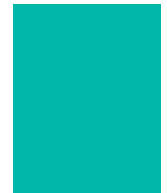




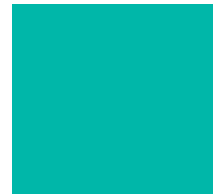
2019



A Policy Framework for Improving the Export Competitiveness of Pakistan's Knitted Apparel Sector



April, 2019



A POLICY FRAMEWORK FOR IMPROVING THE EXPORT COMPETITIVENESS OF PAKISTAN'S KNITTED APPAREL SECTOR

PAKISTAN BUSINESS COUNCIL (PBC)

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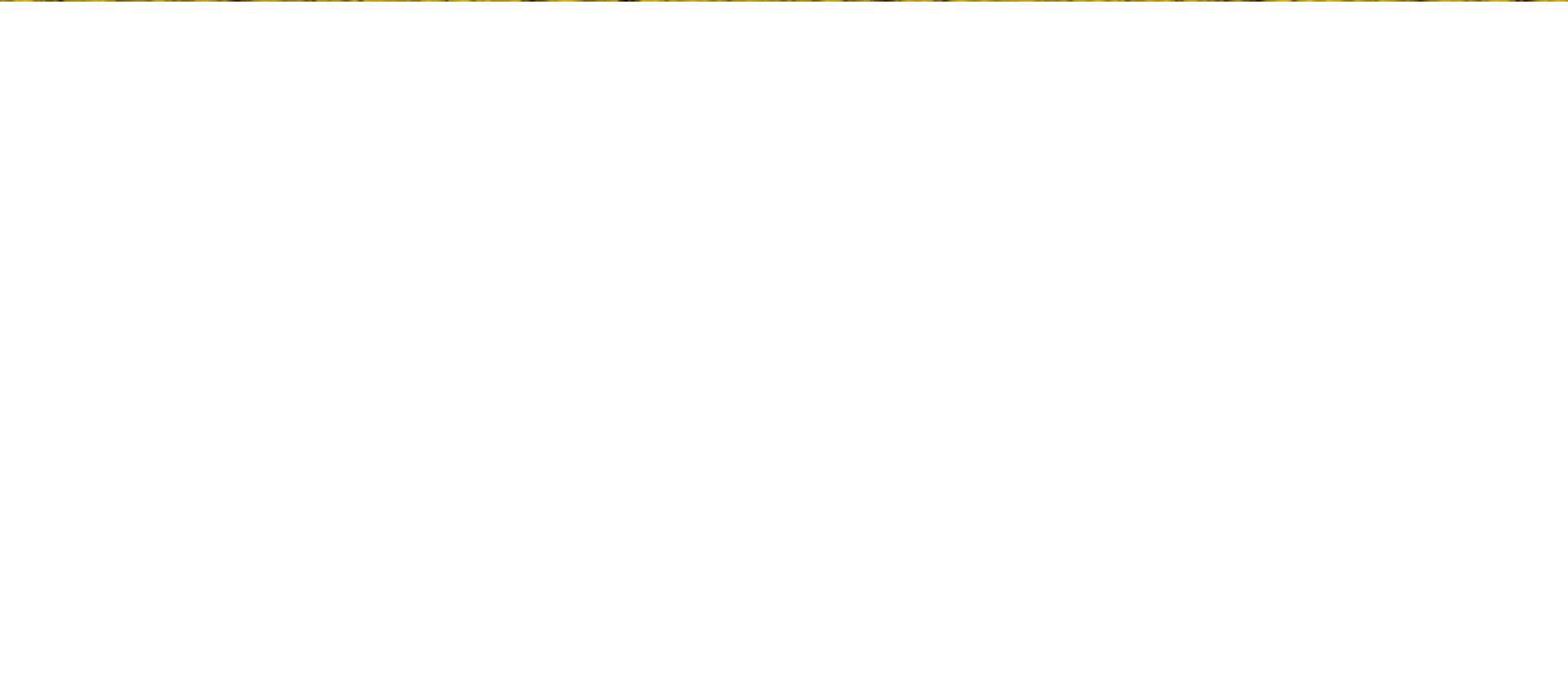
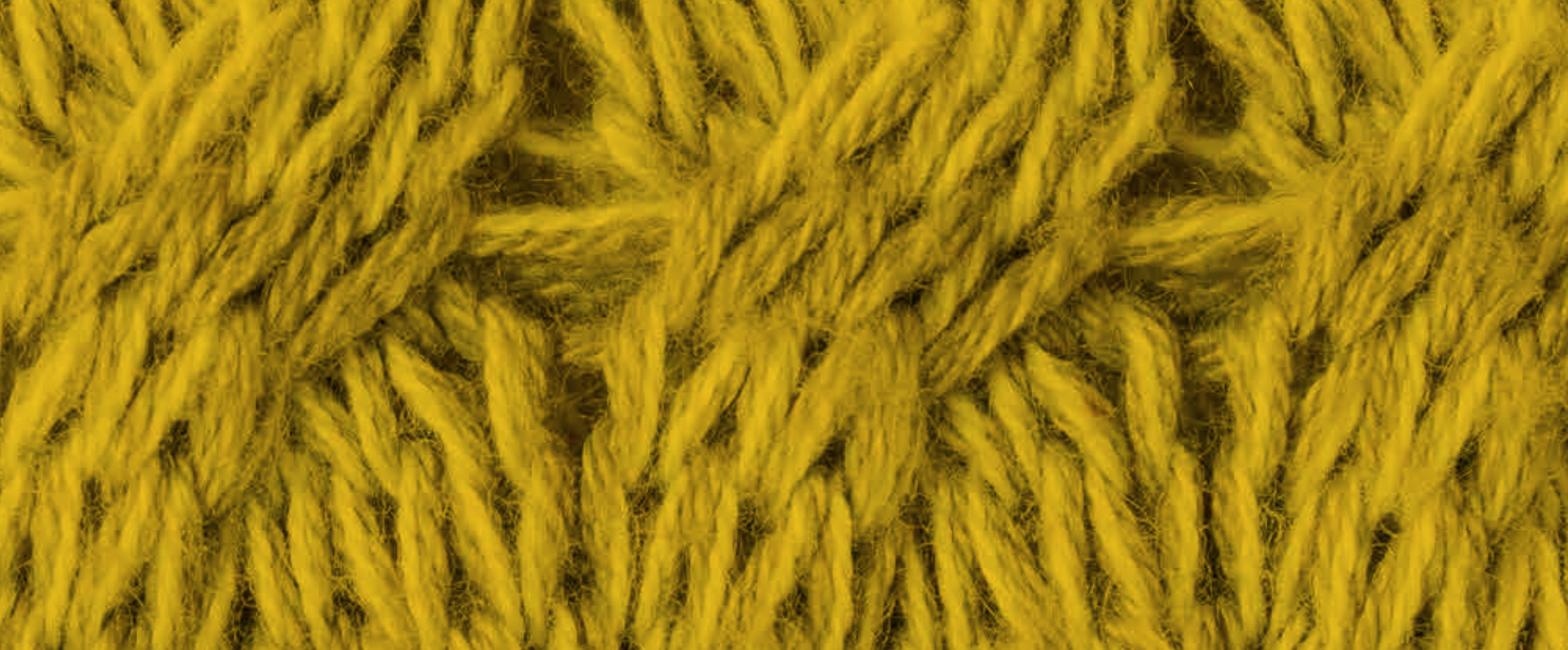


