

US Senators introduce bill to set up ROZs in Afghanistan-Pakistan

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Three US Senators have introduced the Pakistan-Afghanistan Economic Development Act to establish Reconstruction Opportunity Zones (ROZs) in Afghanistan-Pakistan border regions to allow certain products from these areas to enter US duty-free.

"The (US) President will determine which products, from a specified list of textile and apparel goods, will be eligible for duty-free treatment. These products represent a range of goods commonly imported to the US from Pakistan and Afghanistan," says the bill introduced in the Senate.

The ROZs will generate greater economic opportunity for the people in the war-torn areas and lay the groundwork for a more stable region, said the Senators —Chris Van Hollen, a Maryland Democrat; Todd Young, an Indiana Republican; and Maria Cantwell, a Washington Democrat.

Commenting on the development, Rahul Mehta, chief mentor, The Clothing Manufacturers Association of India (CMAI), told Fibre2Fashion, "If one looks at the product basket of Pakistan's exports, home textiles is the main category where India and Pakistan are competing hard. In most

other categories, Pakistan is already way ahead of India or the other way around. Hence, I do not expect a huge impact."

"Having said that, it is not a positive development, because what is restricted to some regions or some products today, can easily be extended to other regions/products tomorrow," Mehta added.

When asked what the Indian government should do, Mehta said, "We seem to have gone wrong with the partners we chose for our free trade agreements (FTAs) so far. Most of our FTAs are with countries which make the same products which we are already making, and which do not have a large domestic market themselves. As a result, whilst we have increased competition for our own manufacturers, we don't seem to have given much benefit to our exporters. Japan was one such right decision, but somehow our industry did not respond.

"Every FTA will involve some give and take. What we need to look at is, which industry do we want to promote, and which industry can we easily compete in or not be too impacted. I think EU, UK, and the US are countries with whom we must strike FTAs – these are markets which will open up huge opportunities for our exports, and at the same time imports from these countries will not affect the larger portion of our industry."

If the bill materialises, Pakistan will have an edge over other competing Asian countries, according to Prabhu Dhamodharan, convenor, Indian Textpreneurs Federation (ITF). "If we take January and February 2021 imports data for US apparels, Pakistan has 2.5 per cent market share in comparison with Vietnam's 19 per cent, Bangladesh's 9 per cent and India's 5.5 per cent. In a medium to long term, Pakistan's share may increase in the US market through this scheme."

The US is in the lookout for strategic destinations to reduce trade dominance of China, Dhamodharan said. "The Indian government should formulate some specific strategy in alignment with this thought process and derive an action plan to get some duty advantage for products like apparel to increase the market share."