[**Exports under pressure**](https://www.dawn.com/news/1605404/exports-under-pressure)

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THE trumpets of triumph have not died down and already the tide looks like it might be preparing to recede. For a number of weeks now, we have been hearing triumphant talk coming from the government on how exports in the month of December registered an 18 per cent increase that government fans said was the largest increase in many years. “I wish once again to congratulate the exporters and the Ministry of Commerce for this achievement”, the prime minister tweeted on Jan 7.

Of course, the real numbers, released later by the State Bank, did not show an 18pc increase, but a 6.7pc increase instead (compared to December last year). Textile exports in particular showed a 10pc increase. The government’s cheerleaders will argue that State Bank figures will always differ from those of the Pakistan Bureau of Statistics since the former tells you the dollar inflows from export proceeds, and the latter tells you customs valuation of export consignments at the port, and the proceeds from the consignments will come in with a lag. It takes a leap of faith to buy this argument, and some will be more eager to make that leap than others. But let’s not quibble over these details at the moment.

Here is what’s critically important in this conversation around exports: the bump seen in the last few months is already coming under growing stress and question marks have surfaced over how much longer it can sustain itself. A number of reasons lie behind this, and in no particular order of importance, this is what they are.

The cotton crop has seen a collapse this year, where our requirements are close to 25 million bales but less than 6m bales have come in from the harvest. The rest has to be imported, and two countries that are critically important for the supply of imported cotton are India and China. Cotton imports from India are hampered due to trade restrictions, and another problem has arisen where imports from China are concerned.

Exporters are now finding out that their buyers are asking for detailed certifications of their entire cotton supply chain to first determine eligibility before placing orders.

On Jan 13, the US Customs and Border Protection department forbade the entry of cotton “produced in China’s Xinjiang Uighur Autonomous Region”. In a Withhold Release Order, the CBP said they will detain all cotton products that use Chinese cotton produced in Xinjiang “based on information that reasonably indicates the use of detainee or prison labour and situations of forced labour”.

That order builds on another that was issued earlier in December 2020, which forbade the entry of all cotton produced specifically by one company — the Xinjiang Production and Construction Corps. The new order of Jan 13 expands the prohibition to all of Xinjiang, regardless of the company. Consider that China, which accounts for approximately 20pc of global cotton output, produced 5.89m tons of cotton last year, and 5m tons of this was produced in Xinjiang, meaning 84pc.

Exporters are now finding out that their buyers are asking for detailed certifications of their entire supply chain to first determine eligibility before placing orders. Of the $142m of incremental exports in December (compared to the same month the previous year), $95m are accounted for by the US. At a time when there is a dire shortage of cotton in the country already, and the two largest and most viable suppliers of cotton have been shut out of their supply chain, they are in the middle of a real situation.

Just as this reality was sinking in, another announcement hit them hard. A few weeks ago, the Cabinet Committee on Energy decided to ban fresh connections of gas as well as future supplies of gas for captive power plants in industry.

The announcement hit them hard because up until this point, the textile policy that was under consideration by the government, and in support of which the textile associations had taken out large advertisements in newspapers, actually promised industry continued gas supply at Rs786 per unit and RLNG at $6.5 for the next five years. Where they were settling in with the comforting thought that present-day subsidies they are enjoying on power and fuel will be written into policy for five more years, the government changed its mind.

Approval of the textile policy has been delayed, and according to industry insiders, the delay is on account of a handful of cabinet members (they particularly single out the new special adviser on energy, Tabish Gauhar, as the mover of this initiative to disconnect gas supply for captive power plants) mounting opposition to the proposal to continue provision of subsidised gas for captive power plants.

The decision to disconnect gas for captive power plants has been in the works for a few months at least, but up until early January the textile policy that was being hammered out did not envision any such step. So the exporters are justified in feeling a little like they have been ambushed in the manner in which the announcement has come, and also in the manner in which it is being implemented.

In Karachi’s SITE area, for example, I am told that 474 units were disconnected and then the government’s team from its power and fuel side came to visit the industrialists. During that meeting a reconnection was ordered, according to those who were present, but the order has not been implemented till today since the gas company — SSGC — is said to be still trying to ascertain from K-Electric who exactly has a power connection and who is wholly dependent on captive power. Only the latter are eligible for reconnection, industry leaders say, but the process of determining this can drag on indefinitely given the speed at which our bureaucracy works.

At the same time, the IMF is mounting pressure that the entire sprawling apparatus of supports provided to export-oriented industry should be dismantled, or at least its impact on the fiscal accounts should be eliminated, which amounts to dismantling it. Exports had not amounted to what the government was presenting in the first place, but given these uncertainties, the trend has run into powerful headwinds already.

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