



FINAL YEAR PROJECT

Value Chain Mapping of Pakistan's Textile Cluster

SUPERVISOR

Mr. Kamran Khalid

GEC MEMBERS

Dr. Muhammad Moazzam

Mr. Bilal Ahmed Chohan

GROUP MEMBERS

Zeba Lodhi

Wardha Zia

Farhan Zahid

Muntaha Noor

DATED

August 5, 2017

ACKNOWLEDGEMENTS

Firstly, we would like to express our sincere gratitude to our supervisor Mr. Kamran Khalid for the continuous support of our final year project, for his patience, motivation, and immense knowledge. His guidance helped us in all the time of research and writing of this thesis. We could not have imagined having a better advisor and mentor for our business research project.

Besides our advisor, we would like to thank the rest of our thesis committee: Dr. Muhammad Moazzam and Mr. Bilal Ahmed Chohan for their insightful comments and encouragement, but also for the hard question which incited us to widen our research from various perspectives.

Our sincere thanks also goes to Mr. Zia Chaudhry, Mr. Khawaja Khurram and Mr. Mushtaq Mangat who provided us an opportunity to visit and gather information from their organizations, and who gave access to the research facilities. Without their precious support it would not be possible to conduct this research.

Contents

ACKNOWLEDGEMENTS	2
Introduction.....	5
Purpose.....	8
METHODOLOGY	8
Sampling	8
Rajco Industries	8
Fox Sports	9
Interviewee.....	9
Anwar Khawaja	9
Interviewee.....	9
Moderno Fabrics	9
Interviewee.....	10
Interloop.....	10
Interviewee.....	10
QUALITATIVE ANALYSIS	11
Our Aim	11
Interview	11
Data Filtering and Collection.....	12
QUNATITATIVE ANALYSIS	12
Our Aim	12
Data Collection	12
OVERALL DATA ANALYSIS	13
Project Flow Diagram	13
QUALITATIVE RESULTS	16
QUANTITATIVE RESULTS	19
DISCUSSION	25
Craftsmanship	25
Low Prices	26
Favorable Government Policies	26
Local Availability of Raw Materials.....	28
Quality Products.....	28

Quality Fabric	29
Availability of Workforce	29
Weakness	29
Opportunities.....	33
1. Competition.....	37
2. Terrorism.....	37
3. High cost of doing business	38
4. Government regulations.....	39
5. Import duties & Sales tax.....	41
CONCLUSION.....	43
BIBLIOGRAPHY	46
APPENDICES	48

Introduction

The textile industry of Pakistan has faced considerable changes since 2005 when the energy crisis in Pakistan started, later other issues like terrorism and inflation. The textile industry of Pakistan is the biggest manufacturing sector of Pakistan. The textile sector of Pakistan is the back bone of country's economy contributing to 60% of Pakistan's Export and gives employment to 45% of the total workforce of Pakistan.

The global recession in 2008 affected all industries around the world and so the textile and apparel industry of Pakistan were also affected due to which customers around the world and within country demanded for lower priced products due to which the producers had to produce low cost products maintaining the quality and at the same time tackling energy crisis. Although the biggest industry in Pakistan is Textile but still its international market share is negligible at only 1.7%. Presently the textile industry of Pakistan has many weaknesses which can be converted into strengths by exploiting the present and upcoming opportunities and by avoiding current and future threats.

The strengths, weakness, opportunities and threats of the textile industry of Pakistan were identified with the help of interviews done with the Textile of Ministry Islamabad, Mr. Khawaja Khurram (Sialkot), Mr. Chaudhry Zia (Representative of PHMA) and Mr. Mushtaq Mangat (Lahore).

In the initial stage, literature review was carried out to understand and study the Value Chain Mapping and Cluster Mapping. The next step was to explore how value chain mapping and cluster mapping could be effectively applied in the Textile Sector of Pakistan. The purpose of this project was to identify trends in the textile sector of Pakistan and to aid Ministry of Textile with the suggestions to be added in the upcoming Textile Policy. In order to better identify strengths, weakness, opportunities and threats of the textile industry of Pakistan we mapped the whole Export and Import Of textile sector of Pakistan by gathering specific data related to all the textile items imported to Pakistan and exported from Pakistan and to which countries. The project was administered with the representative of PHMA using personal interviews also secondary data and observations. The current state map is developed after collecting necessary information and data.

The findings revealed that there are many opportunities and threats in the textile sector and by adopting right strategies many weakness can be turned into strengths and can be applied to the textile industry of Pakistan. Further, Mapping would help the Textile of Ministry to visualize the different networks generated by import and export and which countries are more beneficial and can earn more revenue for the country and identify future possibilities for increasing export.

ASSOCIATIONS OF TEXTILE INDUSTRY IN PAKISTAN:

Following are the associations related to the Textile industry that we will be looking at further to stream and map the value in the industry

Ministry of textile

Due to intrinsic importance, the Government of Pakistan created a separate Ministry of Textile Industry in 2004 to boost up the textile sector. Vision of the Ministry of Textile Industry is to be a credible, effective, efficient and dynamic organization creating an enabling environment for sustainable growth of entire textile sector in the country. Along with sustaining the growth of textile sector in an increasingly competitive environment while effectively responding to the challenges and opportunities provided by the globalization of trade and providing a forum to the domestic textile industry for a mutually beneficial interface. In line with the world market situation, the Ministry is striving hard to envisage a new culture which would expedite the process of improvement in all the segments of textile sector and will be synergistic for industry to boost its share in global trade. Ministry of Textile Industry has established a Research, Development and Advisory Cell in the Ministry, which is focusing on devising policy guidelines for the government to boost the textile sector and to focus on quality issues of the exportable goods, the cost of doing business, skill development in the textile sector and consideration of the export led growth in certain subsectors of the textile trade.

PHMA

Pakistan Hosiery Manufacturers & Exporter Association (PHMA) is the premier trade organization representing the hosiery and knitwear industry accelerating and providing growth in all sectors of the economy, generating immense employment and promoting national self-reliance. The hosiery and knitwear industrial network comprises 3,500 large, medium and small units, 85% of which are small enterprises, 10% medium ventures and only 5% large integrated

factories. The industry provides jobs to 700,000 people in an environment dominated by redundancies and downsizing in giant multinationals, foreign banks and big corporations. The industry sustains directly, livelihood of 210,000 skilled workers and their families; 490,000 unskilled workers and their kith and kin. Another 350,000 people benefit in allied cottage industries thus the industry provides directly and indirectly sustenance to well over a million people (PHMA, 2017).

Despite being a labor -intensive industry, the investment in the knitwear and hosiery units is estimated at rupees Seven billion and tops the list of industries for value added exports ranking as the second largest foreign exchange earner in the country (PHMA, 2017). It's a labor-intensive industry in a capital scarce and labor-surplus economy. Its role in broad basing prosperity, alleviating poverty and in making domestic market prosperous is matched by very few industries. It is an established fact that today, knitwear and hosiery products have the largest consumption.

PRGMEA

Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA) is the premier trade organization representing the Readymade Garment Industry in Pakistan. PRGMEA was established in 1981 to provide advice and services to manufacturers and exporters and to promote a better environment for trade. As a trade organization, it is recognized by the Government of Pakistan and affiliated with the Federation of Pakistan Chamber of Commerce & Industry, and with the Employers' Federation of Pakistan (PRGMEA, 2017).

Aim

- To help Textile ministry spot down areas where they need to focus on in the future to assist in the industry to excel.
- To identify strengths and weaknesses of the industry, and choose the opportunities to look forward to, and the threats to safe guard themselves from.
- To identify the contributions of the industry throughout the world in terms of Export and Import.

Purpose

As Executive Director, International Cotton Advisory Committee (ICAS) Jose Sette has said that Pakistan has huge the potential in cotton production and textile manufacturing to penetrate in the international market. Our aim is to map entire textile value chain of Pakistan to identify exactly where the maximum potential lies. Pakistan is 8th largest exporter of textile commodities with global market share of only 1.7%. Projects is designed to identify the possible areas, constraints and blockages holding back industry to strive at its full potentials and to find the reason for their low performance. Projects also desire to give improvement suggestion to increase performance and to compete in international market.

Pakistan in term of textile is blessed with strong raw material base and have cheap and ample supply of labor. Our aim is to revisit our strengths in terms of the value chain and identifying the opportunities for better utilization of that strength also my capturing the present and future opportunities in Pakistan and Global Market.

METHODOLOGY

Sampling

The sampling was carried out from a list of reputable textile industries recommended by the ministry of textile during a formal visit to the ministry. Three textile business firms were chosen.

Rajco Industries

Rajco Industries is one of the leading sportswear Manufacturing/Exporting Company since 1935 throughout the Globe. They are well equipped with latest machines imported from Germany, UK and America. They have highly skilled squad with super Professionalism and strongest technological approach who are engaged in producing high quality sportswear utilizing the in-house laboratory facilitation. They are producing sports garments for Fila, Lotto, KAPPA, UHL sports, Inter sports, Joy and known for the last one-decade and are getting very much enthusiastic response from their side. The factory area comprises of more than four hundred thousand sq. m. The company is fulfilling the all National/ International laws requirements and are striving hard to achieve all the prescribed advanced quality standards. "Rajco Industries" is functioning now with its third generation who is exploiting the best of their abilities with their height of consciousness and modern qualifications.

Fox Sports

Fox and Associates was Created in 1989 situated in Sialkot, the export city of Pakistan. Our essential action was assembling and exports of Sports Balls, they then have expanded the width of item range and now they are occupied with a total range of Sports balls, team wear, Goal Keeper Products and Shin Guards.

Interviewee

Ch. Zia

CEO Fox & Associates

Chairman PHMA North Zone

Former Chairman PRMGA

Anwar Khawaja

A 61 years of age family claimed business, we ventured out 1952 with an extremely excited way to deal with create the best sports merchandise on the planet, which additionally rose to progress and we are as yet Growing Strong at 61. They have more than 5 units in operation; the parent organization Anwar Khawaja Industries (AKI) with its 3 units in addition to its sister concerns AK Composites and Grays of Cambridge.

Interviewee

Khurram Khawaja

CEO Anwar Khawaja Industries

Chairman Sialkot Chamber of Commerce

Former Chairman PHMA North Zone

Moderno Fabrics

Moderno Fabrics and Apparel was built up in 2007. The primary objective was the provision of a quality answer for sending out weaved clothing to prestigious worldwide brands as responsive, medium measured, semi-vertical unit. Working with a portion of the biggest piece of clothing exporters in Pakistan, it has helped them effectively supply a portion of the best brands the world over through our in-house texture coloring and completing office. Also, Moderno uses its

industry driving, business mastery in texture and fabricates completed pieces of clothing at similar premises. Utilizing this approach has a larger amount of inner co-appointment, diminishes lead time for texture preparing inferable from a devoted every minute of every day creation setup and testing lab for quality control.

Interviewee

Mr. Mushtaq Manget

CEO at Moderno Fabrics

UMT as full time permanent faculty

Former Chairman of OHMA North Zone.

Interloop

Interloop - one of the world's biggest hosiery makers with Hosiery being its center business - has a yearly Company turnover surpassing \$250 million. Other than Hosiery Interloop is a manufacturer of value yarn. It is an entire vertically coordinated association with in-house turning, yarn coloring, sewing and finishing Facilities. Interloop houses more than 4,000 weaving machines, 46,704 ring-spinning spindles and has more than 13,000 workers. The Company offers an extensive variety of socks with different quality levels and value focuses in accordance with a wide range of clients including brands, retailers, claim to fame stores and so forth other than quality yarns for Denim, Hosiery and weaving industry.

Interviewee

Dr. Nabeel Amin

General Manager, Business Development Interloop Limited

Former HOD Department of textile UMT, Lahore

PHD in Textile.

QUALITATIVE ANALYSIS

Qualitative Research is principally exploratory research (Wyse, 2011). It is utilized to pick up a comprehension of hidden reasons, conclusions, and inspirations. It gives bits of knowledge into the issue or creates thoughts or theories for potential quantitative research.

Our Aim

The primary aim of the project and qualitative research is based upon the generation of a viable policy for the textile industry towards a sustainable future. The industry is currently below par in its performance and needs adequate policy changes in order to enhance economy.

Interview

There are three central sorts of research interviews: organized, semi-organized and unstructured. Organized meetings are, basically, verbally directed polls, in which a rundown of foreordained inquiries is asked, with next to zero variety and with no extension for follow-up inquiries to reactions that warrant facilitate elaboration (Gill, et al., 2008). Therefore, they are moderately snappy and simple to oversee and might be of specific utilize if elucidation of specific inquiries are required or if there are probably going to be education or numeracy issues with the respondents. Be that as it may, by their extremely nature, they take into consideration constrained member reactions and are, in this way, of little utilize if "profundity" is required.

In this case, we have used qualitative method to extract information from various representatives of the industry to get a better understanding of the industry dynamics and as well use their expert opinions in helping find value in the industry which will impact the industries future. As well as collection of quantitative data in terms of cost, exports, imports and the placement of industrial units in different areas of Pakistan.

