

**Joint Secretary of Ministry of Industry, Commerce and Supplies Mr. Rabi Shanker Sainju,  
Head of Nepali Delegation to talk with the Turkish counterpart in Ankara, Turkey from  
April 5-6, 2018.**

---

The Government of Nepal, Ministry of Industry, Commerce and Supplies and Nepali delegation are visiting Ankara, Turkey today for bilateral talks with its counterpart in Turkey. The team of delegation are presenting Nepal's position and clarify several issues associated with Nepal's yarns export to Turkey particularly related to the export of artificial and synthetic yarn from Nepal. Following the notification published by the Ministry of Economy of Turkey in the Official Newspaper on 29 December 2017 for launching an investigation on the export of Nepali yarn under HS code 5509, Ministry of Industry, Commerce and Supplies has been closely following-up and monitoring the export of such yarn to Turkey.

In this regard, an expert team was designated to check the entire process of yarn production in 3 major yarn spinning mills which are also under investigation by the Turkish Government. The expert team was tasked, among others, to analyze entire production chain and ascertain whether there is any possibility of circumvention or diversion. Based on the field visit of these 3 mills, and after going through all facts and figures of the relevant yarn industries, the task force has concluded that there is no possibility of a single case of circumvention or diversion of yarn via Nepal to Turkey. The technical expert member-secretary of the team of delegation Mr. Rajendra Singh, Textile Engineer and Deputy Director of Trade and Export Promotion Centre will be making a brief presentation. It will help understand what is the real situation with respect to yarn production in Nepal and what is the main reason behind increasing trend of export to Turkey over the last 3-4 years.

The team will be presenting, about the details of the major three yarn-spinning mills in Nepal namely- Reliance Spinning Mills, Triveni Spinning Mills and Jagadamba Spinning Mills, which are producing synthetic yarns in a large amount and exporting to different countries including Turkey. These industries have estimated investments of over **US \$ 150** million. They provide direct employment to around 6000 peoples and equal number of people are getting indirect employment from this sector. The average value addition of Nepalese yarn industries ranges between 40 to 45%. The total capacity of yarn spinning mills in Nepal is estimated to be over **60,000 Tons** per annum.

It is seen that Nepal exported 25,805 tons HS 5509 yarn of synthetic staple fibres (excluding sewing thread and yarn put up for retail sale) with value US \$ 58,735,000 in the year 2016 at an average unit value of US \$ 2,276/ton. Out of that, Nepal exported 9,692 M. tons of synthetic yarns worth US \$ 30,724,000 to Turkey in 2016 at an average unit value of US \$ 3.170/ton. The export growth in value between the years 2012-2016 to Turkey has increased by 38% and in

quantity by 45%. The export growth between the years 2015-2016 is 109%. Nepal also exported to India 16,113 M. tons of yarn worth US \$ 28,011,000 in 2016 at an average unit value of US \$ 1,738/Ton. The export growth in value between the years 2012-2016 for India has increased by 11% and in quantity by 18%. Due to the earthquakes and other reasons, the export to India decreased between the years 2015-2016 by 33%.

Trade statistics shows that Nepal's total export of yarn was US \$ 58 million in the fiscal year 2012/13 which reached US \$ 69 million in 2016/17. It means that there has not been significant jump in total export of Nepal over the last five years. The only thing remarkably noticed over the last five years is the export orientation/inclination of Nepalese yarn from other countries to Turkey. As we see that Nepal exported US \$ 9.8 million worth yarn to Turkey in 2012/13, which was 16.8% of the country's total yarn export. After five years, this figure reached to US \$ 40 million, which accounted for 59% share in country's total yarn export in 2016/17. In volume, the export got expanded to 15,425 MT in 2016/17 compared to 3203 MT in 2012/13. From this figure, the team drew an inference that despite not having significant growth of country's total yarn export, Turkey increasingly became attractive destination for Nepalese yarn.

The team will put strong basis of fact that there are several reasons behind the trend of increased export of Nepali yarn to Turkey. The first and foremost is the better value per unit (US \$/Ton) in Turkish market than India. It is seen that price of the synthetic yarn exported to Turkey is at US \$ 3,170/Ton while in the case of India it is at US \$ 1,738/Ton. This difference in per unit value has pushed Nepali yarn exporter to increase their export to Turkey while reducing export volume to India.

The second reason is the zero duty (GSP) preferences on yarn offered by Turkish Government to all LDCs including Nepal. Turkey has existing tariff of 4% MFN rates, 3.2% for GSP countries and 0% for GSP for LDCs. Because of the availability of LDC specific GSP in the past, Nepali yarn enjoyed tariff preferences in Turkish market. This also encouraged significant increase in yarn export to Turkey from Nepal.

In addition to good per unit price and LDC specific GSP, there are few other reasons that might have caused such increase. The increasing demand of Nepali yarn from Turkish Garment Industries, the increasing tariff and non-tariff barriers on yarn export in neighbouring countries, increasing trade relations between Nepal and Turkey, increasing shipping facilities to Turkey, among others, seem to have supported export of Nepali yarn to Turkey at higher volume in recent years.

Finally, the team would be seeking support from the Turkish Government to continue the preferential benefits to Nepal through LDC Specific GSP because the economy of Nepal is passing through alarming trade deficit at present. As a trusted friend of LDC and an emerging economy of Europe, Nepal has great trust on Turkey to receive preferential treatment to its limited export items such as yarn that have great positive impacts on country's foreign exchange

earnings and employment generation. Lastly, Nepal also would like to humbly request Turkey to extend support in the area of technology transfer to further modernize and increase productive capacity of Nepal's yarns spinning industries.