012, on the basis of the estimated market rates, had approved an amount of Rs 80 million for establishment of two business centres at Karachi and Sialkot respectively but at the time funds were received by PLGMEA, the price of land and construction increased manifold.

Advisor was informed that there is unutilized four acres of government land on the premises of National Institute of Leather and Technology (NILT) at Korangi (Karachi) which can be utilized for the establishment of a common business centre for all sub-sectors of leather including PTA with available funds of Rs 80 million.

The Advisor inquired the status of business centre at Sialkot. He was apprised that Sialkot is also facing the similar kind of problems - to purchase land and construct building with a limited amount,

and consequently PLGMEA informed the Advisor that a proposal for additional funds for having a business centre at Sialkot will be submitted before EDF Board for consideration and approval. The Advisor directed the formation of a two member committee comprising Secretary TDAP and Chairman PLGMEA for preparation of joint proposal for the EDF.

The Association further informed the Advisor that they have received a letter from the Ministry of Climate Change wherein they have been allowed to export leather garments with fur trimming subject to obtaining NOC from Wild Life Departments which is again a bottleneck in the export of leather with Fur. PLGMEA requested the Advisor for the waiver of such NOC from Wild Life Departments. Dawood promised that he would take up the issue with the Prime Minister along with Secretary TDAP.

Chairman PLGMEA informed the Advisor that currently, Japanese, Russian and Canadian importers of leather garments have to pay high duty rate for import of leather garments from Pakistan. Previously, these importers and brands were using China as their manufacturing base and Pakistani finished leather was being shipped to China for conversion to leather products (jackets) but with the rise of costs in China, these importers are trying to find another production base.

PLGMEA argued that there is an opportunity for Pakistan to make value added finished products (jackets) for these markets in Pakistan but due to duty free access of Vietnam it is cheaper for customers to source Pakistani finished leather and get the garments made in Vietnam.

PLGMEA suggested that if Pakistan offers duty free access to these markets then she would be more competitive and will supply the buyers in short and lead time period. The Advisor replied that Turkey is very difficult market and is Pakistan's competitor. Further, Free Trade Agreements (FTAs) with Canada, Russia and Japan are under consideration.

PLGMEA also raised the issue of its representation on EDF Board. Fawad Ijaz Khan informed the Advisor that PLGMEA was once the member of EDB Board and contributed to the betterment of leather industry in particular and for other sectors in general. The Advisor, after seeking consensus of other members of PLGMEA nominated Fawad Ijaz Khan as Association's representative on EDF Board.

MUSHTAQ GHUMMAN