A list of predetermined questions was asked from representatives of three different textile firms in order to obtain a clear view of the current situation of the industry and to identify the areas requiring attention. The answers were recorded and then noted down in detail to extract useful information from the interview by filtering the recorded content.

Data Filtering and Collection

After the conduction of interviews, the interviews were carefully heard and each and every useful statements and viewpoints were filtered in order to analyze, discuss and conclude data analysis. The data obtained was also utilized to perform a SWOT analysis of the industry.

SWOT examination intends to recognize the key inside and outer variables seen as critical to accomplishing a target. SWOT should be possible by one individual or a gathering of individuals that are straightforwardly in charge of the circumstance appraisal in the organization.

Fundamental SWOT analysis is done decently effectively and involves just couple of steps:

- Posting the company's key qualities and shortcomings
- Distinguishing opportunities and risks

The SWOT analysis was supported with the statements from the interviews as well as online resources to provide complete reference and validation of the data obtained.

QUNATITATIVE ANALYSIS

Quantitative Research is utilized to evaluate the issue by method for producing numerical information or information that can be changed into usable insights. It is utilized to evaluate states of mind, conclusions, practices, and other characterized factors – and sum up comes about because of a bigger example populace. Quantitative Research utilizes quantifiable information to detail actualities and reveal designs in investigate. Quantitative information gathering strategies are substantially more organized than Qualitative information accumulation techniques.

Our Aim

The purpose of such an analysis was based upon easy access and observation of the current imports/exports numbers and countries associated with Pakistan Textile Industry.

Data Collection

The import and export data was also comprehensively collected and filtered. The import/export data acquired from the ministry of textile was carefully analyzed and each country involved in import/export with Pakistan was filtered. The data obtained was then utilized to construct a website for view for the ministry.

The website provides quantitative information regarding the import/export variables of the global market associated with Pakistan and was designed to analyze and observe for the Ministry of Textile Industry.

OVERALL DATA ANALYSIS

The filtered data obtained from the interviews at the respective firms combined with the import/export data obtained from the Ministry was utilized to perform a comprehensive SWOT analysis and Value Chain Mapping of Pakistan's Textile Industry. The strengths, weaknesses, opportunities and threats have been listed in detail in the Discussion section of the report.

Project Flow Diagram



Literature Review:

Pakistan's current textile industry

Textile industry of Pakistan is supporting the Pakistan's economy due to the three main reasons. First its linkage with the agricultural sector (Pakistan is an agricultural country). Second the Textile and Cotton are the biggest manufacturing units in Pakistan resulting in the biggest share of manufacturing investment which is value adding. (Khan & Kazmi, 2004) The third and the major reason is that textile industry accounts for 50% of Pakistan's total exports, 30% of value-added in large-scale manufacturing and 40% of industrial employment. (Naved Hamid, 2014)

Pakistan has the privilege of the cotton readily available that is more than the domestic demand. However this textile industry is now operating at international level and that environment is much more competitive and face different laws and regulations. The export of textile products is hindered by different factors in international markets such as the U.S, EEC, Canada, Sweden and Finland within the framework of the Multifibre Agreement (MFA) and Bilateral agreements. (Looney, 1994)

Among many factors restraining the growth of textile industry few are narrow production base, Outdated industrial structure, lack of technology, less attention towards R&D, selective and concentrated markets (that is, more than 64% of the yarn market is Japan), limited product range and high quality standards in the international market. (Looney, 1994)

Textile Industry Cycle/mapping:

Internationally the apparel and textile industry are neglected in the area of value chain mapping and supply chain management. Lately, the textile sector has faced a major phase of transition specifically with the rise in global sourcing and high levels of price competition due to reduction in trade barriers and globalization. Furthermore clothing apparel and textile has market characteristics, such as high volatility, low predictability, short product lifecycle and a high level of impulse purchase these are some of the prime issues which needs the attention and needs to be cater quickly (Lean or agile: A solution for supply chain management in the textiles and clothing industry?, 2004)

In manufacturing sector and industries, the levels of inventories at different stages like raw material, the work-in-process and also the finished goods inventories indicate the organization's positioning in terms of its competitiveness, its strategies, intra organizational processes and relationships with the upstream suppliers and downstream customers. The identification of the trends and patterns of manufacturing industries based on levels of raw material, work in progress and the finished goods inventories is

important to categorize and distinguish between the inbound and the outbound logistics and supply chain strategies. (Nag, et al., 2014)

Value Chain Mapping

Value chain mapping involves the description of activities that bring a product or service from conception, through different phases of production, delivery to final consumers and final disposal after use.

Strategic industries use the gap analysis in their value chain by studying the dynamism of external forces in future time frames and internal resources. They successfully choose and implement corporate strategies which minimize risks and help in fix the resource gap. (Fjeldstad, 1998)

According to Porter (1985, 1990), the overall value-creating logic of the value chain with its generic categories of activities is valid in all industries. What activities are vital to a given firm's competitive advantage, however, is seen as industry dependent.

The value chain analysis framework postulates that competitive advantage is understood by disaggregating the value creation process of the firm into discrete activities that contribute to the firm's relative cost position and create a basis for differentiation. The basic assumption underlying the disaggregation is that activities are the building blocks by which a firm creates a product that is valuable to its customers. Different activities have different economics and contribute differently to the valuable characteristics of the product. (Salwan, 2013)

Cluster mapping

Cluster mapping creates a dataset on the presence of clusters across geographies, based on a standardized set of benchmark cluster definitions that group individual industries uniquely into cluster categories.

Cluster mapping is a key ingredient of assessing clusters as it provides rich fact-based analysis of local competitiveness and concentration of economic activities. It is based on a sector and cross-sector statistical analysis of regional data for several key performance indicators. (U.S Economic Development Association, 2014)

The results of the cluster mapping will make a crucial contribution to help decision-makers across Textile industry to make more effective use of cluster data when (re)designing their cluster policies for growth through a strategy that sets priorities in areas of existing areas of related capabilities.

[Porter \(2003\)](#) defines a cluster as a “geographically proximate group of interconnected companies, suppliers, service providers and associated institutions in a particular field, linked by externalities of

various types.” Clusters are important to their firms and associated organizations (such as universities and local governments) for a number of reasons. Within clusters, these entities can operate more efficiently and can share common technologies, infrastructure, pools of knowledge, and demand. The presence of these clusters can be important drivers of regional competitiveness and innovation. (Porter, 2003)

QUALITATIVE RESULTS

20% respondents were of the opinion that country of origin plays negligible role in customer’s preference for a particular product. The main attributes that attract a customer include quality and affordability. Whereas, remaining 80% respondents said that Pakistan is famous for being an agricultural state. For years, it has been setting history in its world class craftsmanship. Pakistani businessmen are frequent travelers of Europe and America. They learn about new practices and technologies through these travels and try to implement them in their own businesses. Due to the availability of cheap labor, a number of international brands have established their production units in Pakistan. Pakistan produces quality products including yarn, thread and fabrics which making use of best practices in the industry. This is why foreign customers prefer our products. They also mentioned the negative impact of terrorism on Pakistan’s reputation. Due to the negative impression and security issues, foreign governments warn their citizens from visiting Pakistan. Due to these issues customers have started preferring our competitors such as Vietnam.

When asked about the level of innovation in Pakistan’s Textile industry, 20% respondents said that industry is highly innovative and progressive in the sense that we have research and testing centers in every industrial city of Pakistan. Also, previously the cost and time to deliver the products to foreign countries and even to the Karachi port was very high but now the delivery time and overall cost has been reduced. The respondent accredited this improvement to the government and associations that are constantly working for the betterment of the industry. On the other hand, remaining respondents said that except the large players with better cash flows and resources, the industry is still relying on traditional machinery and processes. There is a need of more educated entrepreneurs, managers and researchers in the industry who could come up with new ideas for improvement.

About the increasing global competition, the respondents said that Pakistan mainly competes in low and middle quality products so the closest competitors include Vietnam, Indonesia, Bangladesh and Sri Lanka as our closest competitors while China and India are the major players of the industry.

On the topic of industrial sustainability, 20% respondents were of the opinion that industry is highly sustainable and the only improvement needed is a more stable government and better law & order. Other respondents said that in the context of global market, our exports have declined by 10% but the industry is sustaining because of increasing local demand due to population explosion.

As far as the right path to success is concerned, all respondents agreed that in terms of internal factors, dedication coupled with innovation, skilled workforce and best management practices are the main factors that can make the industry successful. They also said that instead of fighting amongst each other over customer acquisition, all local players should try to tap international markets. As far as the external factors are concerned, improvement in Pakistan's reputation and reduction in international embargos would also help improve the situation.

When asked about entry barriers, the respondents said that high cost of infrastructure and high markup on loans are the main industry barriers due to which there is no startup culture in the industry and it is being sustained by only the major players that are able to survive the instabilities.

About the role of the government, respondents said that government plays a vital role but the present government is playing a negative role by halting the sales tax rebates. One of the respondent who owns a small industry has PKR 2 crore with the government for the last 3 years.

According to the respondents, associations such as Pakistan Hosiery Manufacturers Association (PHMA) and Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) are platforms of negotiation with the government in terms of taxation and policy planning. They deal with ministries of Finance, Trade and Commerce. Overall, these associations have helped the industry improve Pakistan's reputation in the international markets by bringing in people from other countries and giving them tours of the industry to show the potential it

holds. They also hold trade symposiums, promotions and bring in instructors to train the local workforce.

The respondents also agreed that China-Pak Economic Corridor (CPEC) is not a threat to Pakistan's Textile Industry. They think that this development will open new avenues for the industry in terms of technological advancement and market expansion. However, this progress might come at the loss of small industries and government should take necessary steps to ensure the sustainability of these businesses.

When asked about the types of imported raw materials, the respondents said that fibers and dyes are 100% imported whereas thread looms are partially imported. In the recent years, we have also began importing cotton from India. Majority of these imports come from China, Taiwan, Africa, Europe and America.

It was said that major hubs of the industry reside in Karachi (50%), Faisalabad (35%) and Lahore (10-12%). Most profitable products manufacturers in these industrial cities include Polyester jackets and gloves. These gloves are sold at around USD 100 per unit.

About the circulating news of Pakistan's Textile Industry moving to Bangladesh, the respondents said that the news untrue. There hasn't been a single instance and the movement of whole infrastructure to Bangladesh is very difficult especially when Pakistanis are not provided Bangladeshi visas.

According to 20% of the respondents, if government is to put a ban on Indian imports, it will derail the industry as raw cotton and dyes are 100% imported from India. In such case, there is a possibility that the imports will come via some other country but they will have to continue in order to run the industry even if they are more expensive.

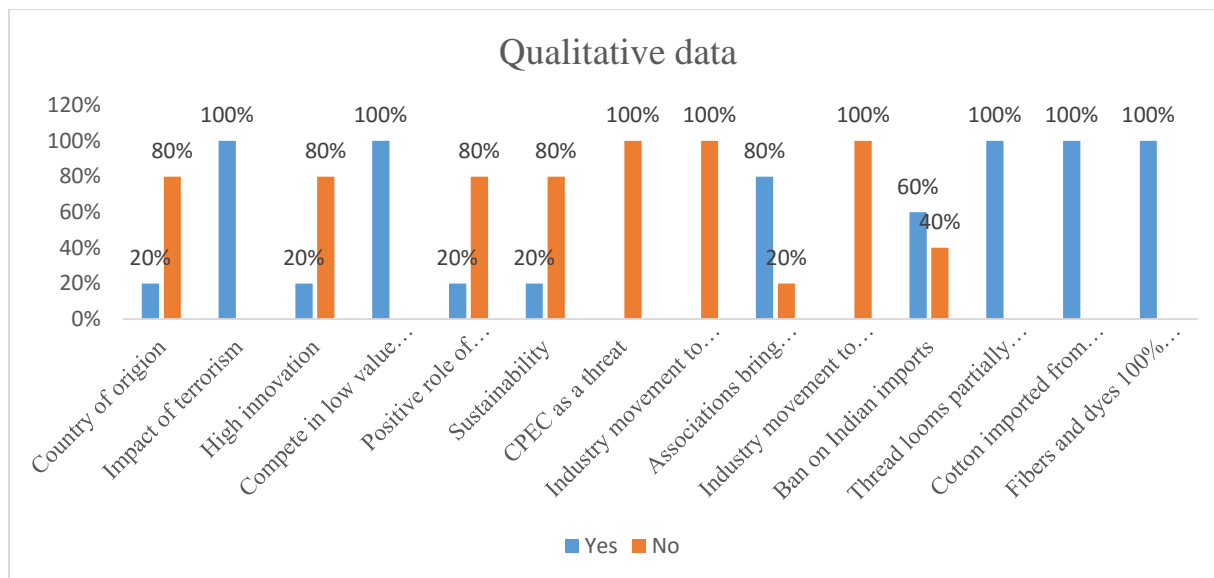


Table: 1 Quantitative Data

QUANTITATIVE RESULTS

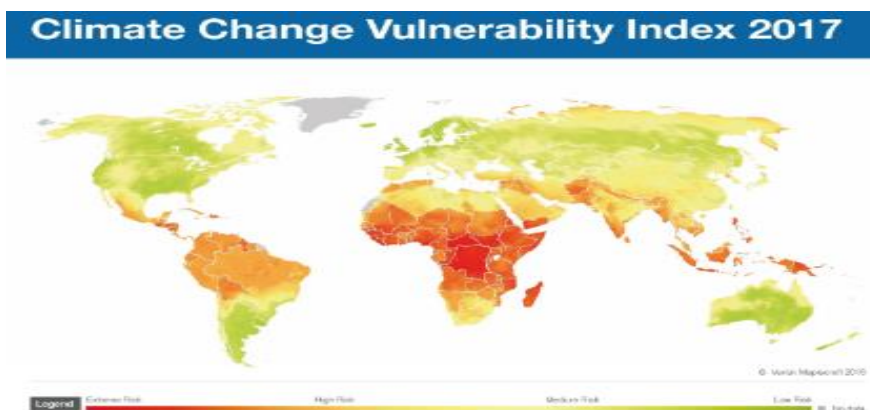


Table: 2 Climate Change Vulnerability Index 2017

Source: Relief Web

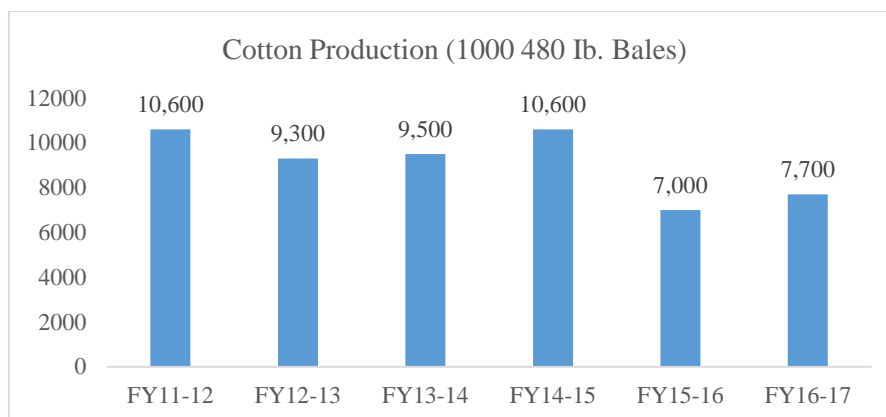


Table: 3 Global cotton production share of Pakistan

Source: Ministry of Textile

Pakistan is among the top 10 countries most affected by climate change from 1996 to 2015. Due to rapid climate change in 2016, overall cotton production of the country declined by 28%. Prolonged heavy showers and high temperatures resulted in pest outbreaks such as white fly and pink boll worm. The erratic weather also delayed wheat harvest which in turn delayed the crop plantation. As cotton exports constitute of 55% of the entire Pakistani exports and textile industry almost entirely based on cotton, the insufficient production in 2016 accounted for 0.5% lower GDP (Gross Domestic Product) growth. This shows that Pakistan needs to expand its textile product portfolio and move away from complete reliance on cotton. (MIT Technology Review, 2016)

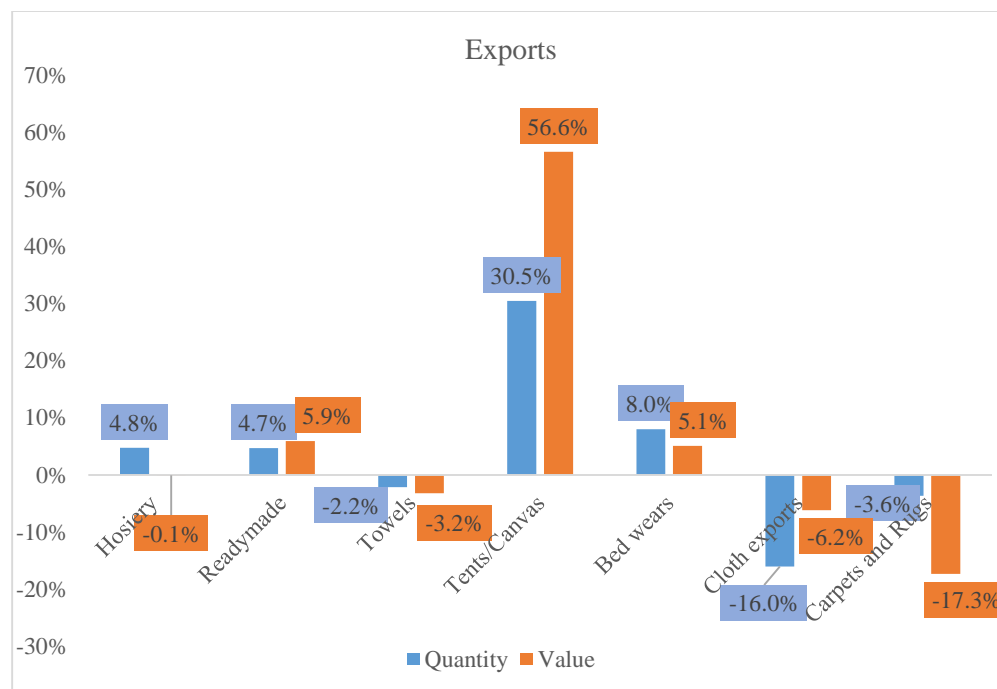


Table: 4 Value and Quantity growth of Pakistani textile exports

Source: Textile Ministry of Pakistan

Hosiery: Even though we increased the supply quantity of hosiery items, the value kept coming down. This shows that quality or brand value of Pakistan's hosiery products has declined which is why customers are unwilling to pay the earlier price.

Readymade: For 1% increase in quantity, value of readymade exports increases by 1.2%. This shows we are selling good quality products that are generating positive revenues.

Towels: Our towel exports have reduced by 2.2% in terms of quantity. For 1% decrease in quantity, our export value of towels decreases by 1.45% which means we are exporting less quantity of good value towels. We should accelerate the exports to regain the value.

Tents and Canvas: We have increased our tent exports which had a positive impact on the overall export revenues. For every 1% increase in quantity, the value of our tent exports increase by 1.85% which shows that we are going in the right direction.

Bed wears: Although we have increased the exports of bed wear, their overall value has declined which shows that we are exporting more of low value items or the prices of our items have declined.

Carpets and rugs: We have reduced the exports of high value carpet and rugs which had monumental impact on the revenues. For every 1% decrease in quantity, value of carpet exports decreases by 4.8%.

Recommendation: We should shift focus from hosiery towards readymade, carpet and rugs because they are more profitable.



Table: 5 Pakistan's top 10 Importers and Exporters

Source: Pakistan Hosiery Manufacturers Association

The trend shows that Pakistan's top exporters are also top importers although their imports are substantially less than the exports to Pakistan. This suggests that trade is not just based on needs on these importers but also on the nature of exchange relationship between them and Pakistan. For instance, China is top exporter as well as top importer to Pakistan but Chinese exports to Pakistan are 3.4 times more than imports.

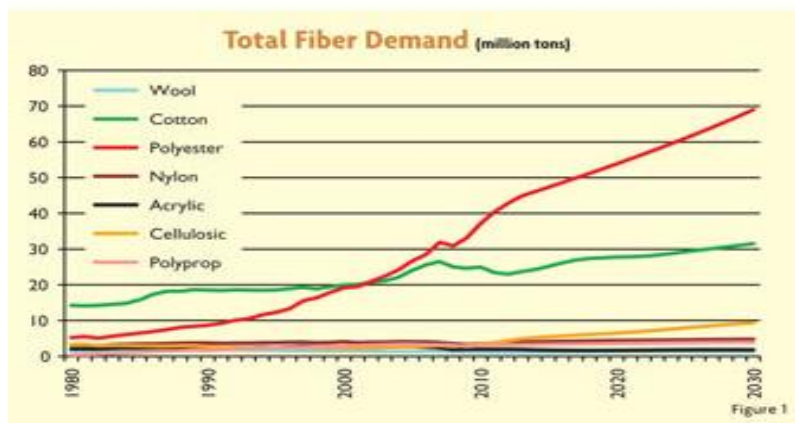


Table: 6 Global Fiber Demand

Source: Textile World

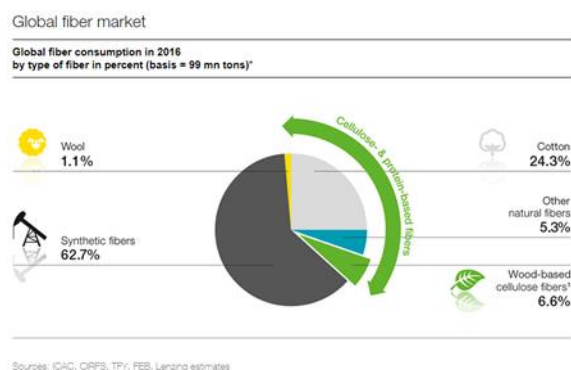


Table: 7 Global fiber market

Source: Lenzing.com

The use of cotton in textile products is just 20 percent of the global textiles. Pakistan exports products made of cotton only. This means that out of the global textile trade of \$840 billion Pakistan has access to market only \$168 billion of cotton products, while the remaining \$672 billion market is inaccessible as we do not use man-made fiber for exports. In the \$168 billion market for cotton, Pakistan's share is 7.2 percent. (News, 2017)

There are no separate machines for weaving cotton or manmade fiber. Both cotton, blended, and man-made yarns can be spun on the same machines with equal efficiency. Similarly, our weavers can weave cotton, blended or man-made fiber yarn into fabric.

The access to synthetic fiber is denied to Pakistani textile industry through a high tariff regime. There are few producers of only one type of man-made fiber in Pakistan and that is called polyester fiber. The local manufacturers of polyester fiber are highly influential.

Since 1990, overall demand for polyester fibers has grown at a sustained rate of nearly 7% per year globally. (IHS Market, 2017)

Polyester fiber is the single-largest-volume fiber used globally, taking about a 60% share of the overall man-made and natural fiber market based on its comparatively higher demand and greater utility. Since 2000, demand for polyester fiber has grown at a sustained average rate of about 5% per year globally, owing to its low cost as well as versatility and relatively large spectrum of applications (from heavy-duty industrial applications to consumer apparel). (Stocksfm Team, 2017)

Once a PSF (Polyester Staple Fiber) manufacturing giant, Dewan Salam has now halted production of polyester because of unavailability of working capital, whereas Pakistan Synthetic Limited on the contrary, after making modifications to its plant has shifted to the production of PET resin, due to the ongoing adverse circumstances. Rupali, ICI and Ibrahim fibers are continuing production, with Rupali being wholly dedicated to the production of polyester while ICI and Ibrahim, holding more diversified portfolios, are producing a larger variety of products.

The analysis of polyester demand and growth shows that Pakistan should diversify its textile product portfolio by shifting focus towards synthetic fibers such as polyester. For this purpose, government has to provide tax breaks and subsidies to polyester industry and restrict the import of polyester textile to strengthen and drive the local industry.

DISCUSSION

Strengths

Craftsmanship

Based on cultural diversity, Pakistani designers have always flourished with latest and attractive designs appreciated globally. The influence of Indian and subcontinent culture also provides and aides designers with inspirational subcontinent tastes and looks. “Pakistan has been rich with the world-famous craftsmanship, literature around the world is filled with our craftsmen setting out history. For which foreigners trust Pakistani products and are willing to invest in them” (Sialkot Interview, Question 1). It has been found that Pakistani craftsmen have been increasingly acknowledging the significance of maintaining design and the clever handling of influencing elements such as line, shape, color and texture (Memon, 2012). Over a period of 15 years, the increasing cattle population in Pakistan facilitated the abundance of leather manufacturing industries which consequently created more than 500,000 direct and indirect jobs in craftsmanship which competes in the best of the global markets and has a GDP contribution of 6.15% and FOREX earnings of 6.56% (HYBE, 2015).

Pakistan culture comprises of Punjabi, Sindhi, Balochi and Pushtoo. Pakistan have a very diverse culture, which enable our designers to be creative and fulfill requirements by all cultures. Our designs are appreciated all over the world. Recently Khadi (one of the famous Pakistani ready to wear and unstitched garments retailer and manufacturer) open shops in UK and UAE, which show the demand and attractiveness of Pakistani designs all over the world. Deepak perwani has been ranked as the best fashion designer in Middle East region and number 6th in overall world.

Low Prices

The low cost of raw materials in Pakistan based low labor cost compared to global market with the exception of India and Bangladesh. The cost of leather is also quite lower than international competitors which favors high exports of leather garments. Raw material in high quantity is exported such as cotton due to low prices and good quality with more than sufficient availability for the local market. Creation input cost information put Pakistan reliably close to the middle of the comparator nations. Attire export patterns mirror the positive benchmark cost information drifting upward in the post portion period and, all the more as of late, declining not as much as general constriction (Group, 2009).

Pakistan is considered to be 3rd country in terms of cheap labor. Cheap labor is also considered as backbone of country economy. For any manufacturing or labor intensive sector, Pakistan is an ideal country due to the availability of labor. Moreover government is also taking initiative to improve skill of labor my supporting industries to hire and train labor.

Textile workers are considered to be 20% of employed work force while garments workers are 38% of manufacturing work force.

Favorable Government Policies

Engineer Muhammad Saeed Sheik President Faisalabad Chamber of Commerce and Industry (FCCI) was of the view that quick installment of discount cases and congruity in government strategy are essential to improve generation of local textile industry up to 80% (Report, 2017). The legislature has guaranteed continuous power supply to the mechanical division. In spite of the fact that other financial markers have additionally enhanced, yet the greater part of the enterprises are working with just 50 % of their introduced limit. The legislature has made yet another striking

stride of zero rate to 5 imperative fare parts yet the SRO in this regard has completely changed the essential soul behind this choice and henceforth our fares are declining consistently. The investigation visits masterminded by NIM assume a vital part in the introduction of the members of these courses. He said that the administration is in charge of viable execution of government approaches. Notwithstanding, for this reason they should be completely mindful of ground substances.

“Government has promised to wave off the sales tax and import duty for imported machinery, Government supports them in limited capacity but our local manufacturing is not that much capably in mechanical terms” (Lahore Interview, Question 47, 2017).

The legislature has dependably acted the hero of the material part since it knows the significance of this industry. Consistently new impetuses are reported to the producers and the material business too to revive this area. The administration has settled the fare focus of US\$ 9bn of every an intend to diminishing (Magazine, 2015), the exchange shortfall. Supplementing the administration's forceful fare target is the way that cotton costs have made Pakistani fares more aggressive in universal markets.

It has additionally reported the Textile Quota Management Policy for 2000, with an attention on share apportioning in light of execution and a mind portion exchanging which has been predominant in the market for at some point. The approach has been compelling from first January 2000. To advance the material business the administration has made powerful strides, which include:

- Decrease in deals impose from 18% to 12.5%
- 10% on administrative obligation on the sum total of what imports has been abrogated

- Corporate pay charges have been diminished.
- Free imports are taken into consideration the extra parts of the weaving and completing units.
- Loan fees have been decreased which will bring down the cost of BMR.
- Imports of handling apparatus are being changed also.

Local Availability of Raw Materials

Pakistan is a subtropical country, which makes its temperature ideal for cotton production. Pakistan is considered as fourth largest producer of cotton. Furthermore, government sector have focus on cotton production. Which makes availability of raw materials as core strength of Pakistan. Moreover, imports of fabric and finished goods are being discouraged in Pakistan by implementing high tariffs while exports are being supported under Multi-Fiber Arrangement (MFA) quotas.

Quality Products

Quality products is one of major strength of Pakistan's textile industry. To access the international market the products have to meet certain standard. Pakistan has been keeping the quality since very long time. Some of products of Pakistan's textile industry have world class reputation, for example jeans produced by Pakistan. Pakistan it its reputation I international market in certain textile products. Our jeans and leather products are considered as top end products in international market.

Quality products is one of the driving factor for the industry, despite of other weaknesses if an industry continues to deliver quality products it can be sustainable. (Sialkot Interview, 2017)

Quality Fabric

Though fabric is not a finished product but its quality is vital for survival of industry. According to one of the industrialists, people around the world trust the quality of our fabrics. Fabric is not a finished product and most of customers who buy fabric are not at consumer level instead they buy the product at larger scales.

Finishing sector around the world prefers utilizing the fabric form our industry therefore can be counted as a major strength of our textile industry. (Sialkot Interview, 2017)

Availability of Workforce

Workforce is major driving factor of any industry and whole operations rely on them. Pakistan's textile industry has cheap and diverse workforce. Associations utilizing the diverse workforce can supply a more noteworthy assortment of answers for issues in benefit, sourcing, and allotment of assets. Workers from different foundations acquire unique skills and encounters proposing thoughts that are adaptable in adjusting to fluctuating markets and client requests. (Lahore Interview, 2017)

Weakness

POOR INFRASTRUCTURE:

Infrastructure is the base for any business when you lack the basic infrastructure your pace of progress slows down to zero as one of the interviewee said during the interviews that

“Barrier is the Infrastructure especially connections of electricity, gas and drainage planning and then finding customers abroad. New industry is not opening from past 15 years, People are expanding who are already in business.”

(Interview Lahore, Page#2, Line# 14-17)

This is backed up by the research of (Khan & Khan, 2010) which says that production capacity of different sub sectors in the present textile industry of Pakistan has been reduced to 30 percent as a result of electricity load shedding. The load shedding has not only reduced production but also the export order. Because of the load shedding many of the business owners use the substitute energy like solar panels and generators which in return increases the cost of production. Due to the prevailing situation the textile sector is losing its competitiveness and its international market share.

BAD REPUTATION:

Currently Pakistan is facing internal instability as one of the interview said during the interviews:

“The threat is obviously the political instability, policies keep changing and over all the image of the country and the instability sends out a message of danger to the customers, so they will be reluctant in buying from someone whose firm closes down every few months and hence effects our production times.”

(Interview 2, Page# 1, Line# 24-28)

In an article of Pakistan Textile Journal (Ather, 2009) he discussed that prevailing terrorism in the country, the strikes due to political fights and political unrest has drastically damaged the economy of the homeland Pakistan. As the government of Pakistan keeps on changing which in turn has affected the policies of the textile sector of Pakistan due to which Pakistan has failed to secure the post MFA Multi Fiber Agreement mainly due to internal political unrest. Not only this but the textile sector is unable to compete with international market. The main reason why the

sector is not developed is the unwillingness of the government to promote the textile sector and the lack of interest of Government.

LESS CONTACT WITH CUSTOMERS:

As Pakistan is a developing country it has not direct links with international customers as one of the representative of PHMA during the interview said:

“The government input is very important at the moment because we can’t change the international scenario and competition but we can use and adopt different marketing tactics to sale more products and so that people know about our products. We should make our commercial consulates to effectively promote and introduce our products in different host countries and they should make effective use of the consulates.

We should have commercial consulates and those must be effective consulates which follow the rules and policies of European textile innovation, about their tax and follow their rules and laws related to imports”

(Interview 1 part 2, Page# 1, Line# 3-10)

Another interviewee also added to this

“We have less buyers. Our markets are EU and USA. We have to travel and it’s hard to get visas. Exhibitions should be arranged. We have more business in north than south. Labor has moved back from south. Sialkot is becoming main hub for sport and casual wears. We have about 5-6 K exporters in Sialkot. About 400 knitwear and ready wears members registered with sales and income tax. They have their own production lines.”

(Interview 1 Part 1, Page# 1, Line# 27-32)

Another interviewee also said

“Reputation should be enhanced. It is very disturbed in world. And it affect our customer. Customer don’t visit us. If they come they can visit and see other stuff we can do.”

(Interview Lahore, Page#6, Line# 23-25)

UNEDUCATED WORKFORCE:

Educated and trained workforce is really important for the growth of the textile sector as one the interviewee said:

“Training centers and the entrepreneurs are not educated the major cities like Sialkot, Gujranwala and Faisalabad lack educated workforce, trained workforce. People from these cities go out study and settle in cities like Lahore and Karachi. This has deprived us of a lot of potential and the inefficiency of the industry can be blamed on to this”

(Interview 2, Page#4, Line# 12-16)

According to the study of (Shah, 2014)Undoubtedly Pakistan has the opportunity of having cheap labor but despite of this sector has low productivity. There are not enough training programs in this sector to polish the skills of the workforce and to gain the technical expertise. The workforce mainly depends upon their inherited skills and gain no further knowledge and expertise.

ENTRY BARRIERS:

“Money, the loans in the banks have a very high mark-up which makes it harder for even sustainable businesses to survive, and a person starting up can’t even promise to meet the mark

up without a sustainable income can't take them, hence investing from your own pocket is hard and only someone who is wealthy and has other resources to support self can do it. The land, the machinery, and the construction everything is expensive."

(Interview 2, Page# 2, Line# 23-28)

According to the study of (Khan & Khan, 2010) the tight monetary policy has increased the interests rates due to which people cannot invest easily and buy machinery, equipment and land. Financing cost is huge that is why a new player while entering the textile business has to think twice before entering.

Opportunities

Globalization of the industry

TEXTILE sector has a very large share in the pie of Pakistan's exports and GDP. This sector earns 65 per cent of total foreign exchange and about 40 per cent of the work-force is employed in this sector. According to a research by SMEDA (2015) over the past decade there has been a consistent increase in the value of global import market share of textile apparel in comparison to the products lying at the lower end of the value chain. This phenomenon is driven by factors like frequent movements in the global fashion scene, niche marketing resulting in higher unit price realizations and enhanced usage of diverse fabrics and materials particularly in the women apparel segment (SMEDA, 2016).

About this research when we investigated the industrial representatives similarly saw globalization as an opportunity for the industry to grow and would even support the industries fundamental goals:

“This is overall beneficial for the industry as there will be greater employment opportunities for people and as well as this would facilitate innovation and technology advancements would be very rapid. This is an overall good decision.” (Interview 2, Page 5, Line 146-149)

Increase in the customer Base

EH (2017) states that textile industry is the major source of export earnings for Pakistan. Its share in the total merchandise exports of Pakistan, approximately 27 percent of total industrial output, absorbs about 38 percent of industrial labor force, and contributes around 60 percent to export earnings. This represents that this industry is growing and so does the chance for the Pakistani industry to grow its share of the market. As the research tells us that the industry has a long-term demand which is due to a rising middle class in emerging markets adding up to the overall demand of products in the world (EH, 2017).

Likewise the industry representative we had the chance to interview on said:

“We have 200 m people in Pakistan . Most are from lower and middle class. Which gives us a great opportunity to progress.” (Interview 1, page 2, Line 47-48)

Increased opportunities to reach out to customers + Social Media

Kumar (2017) the demand for garments has been growing, especially with digitization, social networking sites and apps ensuring that people look their best. Earlier, there were only two order bookings – in summer and winter. Today, it happens every quarter with the launch of new designs. The growth rate in menswear brands is at 7-10 per cent, while women's and kids wear constitutes 15-20 per cent (KUMAR, 2017)

“Customers don’t visit Pakistan because they don’t consider it a safe territory. So government should find a way to facilitate this interaction and take measures for which it gets easier for industrialists to meet customers and make new ones.” (Interview 2, Page 5, Line 170-172)

Looking at the remarks by the industry representative we see that there is a gap in the industry in their outreach to meeting with the customers, as the most of the industry depends on international buyers, their outreach is limited which needs to be tapped down by the industry.

Branding of the local products

According to Aimers & James(2012) in Demand for Textile and Clothing Exports of Pakistan the reason other countries can achieve their position in the world market is resourcefulness in terms of research & development, wider product range and marketing. A major portion of our high-quality yarn produced is exported rather than being utilized in our home textile industry. That is a major structural set back. Other than that, Pakistan does not focus on increasing its market power by producing high priced home textiles for markets with a relatively good consumer demand. Product differentiation through the promotion of brand name and advertising would help develop the kind of market share in the export market that would boost Pakistan’s economy (Aimers & James, 2012).

Our research validates this research as the industry representatives see that there is a lot of potential in the industry and holds a great amount of value for customers and to achieve that value the concept of branding needs to be introduced for these local vendors as these products are world class and can do wonders if given the right marketing team. One of the representatives said the following things about the industry:

“There are many reasons for why Pakistani products are preferred but the most important one is that Pakistan is known as an agricultural state because which are cotton is famous around the world, because of which people trust the quality of our fabrics. Other than that Pakistan has been rich with the world-famous craftsmanship, literature around the world is filled with our craftsmen setting out history.” (Interview 2, Page 1, Line 2-7)

Foreign Investment

The role of Foreign Direct Investment has been broadly important in the growth & development of the developing economy. Foreign direct investment (FDI) has positive impact on economic growth through the injection of financial resources and technological diffusion. The development of the domestic financial system of the host country is a significant pre-condition for FDI to have a positive impact on economic growth and development of the country. FDI is considered the predictor of the economic development as it provides external resources and advance technology to the economy which act as an engine to the economic growth. Today, the more developed countries or economies have sound financial system positively contribute to the process of diffusion of financial assets and technology in the less developed economies for the mutual benefits of both the economies in short as well as in long-run. Through this effort, domestic financial system achieves a certain minimum-level of development so that it also attracts further foreign companies to invest. Government must focus on the country’s security situations for attracting the foreign investors and foreign customers. Political stability and improved law and order conditions are imperative for industrial development. Trade-boosting strategies should be evolved to flourish and promote trade abroad and to boom up national exports by taking the exporters into confidence. The government should strive to promote “soft image” of Pakistan

globally for opening the trade promotional ways and for bringing maximum foreign investment in Pakistan by rebuilding the confidence of the foreign investors.

Threats

1. Competition

According to our industry respondents, Pakistan is only competing in low and middle tier products such as knitwear, cotton cloth, towels etc. Its major competitors in this area include Vietnam, Bangladesh, Thailand and Indonesia. When asked about China, the respondent said, "We are not competing with China. Competition would have existed if we had 25% share against China's 50%. Right now, we possess only 1% of the global textile market. We operate in niche market and take small orders." (Interview 2, Interloop)

Pakistan's textile industry has continued to face intense competition globally despite having the coveted GSP Plus status as granted by the European Union in 2014. Apart from the woven apparel sector, all sectors showed a decline or at best, stagnating textile exports in 2015-2016. Due to severe competitive pressure, the unit price of textile exports stagnated or even declined from cotton yarn to the garments. The high cost of production due to the scarcity of power has brought the industry to perform at below optimal level despite having the best installed technological base in the region.

2. Terrorism

(Todd Sanders & Walter Enders, 2006) Compared the impact of terrorism on developed and developing countries. They argue that developed countries have vast economy and any terrorist activity may result in reallocating of resources among various sectors of the economy, but

however, this is not the case with the developing countries and any major terrorist act may jeopardize the economic growth.

Various costs that terrorism may have on the economy include the crowding out of private R&D expenditure by the military R&D expenditure to counter terrorism, thereby reducing economic growth.

In its war against terror, Pakistan has suffered monumental losses not only in terms of safety and security but also reputation. As our respondent said, " (Our) reputation should be enhanced. It is very disturbed in the world and it effects our customers. They don't visit us anymore. If they were to visit, they would have been able to see more of what we do." (Interview 2, Interloop)

3. High cost of doing business

Entrepreneurship is fundamental for the continued enthusiasm of the modern market economy and a higher entry rate of new businesses can cultivate competition and innovation. The entry of new firms into an economy creates jobs that contribute to the development of the private sector and economic growth. (Ani, 2015) According to APTMA, the government is making false claims about resumption of energy supply to the textile industry. 35% of the production capacity has been closed down due to the unnecessary burdening of gas price by 40-50 % for the industry. Pakistan has lost 23% of global textile exports and APTMA claims that Pakistan textile industry has the highest cost in the region due to which it has endured 44% decline in investment and is only operating on 35-40% capacity. Around 150 units have been shut down in 2015-2016.

One of the major industrial projects, Textile City, planned to be established in Karachi has been closed down before commencement of commercial operations due to unavailability of required infrastructure and funds. The Federal Government of Pakistan has a 40% share in the project

whereas Sindh government has 16%. National Bank of Pakistan has 8% share, Export Processing Zone 4%, National Investment Bank 4% yet the company is incurring huge losses and owes a debt of \$ 2.4 billion to State Bank of Pakistan. The failure of this state-run project depicts the dire condition of this industry and mismanagement of responsible government organizations. (Recorder, 2017)

4. Government regulations

One of the earliest theories about regulation, developed by economist George Stigler [5], contends that firms in regulated industries actually seek out regulation because it brings benefits in the form of monopolistic rents due to the fact that regulations often block entry into the regulated industry. Thus, some textile firms may lose money and customers if regulations are lifted because they will no longer enjoy protected monopoly rents that increase their earnings. About the entry barriers in Pakistan Textile Industry, our respondent from Interloop said, “*New (textile) industries are not opening since the last 15 years. Only those with established firms are expanding their businesses*” which shows that textile industry is dominated by a few strong players who are able to withstand the strict regulations.

The regulation of business activity has become an important policy concern in both developed and developing economies Reducing the costs of compliance for business and delivering *better* regulation have become key policy objectives for governments in Europe, North America, Asia and Australasia (Kitching, 2010) however the current initiatives of Pakistan government are not bearing as much fruit as was promised. Ex-Prime Minister Nawaz Sharif announced Export Led Growth Package on 10th of January 2017 for the restoration of viability of the industry and exports. So far Finance Ministry has released only PKR 4 billion for duty drawbacks claims. (Dawn News, 2017)

In Budget proposal 2017/18, APTMA press release claimed that government is planning to withdraw the incentives under Prime Minister's PKR 180 billion export package due to paucity of funds in the forthcoming Federal Budget 2017/2018, similarly the government is likely to withdraw sales tax zero-rating facility granted to five export-oriented sectors in federal budget 2017-18 on the pretext of the revenue loss of PKR 15 billion during the last nine months.

(PkRevenue, 2017)

When asked about the Federal Board of Revenue's (FBR) failure to disburse PKR 200 billion withholding tax to textile exporters, our respondent from PHMA said, *"The problem is mainly due to the bureaucratic nature of such departments and bureaucratic hurdles, the bureaucratic people should immediately solve the problem. They must realize and consider that private sector is producing numerous jobs, promoting the foreign investment within Pakistan, major chunk of workforce in Pakistan is affiliated with textile industry of Pakistan, and private sector is helping government by producing foreign assets and currency and ultimately helps building the GDP of the country."*

APTMA respondent also blamed the government saying it has blocked up to 40% of industry's working capital in the cycle of tax refund which has created a liquidity crunch in the sector.

Moreover, government has raised duties and taxes at various levels but is reluctant to the above mentioned tax refunds. The procedure of refund is also difficult to follow. It requires the exporters to pay all their taxes, get a certificate from the State Bank as well as a confirmation letter that the relevant goods have actually been exported and payments against the goods are received from abroad in the form of foreign exchange. The whole process does not take days or weeks, but months and years before reaching the stage of maturity. (PkRevenue, 2017)

5. Import duties & Sales tax

Bao and Qiu (2012) found that a country's Technical Barriers to Trade (TBT) notifications decrease other countries' probability of exporting, but increase their export volumes. Also in another research, Santos-Paulino (2002) analyzed import demand function for twenty two developing countries with special reference to their trade policy reforms, particularly liberalization of trade and showed that trade liberalization enhanced 100% in the imports volume. (Wang, 2001)

In Pakistani context, the high import duties on synthetic fibers such as polyester take the overall import expense up to 20%. This increases the overall cost of production and raises the price of finished goods. As our industry is competing over cost efficiency, the raised prices affect the domestic sales and exports. (The News, 2017)

World trade is rapidly shifting to manmade fiber from cotton. Pakistan will lose textile export market share unless polyester prices are rationalized. GOP must differentiate between taxing raw materials and taxing finished products. (CustomsToday, 2017)

Moreover, government has also been withholding the tax rebates announced for the industry.

According to our respondent from Interloop, *"Since the last 3 years, PKR 30 billion of our cash flow is being held by the government in terms of sales tax that will be charged at the time of return. For instance, we use coal to run our industrial operations. The government charges 17% sales tax on it and will not return it for 3 years. We can pay the internal price but charging the sales tax is unjust."* This tax withholding activity is affecting the working capital, financial investments in the industry and hindering the industry's economic growth.

Conclusion:

Through this research we have found very useful information that has helped us understand where the Textile industry of Pakistan stands today. Along with the future that it holds. Through this research we have established the countries that Pakistan is currently importing and exporting into: which has helped us get a clear idea of where the industry stands right now, which markets are the most favorable and which we have failed to serve and need to build bridges to reach out. Further in our research we successfully understood the fundamental problems of an exporter and importer operating in textile Industry. That has helped us get to the conclusion that government needs to ease down on the sales tax that these entrepreneurs must pay, as well as facilitating them through providing a better more flexible system in helping reach out to foreign investors and customers. The future of the industry is highly dependent on the relationship that the government builds with foreign governments around the world, easing out the visa restrictions and as well in softening the country image. The exporters and importers look for no monetary help other than helping the industry build bridges with the world markets and helping the industry lower per unit price by lowering taxes and minimizing issues related to electricity cuts and etc

CONCLUSION

Through this research we have found very useful information that has helped us understand where the Textile industry of Pakistan stands today. Along with the future that it holds. Through this research we have established the countries that Pakistan is currently importing and exporting into: which has helped us get a clear idea of where the industry stands right now, which markets are the most favorable and which we have failed to serve and need to build bridges to reach out. Further in our research we successfully understood the fundamental problems of an exporter and importer operating in textile Industry. That has helped us get to the conclusion that government needs to ease down on the sales tax that these entrepreneurs must pay, as well as facilitating them through providing a better more flexible system in helping reach out to foreign investors and customers. The future of the industry is highly dependent on the relationship that the government builds with foreign governments around the world, easing out the visa restrictions and as well in softening the country image. The exporters and importers look for no monetary help other than helping the industry build bridges with the world markets and helping the industry lower per unit price by lowering taxes and minimizing issues related to electricity cuts and etc.

Recommendations:

- ❖ Ministry needs to support the industry in terms of research that it lacks, providing and establishing institutions that can support the industry and help it progress. As the industry lacks educated workforce and has a hard time recruiting educated employees to their industry.
- ❖ Associations like PHMA and PRMGA need to establish centres around the world, which can serve to market this industry, build its repute, establish a customer base for exporters back home.
- ❖ Government should play a role by helping the textile sector by providing them with low interest loans so small-scale businesses could be operated smoothly and can lower the export GST. A step should be taken towards establishing industrialist friendly policies between the banking sector and the industrialists seeking loans from them.
- ❖ The government needs to put in effort in conducting exhibitions within Pakistan by inviting in foreign customers, this will help the industry excel in terms of bringing in new customers, inviting foreign investment by making partners with the foreign companies, businesses will be able to learn a lot from them in terms system orientation, supply chain and it would be feasible to import latest technology. It can also reduce the costs, comply with the international standards, add value to the products, easiness in marketing products in different foreign regions, improved labour.
- ❖ Imported synthetic yarns are priced lower as compared to the locally produced ones as local production requires high working capital and strong infrastructure. Imports of synthetic yarns have increased to 50,000 tons annually which is harming the local industry as many spinning mills have halted their operations. The import duty on synthetic fibers should be increased to 14-15% so that their prices go beyond the local prices of local yarns.
- ❖ World is moving from cotton towards synthetic fibers. Polyester fiber dominates the synthetic fiber industry whereas Pakistan has an inefficient and outdated domestic polyester filament yarn industry that doesn't even meet 25% of the local demand. Import duty on polyester fiber yarn is 12% while on polyester fiber is 7%. Local polyester fiber production is sufficient to satisfy the local demand whereas production of polyester fiber

yarn is satisfying only 25% of the local demand so the import duty on polyester fiber yarn should be decreased to 7% to help satisfy the local demand.

BIBLIOGRAPHY

- Aimers & James, 2012. *Brand Wagon.*, Chicago: The University of Chicago Press.
- Ani, T. G., 2015. Effect of Ease of Doing Business to Economic. *Asia Pacific Journal of Multidisciplinary Research*.
- Ather, M. A., 2009. SWOT analysis of the textile industry of Pakistan. *Pakistan Textile Journal*.
- CustomsToday, 2017. *Budget Proposals 2017-18: Govt urged to remove Customs duty on polyester import*. [Online]
Available at: <http://www.customstoday.com.pk/budget-proposals-2017-18-govt-urged-to-remove-customs-duty-on-polyester-import/>
- Dawn News, 2017. *PM announces Rs180bn incentive package for export sector*. [Online]
Available at: <https://www.dawn.com/news/1307569>
- EH, 2017. *GLOBAL TEXTILE REPORT*. [Online]
Available at: <http://www.eulerhermes.com/economic-research/sector-risks/Global-Textile-Report/Pages/default.aspx>
- Fjeldstad, C. B. S. a. Ø. D., 1998. Configuring Value for Competitive Advantage: On Chains, Shops, and Networks. *Strategic Management Journal*, p. 26.
- Gill, P., Stewart, K., Treasure, E. & Chadwick, B., 2008. Methods of data collection in qualitative research: interviews and focus groups. *British dental journal*, pp. 291-295.
- IHS Market, 2017. *Chemical Economics Handbook :Polyester Fibers*. [Online]
Available at: <https://www.ihs.com/products/polyester-fibers-chemical-economics-handbook.html>
- Khan, A. A. & Khan, M., 2010. Pakistan textile industry facing new challenges. *ReseachGate*.
- Khan, N. Z. & Kazmi, A. A., 2004. Textiles Sector of Pakistan: The Challenge Beyond.
- Kitching, J., 2010. *SME Capability to Manage Regulation Project*, s.l.: Kingston University.
- KUMAR, V. S., 2017. '*Demand for garments growing thanks to digitisation, social media*'. [Online]
Available at: <http://www.thehindubusinessline.com/economy/demand-for-garments-growing-thanks-to-digitisation-social-media/article9723413.ece>
- Lean or agile: A solution for supply chain management in the textiles and clothing industry?* (2004).
- Looney, R. E., 1994. PAKISTAN'S TEXTILE SECTOR: COMPETITIVE PRESSURES AND PATTERNS OF RELATIVE. *Department of Economics, University of the Punjab*.
- MIT Technology Review, 2016. *Pakistan at Risk*. [Online]
Available at: <http://www.technologyreview.pk/pakistan-at-risk/>
- Nag, B., Han, C. & Yao, D. q., 2014. Mapping supply chain strategy: an industry analysis. *Journal of Manufacturing Technology Management*.
- Naved Hamid, I. N. a. R. Z., 2014. The Textiles and Garments Sector: Moving Up the Value Chain. *The Lahore Journal of Economics*, p. 24.

- News, T., 2017. *Anti-dumping duty on synthetic fibres hits textile exports*. [Online]
Available at: <https://www.thenews.com.pk/print/195549-Anti-dumping-duty-on-synthetic-fibres-hits-textile-exports>
- PHMA, 2017. *PAKISTAN HOSIERY MANUFACTURERS & EXPORTER ASSOCIATION*. [Online]
Available at: <http://www.phmaonline.com/AboutUs.asp>
- PkRevenue, 2017. *Budget Proposals 2017/2018: APTMA proposes duty, tax free import of 4m cotton bales annually*. [Online]
Available at: <http://www.pkrevenue.com/customs/budget-proposals-20172018-aptma-proposes-duty-tax-free-import-of-4m-cotton-bales-annually/>
- Porter, M., 2003. *The Economic Performance of Regions. Regional Studies*.
- PRGMEA, 2017. *Pakistan Readymade Garment Manufacturer and Exporter Association*. [Online]
Available at: <http://www.prgmea.org/intro.html>
- Recorder, B., 2017. *ECC approves winding up of Pakistan Textile City*. [Online]
Available at: <http://www.brecorder.com/2017/02/27/337935/ecc-approves-winding-up-of-pakistan-textile-city-337935/>
- Salwan, M. D. & P., 2013. *Configuring Value for Competitive Advantage: On Chains, Shops, and Networks. Indian Journal of Industrial Relations*, p. 48.
- Shah, M., 2014. *Textile Industry of Pakistan - An Overview*. [Online]
Available at: <http://textilelearner.blogspot.com/2015/12/textile-industry-of-pakistan-overview.html>
- SMEDA, 2016. *Globalisation and the Apparel Industry of Pakistan*, Karachi: Small and Medium Enterprise Development Authority.
- Stocksfm Team, 2017. *Polyester Industry – Is there any hope?*. [Online]
Available at: <http://fintext.stocksfm.com/polyester-industry-hope/>
- The News, 2017. *Anti-dumping duty on synthetic fibres hits textile exports*. [Online]
Available at: <https://www.thenews.com.pk/print/195549-Anti-dumping-duty-on-synthetic-fibres-hits-textile-exports>
- Todd Sanders & Walter Enders, 2006. *Economic consequences of terrorism in developed and developing countries*, s.l.: s.n.
- U.S Economic Development Association, 2014. *Cluster Mapping Methodology*. [Online]
Available at: <http://clustermapping.us/content/cluster-mapping-methodology>
- Wang, Q., 2001. *Import Reducing Effect of Trade Barriers: A Cross-Country Investigation. IMF Working Paper*, p. 54.
- Wyse, S. E., 2011. *What's the difference between qualitative and quantitative research?*, s.l.: Snap Surveys.

APPENDICES

Country (millions)	Cotton	Worn Clothing	Clothing (not knit or crocket)	Floor Textile	Knit or Crocket
China	\$ 1,900.00				
US	\$ 139.80	\$ 1,300.00		\$ 49.20	
Germany	\$ 122.50	\$ 236.10	\$ 210.20		\$ 110.10
France	\$ 17.80	\$ 123.90	\$ 80.30	\$ 5.80	\$ 41.40
UK	\$ 96.10	\$ 473.20	\$ 247.60		\$ 301.30
Italy	\$ 203.60	\$ 108.30	\$ 67.90		\$ 37.40
Russia	\$ 63.90	\$ 4.40			\$ 6.60
Spain	\$ 91.80	\$ 83.50	\$ 208.40		\$ 76.10
Brazil	\$ 21.20	\$ 14.30	\$ 5.80		\$ 7.50
Canada	\$ 8.80	\$ 63.60	\$ 33.90		\$ 46.70
India	\$ 42.40				
Mexico	\$ 50.60	\$ 4.10			\$ 6.80
Australia	\$ 11.70	\$ 161.40	\$ 12.90		\$ 10.70
South Korea	\$ 122.80				\$ 3.10
Netherlands	\$ 71.40	\$ 122.40	\$ 93.80		\$ 124.70

Appendix: 1 Exports by country 2016

Source: Ministry of Textile

Products (\$ millions)	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16
Cotton & Cotton Textile	\$ 11,803	\$ 12,628	\$ 13,349	\$ 13,139	\$ 12,168
Synthetic Fabrics	\$ 542	\$ 406	\$ 383	\$ 331	\$ 288
Wool & Carpets	\$ 121	\$ 122	\$ 125	\$ 119	\$ 98
Total Textile	\$ 12,466	\$ 13,156	\$ 13,858	\$ 13,589	\$ 12,553
Total exports	\$ 23,641	\$ 24,446	\$ 25,132	\$ 23,885	\$ 20,802
Textile as of total exports	52.7%	53.8%	55.1%	56.9%	60.3%

Appendix: 2 Overall exports by product type 2016

Source: Ministry of Textile

Exports	Amount (billions)
FY11-12	\$12.46
FY12-13	\$13.16
FY13-14	\$13.86
FY14-15	\$13.59
FY15-16	\$12.55

Appendix: 3 Overall yearly exports

Source: Ministry of Textile

Cloth exports	July- march 2016-17	July-march 2016-17	Growth
Quantity	1410.359	1679.455	-16.02%
Value (M, US\$)	1581.174	1685.264	-6.18%

Appendix: 4 Cloth exports

Source: Ministry of Textile Report

Export of Made ups	July- march 2016-17	July-march 2016-17	Growth
Hosiery Knitwear			
Quantity	89.52	85.46	4.75%
Value (M, US\$)	1745.663	1746.917	-0.07%
Readymade Garments			
Quantity	24.823	23.704	4.72%
Value (M, US\$)	1704.064	1608.717	5.93%
Towels			
Quantity	132.723	135.646	-2.15%
Value (M, US\$)	578.024	597.001	-3.18%
Tents/Canvas			
Quantity	33.907	25.989	30.47%
Value (M, US\$)	107.053	68.361	56.60%
Bed wears			
Quantity	263.814	244.295	7.99%
Value (M, US\$)	1585.691	1508.609	5.11%
Other made ups			
Value (M, US\$)	485.148	471.618	2.87%

Appendix: 5 Exports of Made ups

Source: Ministry of Textile

Knitwear Export	July-March 2016-17	July-March 2015-2016	Growth
Quantity	89.52	85.46	4.75%
Value (M, US\$)	1745.663	1746.917	-0.07%

*Appendix: 6 Knitwear Exports
Source: Ministry of Textile*

Readymade	July-March 2016-17	July-March 2015-2016	Growth
Quantity	24.823	23.704	4.72%
Value (M, US\$)	1704.064	1608.717	5.93%

*Appendix: 7 Readymade Exports
Source: Ministry of Textile*

Towel Exports	July-March 2016-17	July-March 2015-2016	Growth
Quantity	132.723	135.646	-2.15%
Value (M, US\$)	578.024	597.001	-3.18%

*Appendix: 8 Towel Exports
Source: Ministry of Textile*

Export performance of Tent and Canvas Sector	July-March 2016-17	July-March 2015-2016	Growth
Quantity	33.907	25.989	30%
Value (M, US\$)	107.053	68.36	57%

*Appendix: 9 Tent and Canvas Exports
Source: Ministry of Textile*

Exports of Carpets and Rugs (Woolen)	July-March 2016-17	July-March 2015-2016	Growth
Quantity	1.322	1.372	-3.64%
Value (M, US\$)	61.206	74.03	17.32%

*Appendix: 10 Carpet and Rugs Export
Source: Ministry of Textile*

Country imports millions	Cotton	Worn clothing
US	\$ 142.20	\$ 70.70
UK		\$ 16.20

Italy		
Brazil	\$	53.70
India	\$	408.90

*Appendix: 11 Overall Imports
Source: Ministry of Textile*

Production of Clothing sector	July- march 2016-17	July-march 2016-17	Growth
Mill sector (M. Sq. Mtrs.)	783.25	780.233	0.39%
Non mill sector (M. Sq. Mtrs.)	6098.22	6091.972	0.10%
Total	6881.47	6872.205	0.13%

*Appendix: 12 Production of Clothing sector
Source: Ministry of Textile*

INTERVIEW NUMBER: 1

Why do customers prefer a Pakistani product compared to competitors?

I'm representing Pakistan Hosiery Association North Zone. About your questions, actually, our country is known for cotton production. We are 6-7th largest producer of cotton. And our industry is around 60-70 years old. Basically hub is Faisalabad which is known as Manchester of Subcontinent. Reason behind preference of Pakistani products is that our business community is frequent traveler to Europe and America. We have adopted latest technologies to make fabrics. Major exports are wears: knitwear and upholstery fabrics. We have developed a lot of new technologies which means we are up to date with the market. Although, our business has suffered from terrorism etc. which is unfortunate for our country but we have potential to produce world standard products. We have a lot of international brands that are manufacturing their products in Pakistan. We provide latest fabrics and yarn to these as well as other international brands. We are using best practices and working in compliance with the industry standards to satisfy the demand.

How innovative is the industry and what are the threats you see the company is endangered by?

For years, most of the production has been done using traditional methods. Now our industry needs innovation and communication. Industry is moving towards active sportswear and in order to stay competitive, we need educated entrepreneurs and managers for the research work. We can

import best machines but we need better human resources also. We have been getting expertise from Sri Lanka, Malaysia, Singapore, Thailand etc.

Who are our biggest competitors in this industry? (Other than China, India, Bangladesh and Vietnam)

There are three things in this industry:

Innovation

Proper deliveries

Cheapest labor

We have to train our labor to the standards to make profitable products that we can sell.

Is the industry sustainable?

Of course, if you work hard we can be sustainable. We cannot grab all a world but we can have one here. We have the ability to provide our people with a better living.

What according to you is the right path to success for this industry?

To be innovative and leaders in this world, we have to adopt latest High Tech available in the world.

What do you see as entry barriers in this industry?

We have less buyers coming to Pakistan due to security reasons. Our major markets are EU and USA but their governments don't allow them to come over to Pakistan. On our side, it is hard for us to get visas. Exhibitions should be arranged. We have more business in north than south. Labor moved back from south but now they are coming back due to security issues. Sialkot is becoming main hub for sport and casual wears. Every child in Sialkot has experienced the taste of export. We have about 5-6 K exporters in Sialkot. About 400 knitwear and ready wears members registered with sales and income tax. They have their own production lines so in this way they are contributing to the country's GDP.

How can government help in achieving the goals the industry has?

They have to give them easy loans to buy machines and raw materials and all these imports should be duty free. The government should invest in this industry as it is the biggest employer around the world.

How do associations help the industry?

It is a forum to negotiate with government about taxation. This is a platform to communicate with Ministry of commerce, ministry of finance and ministry of trade. For us, as we are having security problems, we should participate in more and more exhibitions as they give you more experience and insight into what competitors are doing.

By the introduction of association's how has the industry excelled?

These are not political platforms. This is purely for industrial development. This is our forum for communication with the government.

What are the opportunities and threats that you see coming in from CPEC? Is industry prepared to take on value from these opportunities and combat these threats?

Development brings progress. Being 30 years in this business in Pakistan, threats were there at that time in that scenario. I don't think anybody should be afraid to them. Ups and downs are a part of business. People also think of Cambodia and Vietnam as threats too but they'll be now lesser threat now from China. People go to these countries because they have cheap labor. We have 200 m people in Pakistan. Most are from lower and middle class. Which gives us a great opportunity to progress.

How much PHMA promote technology up gradation and is the association keeping a check over technology up gradation? If yes, How?

We have a lot of programs such as trade promotions, symposiums, we also bring instructors and other people. Our power is stitching. When our stitching cost is less, we earn more profits. The cost can only be reduced by producing more units by per head. Improving workers' daily wages that can bring prosperity to the country.

Number and types of raw materials imported in Pakistan? Their names and prices?

First, we bring in imports and then try to make the same products locally. We try to produce according to the international standards so that our products are competitive. When we import from far-east the delivery time is 50-60 days whereas in case of local procurement the time is 7-14 days so it is more economically feasible for us to rely on local production.

Imported from mainly which countries?

Mainly it is coming from Far East such as China, Taiwan and Japan. We import the dyes from EU and USA.

Actually we at PHMA our products are up to the market standards.

Although we are importing our raw materials and machinery, 45% of the country's workforce is in this sector yet we are unable to meet the international quality standards. What are the reasons? How can we improve? (Insufficient training centers and institutes? Lack of standardization in products or process?)

Actually this is ongoing development so we need to stay up to date. We have a lot of SOPs from customers to meet their expectations.

Are there any intermediaries who import the raw material or manufacturers buy them directly? How many buy directly? And how many through intermediaries?

Importers have buying houses here as they cannot visit themselves.

Importers cannot visit us themselves so they have local buying houses who take care of the

50% of our textile exports comprise of low value items. Why are we not exporting more of high value items?

High quality products require high quality of innovation. We lack resources. We import finished garments which we cut and pack here.

Recently, APTMA chairman invited China textile sector to invest in Pakistan through joint ventures with Pakistani entrepreneurs or relocate their facilities to Pakistan and take advantage of the duty free market access under the GSP+ status. Would their relocation be beneficial for our

textile sector seeing as China is already the largest exporter and importer of textiles? Shouldn't we first make the best use of the available concessions to facilitate our own industries?

Actually Pakistan will give them a benefit with CPEC roads and terrains.

We are closer to EU, Middle East and Africa. We have similar technologies and facilities. Chinese are just investors. China brings technology that we need and it will improve our industry. For the investment in new products and machinery, it can be burden on our industry. If they are able to bring in the tech and it helps us make better products then it will be beneficial for our industry. From bring a cobbler generation we have come this far by adopting new technologies and improving our practices by following international standards. At the moment we are one of the largest exporters of hand sewn footballs but we are in the phase of expanding into molded and machine stitched balls so our industry is progressing. Our hockey stick manufacturing have moved from wooden to graphite so in sportswear and clothing we are constantly learning and expanding. People are sending their children to foreign countries to study about this industry so that they can learn, come back and contribute towards the industry.

Why are we failing to benefit from our GSP+ status? Only 150 out of 6000 under this initiative items are being exported.

In Asia, we usually produce copied products but now we are moving towards originality and branding which is why we need fresh people to join the industry. In this way we will be successful in improving our presentation and reputation.

Can you identify the major government policies that are favoring the growth of this industry?

Yes of course, they help us on exhibitions. Secondly, when we make government known that these are the things that the industry needs so they help us get them. Right now the government does not have enough funds. They prefer us to get funds from local banks individually. Main thing is now university are bringing textile departments. Booming era of the industry was between 1980 to 2000. Basic support from government is duty free machinery and raw materials. Like Bangladesh, where if you are bringing 100% progress from outside you are supposed to export at least 60-70% value added products outside so you can see they have reached 30 billion but we are lagging behind at 19-20 billion which is petty.

What measures should be taken by the government to increase foreign direct investment in Pakistan in textile sector? And how it's beneficial for the textile industry?

The government input is very important at the moment we can't change the international scenario and competition we can use and adopt different marketing tactics to sale more products and so that people know about our products. We should make our commercial consulates to effectively promote and introduce our products in different host countries and they should make effective use of the consulates

We should have commercial consulates and those must be effective consulates which follow the rules and policies of European textile innovation, about their tax and follow their rules and laws related to imports, they have been very bureaucratic in nature and do not respond to the current crisis of private sectors.

We recently know that prime minister has announced an export package 180 Billion in January 2017, but currently they have just relieved around 4 billion and FBR has not made any drawback of local taxes and levis they have promised due to these delays the textile industry of Pakistan is going into financial crisis, Why do you think government fails to fulfil these promises?

The problem is mainly due to the bureaucratic nature of such departments and bureaucratic hurdles, the bureaucratic people should immediately solve the problem they must realize and consider that private sector is producing numerous jobs, promoting the foreign investment within Pakistan, major chunk of workforce in Pakistan is affiliated with textile industry of Pakistan, private sector is helping government by producing foreign assets and currency and ultimately helps building the GDP of the country.

We need help from government in the form of marketing, research and development and technology. The favor we need from government is mainly is to facilitate the local market manufacturers to produce the raw material as well as finished good which are value adding.

Keeping in mind the current scenario between Pakistan and India, do you think it's a rational decision of depending on India for cotton imports from India in the future?

We are not importing from India as a favor to them but in reality they have produced the right kind of seeds, they have worked a lot in the agricultural sector they have high quality yarn, their seeds are free from any contamination. We choose India because it is the nearest and cheapest option available to us.

Pakistan textile industry has been shifting to other places especially Bangladesh, what do you think could be the reason of this shift other than the energy crisis in Pakistan?

The main reason was energy crisis but other than this one main reason was that Bangladesh was the most favorable nation for America and Europe and they were given a relief on import taxes in those markets and Pakistan was almost 7 to 8 % behind them on prices.

Government has agreed to remove custom duties and sales tax for the import of textile machinery but is the government taking any actions to encourage the local market to produce those machineries?

First of all the textile industry needs the customers when we'll have customers only then we need new machinery. Government should make a favorable exposure of the market that what the textile industry capable of and promote this industry by attending our needs at the quickest pace only then we'll be needing machinery and only then zero customs duties would benefit us.

INTERVIEW NUMBER: 2

You can talk about a single sector, but discussing the whole textile industry is not possible. There is only one sector associated with fibers which includes the local and imported fiber. There's cotton and polyester fiber both of local and import quality. Polyester is also manufactured locally and imported but not exported.

Then there is the woolen industry which is not one of the major textile sector so we will not discuss that. The next major sector is the manufacturing of thread and cloth. It includes spinning of the thread, also includes the import and export of thread. Then there is the process of cloth making. The woven industry and knitting industry which include both import and export of such clothes. If there is a requirement of any type of cloth, importing of cloth is carried out. Then comes the dyeing industry of Pakistan which consists of three major areas. The dyeing and printing of woven clothing, the dyeing and printing of knit wear and the dyeing and printing of yarn

including yarn and fiber. Then there is a garment section including knitwear and woven garments. Woven based garments is again divided into two categories, denim based and shirts based and the other is local based garments. These industries manufacture both local and import quality garments. Garments are both local and imported. You can have a discussion about one of the major sectors of the textile industry but you cannot have a discussion about the industry as a whole as the benefits and perks of each sector of the industry are interconnected. Every industry has its own organizational structure and issues.

Now I will have some questions about your industry. As you have mentioned earlier that the textile industry forms a complex cluster if discussed as a whole so my objective here will be to excavate and research as deeper as possible in the current scenario. So kindly provide an overview of your industry. Does Pakistani customers prefer Pakistani products?

Answer: This is a vague question. There is really no such thing as customer preference on the basis of local or imported products. The preference is more based on the quality and affordability of the product rather than its manufacturing origin. It merely depends on customer's taste and pocket. Even local brands possess high quality denim and polo shirts which possess a good market locally as well as for export purpose. Pakistani lawn is also exported due to its high quality. Pakistani garments are exported to many countries globally and considered of high quality. However, preference on the basis of origin of manufacturing is not possible. Customers have become more brand conscious now and do prefer branded clothes if they can afford it but do not consider local or international brands. They will buy even from local brands if the quality is good. Our local garments are quite expensive and depends on consumer behavior.

Do you own a brand?

No, we don't own any brand. We don't finish any final products, we provide dying services to third parties. They then finish the product on their own, some produce for the local market about 10 percent of them while other 90 percent of our clients cater the international market with their garments.

Is our industry innovative, do they lean forward to adopt to new technology instantly?

Partly we can agree to this, but only for the industries which are more fortunate in terms of cash flow and other resources so they can afford it. High quality manufacturers prefer to move

forward to latest technology but industries which hit the local market mostly rely on upon the conventional technologies. We of course can't set the scale for this, its dependent on cash flow or how well an industry is doing in the market.

Who are out biggest competition apart from China, India and Bangladesh?

Vietnam, Sri Lanka, Indonesia and Thailand are among major exporters. All these countries including India and China have their market share. American states have their own competition among themselves. We don't manufacture high-tech products, European countries have their own competition in high-tech products, we are only limited to moderate/ lower middle quality products for example bedsheets.

What do you mean by high-tech products?

(Sportswear and professional dresses mostly) firefighting uniform, astronaut uniforms, cycling uniforms can be included in high-tech clothing. Highly insulated and sensor equipped jackets can also be included in high-tech clothing.

Is our industry sustainable in its current form or there is room for improvement?

Certainly not, in context of international market we are going down as each year there is about 10 percent decline in our export. But locally industry is sustaining because of population explosion. Local industry caters Pakistan, Afghanistan and Kashmir, therefore, they are in the game still.

What in your view are some essential rudiments to survive in this industry?

There are two type of factors which support the industrial growth or sustainability. Internal and external factors. Internal factors include commitment, skilled labor and management practices etc. External factors come under two banners, foreign factors for example Pakistan's image on international level, international embargos and hesitancy of investors and customers to come to Pakistan, internal factors include our instability, government's tax response.

In my view internal factors are essential rudiments for survival, industries which are strong internally are not just sustaining but also growing. But most of people just focus on their own privileges rather than industry's growth, they are more willing to spend on their luxury cars and branded accessories rather than industrial growth. You will see 18' model cars in most of

establishments while they will be relying on 90's technology for industry. The people who work vice versa and focus on their industry to be internally strong they are sustaining and are able to overcome external challenges.

What in your view might be entry barriers for new comers to this industry?

Of course there a lot of entry barriers for new comers, infrastructure can be considered as foremost as it is really expensive to build from scratch, building, machinery, certifications, gas/electricity connections are exorbitant. For lost 20 years of so market is relying on existing industry, we often see expansion of existing ones now and then but there are no startups in this sector for a while now.

What is government's role to back the industry?

Government plays vital role, but for now they are just playing negatively. In terms of taxes (sales tax), government has halted our payments, even small industry like ours has about 2 crores with the government for about 3 years now. This money creates voids in our cash flow due to which our operations become limited and we have to deal with banks where we are overcharged and also for our raw materials. So despite of government's claims of being business/industry friendly they are following opposite track.

Apart from sales tax, are there other taxes for example on imported materials?

Though we are facilitated but still there are some steeplechases. For example, due to energy crises of country we have to rely on coal and to buy coal we pay 17% in terms of sales tax. This 17% is reimbursed in 2-3 years which is a lot. If this is rather omitted completely we will be more facilitated.

How associations play their role to back this industry?

They can't help technically, all they can do is to support politically for example policy making with the government. A few of them, for example Sialkot's sport industry helps technically, but majorly they support in government/taxation and political matters.

In you view point, CPEC is a threat or an opportunity for textile industry of Pakistan?

Of course it will provide our industry with opportunity to expand, Chinese are more advanced technically and economically so our industry will develop in terms of quality product and market expansion. They will bring customer, technology and finance to our industry. But at the same time it may pose a threat to small industries as they may go out of business. I would recommend government to work for sustainability a security of small industries in addition collaborating with foreign industry.

Question: With CPEC Chinese products will probably flood the markets; in its present form, will our textile industry be able to compete with Chinese products which are, as we know, relatively cheap?

Chinese products are not reliant on CPEC, they already flood the market. Even in this room most of things are Chinese made. So this is irrelevant.

Question: How much does PHMA promote latest technology? Do they keep some sort of check and balance in this regard?

We might say it's near to nothing, technological check and balance is off their strategy. It is rather reliant on upon industry's own will and financial status. If they can afford they upgrade if they cannot they don't.

What are major raw material imported in Pakistan by textile industry?

Fiber we use are totally imported for example synthetic fiber and cotton. Thread looms are only partially imported. While dyes and chemical like soda ash, caustic soda, and hydrogen are 100 percent imported.

From which countries we majorly import these raw material?

China and India are main countries we import these materials from.

What are main hubs of textile industry in Pakistan?

Three cities are main hub, Karachi contributes about 50%, Faisalabad about 35% and Lahore about 10-12% besides Sialkot, Multan and Gujranwala also have some share in the market.

What are our most profitable textile exports?

Polyester products like jackets and gloves are our most expensive exports. Synthetic polyester glove may go as high as 100 USD per piece.

Do we only export high quality products?

No, we mainly export lower/middle quality products like pyjamas, t-shirts, bed sheets, hoodies etc.

How do we compete our lower/middle quality products with Chinese manufacturers?

We have no real competition with china, if we hold about 1% share of international market they hold about 50%. We can't take large orders for example a million pieces order we just cater smaller chunks of the market.

Does this industry concerns itself to contribute to national interests by expanding their international market share?

Of course industrialists are concerned and aware with the issue but there is no government backing. Government aimed to expand up to 50 Billion from 25 Billion but instead they aren't able to keep up even this existing 25 Billion share. So when government is reluctant and not playing its role there is not much in hands of industry. In the presence of issues like instability, sales tax, energy crises and less foreign investments industry cannot do much at their own.

Why our industry is shifting to Bangladesh when they also have energy crises and other problems like us?

There is no shifting of industry from Pakistan to Bangladesh. We can't relate to even one single example. It's rather impossible to shift the whole setup and machinery to other location. So this is unrealistic. It's also very difficult to meet legislation requirement for most of countries for example we can't get visa of Bangladesh.

Despite of similarities of a number of factors like cheap labour and energy crises, why Bangladesh's industry is growing compared to ours?

Their government's focus is on this sector while our government doesn't. Their government understands that it is one of major driver of their economy.

Although we import most of raw material but our products don't meet international standards. Why?

Export is dependent on several factors. It not always profitable to export best quality products, instead we must look at consumers prospective. We put the products in market which customer buys.

Why do we import most of raw material? Is it not available in Pakistan or is it more expensive?

Both factors play a role in the import. Sometimes, we import because of non-availability of the raw material, other times it's also likely that the materials are cheaper and of better quality. For example, we import cotton although it is available in Pakistan as well. However, it is imported because it is cheaper or of better quality. Therefore, we import on the basis of lower cost or non-availability in Pakistan.

Is it a seasonal decision to import raw materials?

No, mostly that is not the case. The import as mentioned before depends on the situation present. For example, although cloth is a cheap import, but we do not import cloth because it is available in sufficient quantity in the country.

Do you prefer local purchase or imported if the time and quality of the material is the same?

Definitely local purchase is preferable instead of an import because every organization tends to keep in mind the flourishing of local industry.

Is it the mentality of every firm to think about the flourishing of the local industry?

Yes it is. It is quite advantageous for the local industry to flourish. Local purchase has less hassle compared to imports which requires complex documentation. So if someone starts production of materials that are previously imported locally, the industry would prefer to procure local materials rather than imports.

If some local company starts production of dyes, would you buy from them?

Of course if some local manufacturer will produce we would prefer it over foreign product.

Do you directly contact foreign manufacturers or through third parties?

Most of companies have their agents/contractors here in Pakistan. We contact them to buy the raw material. Sometimes we contact the manufacturers directly but mostly it is via agents.

Is there any imported textile which are not manufactured in Pakistan?

There are many products like synthetic fiber, special fabric are not manufactured in Pakistan.

Why these products are not manufactured in Pakistan?

China dominates the market in these areas. We have our own specialty, it is not possible that everything can be manufactured everywhere.

Most of our export are lower/middle valued, why don't we go for quality products?

There are some people who go for the quality products. But we are fit for low/middle quality products. High quality products require advance technology and skilled labor which we lack, therefore, it's more feasible for us to manufacture lower/middle quality products.

Despite being one of oldest industry of country, why textile industry of Pakistan is facing a decline?

Government reluctance and other internal and external factors are main cause of decline for the industry.

Is it possible to survive in this business without government support?

It is not possible to survive without government support, it is vital to have government backing to access international market. For example if china's industry is growing it is because of their government support.

Why we are not able to cash our GSP+ status properly, we export only 150 product out of 6000 allowed?

GSP list includes only small scale items. Large volumes can't be included in them.

In your view what is our industry's trend, do they prefer to export their products or sale in local market?

We would prefer any market which pays properly. Anywhere we can sale our products at reasonable price.

If a product goes in both local and international market how you meet the demand? By expanding or what?

Our major products which we have to manufacture in large quantities only goes to local market. For example lawn wears can be only sold in local market they have no scope in international market.

Any noticeable policy by current government towards helping the textile industry?

Mostly negative, but there are few policies like lowering taxes on machinery and interest rates.

Compared to the Bangladesh's 27 Billion exports Pakistan holds share of only about 3 Billion. Why?

According to my knowledge we have more than 3 billion share in the market.

Besides their government support, what are other advantages to Bangladesh's industry?

They have cheap labor as compared to us and also they have access to relatively better technology. Though they don't also manufacture high end products but it is better than ours.

What steps must be taken by the government to attract the foreign investment?

Our internal instability and our national image must be rectified in order to get foreign investors to our country.

Do you think terrorism is one of obstacle?

Surely it is, due to our security conditions both investors and customers are reluctant to come to our country.

Does our industry participate in international expos for exposure?

Yes they do participate and interact with international community and approach the customers.

What steps government can take to lower down the cost of industry?

First and foremost is to eradicate the energy crises and then government must focus on lowering down the taxes.

Government has promised to wave off the sales tax and import duty for imported machinery, doesn't government support local machinery manufacturers?

Government supports them in limited capacity but our local manufacturing is not that much capably in mechanical terms.

Prime minister announced package of 180millions for textile industry, from first chunk of supposedly 24 million only 4 million was released. What in your view might be reasons behind that?

Obviously it is not on their priority list. They have their personal interests in its way.

Pakistan was 3rd biggest exporter of cotton but recently we have started to import instead. Why?

We already used to import cotton even before, it is about market trends sometime imported products are better and cheaper so customers prefer them.

If government imposes ban on Indian imports, how would it impact the industry?

It will jam our industry, we rely on India for most of our raw material for example dyes are 100 percent imported from India. In such case government imposes ban on Indian import it will derail the industry. In such case there is possibility that imports will come via some other country but they will have to continue in order to run the industry.

INTERVIEW NUMBER: 3

Why do customers prefer a Pakistani product compared to competitors?

There are many reasons for why Pakistani products are preferred but the most important one is that Pakistan is known as an agricultural state because which are cotton is famous around the world, because of which people trust the quality of our fabrics. Other than that Pakistan has been rich with the world-famous craftsmanship, literature around the world is filled with our craftsmen setting out history. For which foreigners trust Pakistani products and are willing to invest in them, but in recent years we have also

witnessed that the prices of our products have also gone down. Which I fully give credit to for our associations and government personals who have worked day and night to bring down prices by giving out reduction on taxes for machinery, raw material and other facilities for exporters around the region. Prices, is also a major factor now.

How innovative is the industry and what are the threats you see the company is endangered by?

The industry is very innovative and progressive, as you may have heard we have research centers in every industrial city now and testing centers for organizations which are set an international standard and their approval is accepted worldwide. The industrialists previously had to spend a lot of money and wasted a lot of time in sending the products abroad or even Karachi which had long waiting periods and was very expensive. Now this has reduced timings for processing an order and reduced costs of overall producing a product.

Talking about the threat is obviously the political instability, policies keep changing and over all the image of the country and the instability sends out a message of danger to the customers, so they will be reluctant in buying from someone whose firm closes down every few months and hence effects our production times.

Who are our biggest competitors in this industry? (Other than China, India, Bangladesh and Vietnam)

Sri Lanka

Indonesia

Thailand

Mexico

Italy

Malaysia

Is the industry sustainable?

Yes, obviously, and its progressing very rapidly, the only thing that we need right now is stable government and law and order in the country. The exporters have invested a lot in the businesses and provide living for 1000's of people on daily wages every day.

The efforts should be to keep pushing the industry to move towards sustainability as the progress and protecting the entrants into the industry for which a lot of effort is required from the industry as well as the government and associations working.

What according to you is the right path to success for this industry?

The right path for success in anything life is your dedication to it, as an entrepreneur of 30+ years I have seen this industry grow in front of my eyes, as well I have helped in a very small way as I could in the best of my abilities to help it prosper. Your father would agree with me on this that earning money should not be your main focus in this race, yes, it is very important, but it should not be your goal and the only thing you should be gaining. We have seen many up's and downs and the sail hasn't been smooth but we have learned to deal with instability. So, for success I would say your dedication to work and your dedication to keep working hard even through the problems is not the solution. Other than that we need to stop fighting for customers amongst each other but move out and try to tap out to attract customers from other countries.

What do you see as entry barriers in this industry?

Money, the loans in the banks have a very high mark-up which makes it harder for even sustainable businesses to survive, and a person starting up can't even promise to meet the mark up without a sustainable income can't take them, hence investing from your own pocket is hard and only someone who is wealthy and has other resources to support self can do it. The land, the machinery, and construction everything is expensive.

How can government help in achieving the goals the industry has?

They can help ease out on export GST, which is very high and, they need to invest in expo's and support and sponsor industrialists to exhibition around the world. This will help them get exposure to improve their work practices but also provide them with customers which will increase production and overall add to the Countries GDP.

How do associations help the industry?

Associations act as bodies which represent the problems industrialists face in different phases and conveys them to government to help ease out those issues and for their resolution. These associations have made a major role in improving the overall image of the industry internationally by bringing in people from around the world and giving those visits in Pakistan to help them understand the potential they hold.

What are the opportunities and threats that you see coming in from CPEC? Is industry prepared to take on value from these opportunities and combat these threats?

Cpec isn't bringing in much threat to the textile industry as the region in China that will be using Cpec isn't the area that their textile industry is in and isn't created to support them. So, I don't see it as a threat as of now, but the opportunities it is bringing along are major, as the convenience to import machinery from China would be easier and also the creation of Gwadar port would be a major blessing for the country, as export taxes would go down which would increase the profit share of industrialists increasing their investment in the county and expansion would be more likely.

How much PHMA promote technology up gradation and is the association keeping a check over technology up gradation? If yes, How?

No, there are various types of products and these industries on customer demands and everyone doesn't have the budget upgrade or sometimes they have a different type of customer base, yes we support and facilitate organizations who are innovative and help them in the transition but we don't push everyone to follow the same technology, as diversity is the key. And as long as the customer is demanding something, we cant ask someone to stop using a certain machine.

Number and types of raw materials imported in Pakistan? Their names and prices?

Mainly raw material that is imported is dye for the fabrics which is not available in Pakistan and Vietnam and Thailand serve us this product majorly of high quality. But other than that most of the fabric is being produced here there could be a specific color in a product that a customer requires that is not made here and we might have to import but all major textile fabrics are being produced in Pakistan.

Can you identify the Pakistani cities with the most concentration of textile industry?

Karachi

Faisalabad

Lahore

Sialkot

Gujranwala

Although we are importing our raw materials and machinery, 45% of the country's workforce is in this sector yet we are unable to meet the international quality standards. What are the reasons? How can we improve? (Insufficient training centers and institutes? Lack of standardization in products or process?)

Training centers and the entrepreneurs are not educated the major thing cities like Sialkot, Gujranwala and Faisalabad lack are educated workforce, trained workforce. People from these cities go out study and settle in cities like Lahore and Karachi. This has deprived us of a lot of potential and the inefficiency of the industry can be blamed on to this.

What kinds of costs are incurred during the import of these raw materials?

You have transportation costs and then when you get the product, you have to recheck and if there is a flaw there is again transportation costs plus time is money. And the time wasted in procurement of the product and then rechecking and correction could talk multiple weeks and the customers doesn't have that much time, they want quick deliveries.

Are there any intermediaries who import the raw material or manufacturers buy them directly? How many buy directly? And how many through intermediaries?

Yes there are many brokers of textile operating, even the textile mills can do that for you.

50% of our textile exports comprise of low value items. Why are we not exporting more of high value items?

We are moving towards it, I think you are quoting a very old research here, we have stopped and decreased in the low value items compared to exports of high value items.

Recently, APTMA chairman invited China textile sector to invest in Pakistan through joint ventures with Pakistani entrepreneurs or relocate their facilities to Pakistan and take advantage of the duty-free market access under the GSP+ status. Would their relocation be beneficial for our textile sector seeing as China is already the largest exporter and importer of textiles? Shouldn't we first make the best use of the available concessions to facilitate our own industries?

This is overall beneficial for the industry as there will be greater employment opportunities for people and as well as this would facilitate innovation and technology advancements would be very rapid. This is an overall good decision.

Why are we failing to benefit from our GSP+ status? Only 150 out of 6000 under this initiative items are being exported.

This isn't a very accurate fact or its outdated.

Can you identify the major government policies that are hindering the growth of this industry?

There are multiple policies that are favoring the industry the biggest one of them is making the industrial units a priority in terms of providing them with electricity and Gas and reducing the load shedding hours to help reduce costs. Whereas a handedness could be in terms of lack of law and error and the lack of foreign exposure that these industrialists have and increasing that should be the no of priority of the government.

Bangladesh has Least Developed Status (LDC) status. Its garment exports are \$ 27 billion while Pakistan is at \$ 3 billion. Despite repeated announcements by

textile ministry and national assembly in 2013, Pakistan has still not gotten this status. Why?

Cheap labor means cheap products. Hence customer would always go for a product that is easy on their pocket. As well as the international recognition of a Bangladeshi product is massive.

What measures should be taken to increase Foreign Direct Investment (FDI) in our textile sector?

Customers don't visit Pakistan because they don't consider it a safe territory. So government should find a way to facilitate this interaction and take measures for which it gets easier for industrialists to meet customers and make new ones.

How can government reduce the cost of doing business in Pakistan?

Reduce sales tax, export duty and import duty on raw materials and machinery.

Government has agreed to remove custom duty and sales tax on industrial machinery imports but is it taking any measures to encourage local manufacturers of this machinery? If not, should we focus on improving local machinery quality and discourage imports?

Your customer is the boss and everything should be done to cater to them and if they require something that you should import then you import for them. Losing a customer is bigger than these policies. And hence the decisions for every business is based on them and should be.

Pakistan was the third largest raw cotton exporter, but it has been an importer for the last two years. Last year, Pakistan imported around 2.7m bales from India at a cost of \$800m. In 2015-16, Pakistan surpassed Bangladesh to become India's biggest cotton buyer, accounting for 40 per cent of exports but by the end of 2016 Pakistan has unofficially banned the trade due to regional hostility. The imports are also restricted at Wagha Border so they are made via the sea.

Under these circumstances, do you think depending on India for cotton imports in a good idea?

We should have a good relationship with all our neighboring countries, we don't only import from them but also export. Pakistan should be self-sustainable but India has a high quality cotton and good relationships should be maintained so that our industry stays sustainable.

If Pakistan is unable to produce enough to satisfy the domestic demand, how can we expect it to keep earning 60% of the country's foreign exchange rate with the textile exports?

The demand of import is already low.

Pakistan textile industry has been shifting to other countries especially Bangladesh. Other than the energy crisis, what could be the possible reasons?

As I said earlier the Bangladeshi product is favored in majority of the countries Pakistani's do business in and hence this has affected our industry that their repute is growing stronger and developing compared to us where customers aren't comfortable visiting our country.