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THE PAKISTAN BUSINESS COUNCIL: AN OVERVIEW

The Pakistan Business Council (PBC) is a business policy advocacy platform, established in 2005 by 14 (now 78) of Pakistan's largest private-sector businesses and conglomerates, including multinationals. PBC businesses cover nearly all sectors of the formal economy. It is a professionally-run organization headed by a full-time chief executive officer.

The PBC is a not-for-profit entity, registered under Section 42 of the Companies Ordinance 1984. Though it is not required under the law to do so, the PBC follows to the greatest extent possible, the Code of Corporate Governance as applicable to listed companies.

The PBC is a pan-industry advocacy group. It is not a trade body nor does it advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers to allow Pakistani businesses to compete in regional and global arenas. The PBC conducts research and holds conferences and seminars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan.

The PBC works closely with relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues which impact the conduct of business in and from Pakistan. The PBC has submitted key position papers and recommendations to the government on legislation and other government policies affecting businesses. It also serves on various taskforces and committees of the Government of Pakistan as well as those of the State Bank, SECP and other regulators with the objective to provide policy assistance on new initiatives and reforms.

THE PBC'S FOUNDING OBJECTIVES

The major objectives of the PBC as stated in its founding documents are:

- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and field works for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

More information on the PBC, its members, and its workings, can be found on its website: www.pbc.org.pk

PBC MEMBER LOGOS





LOTTE



SIEMENS



ACRONYMS

BoT	Balance of Trade
CD	Custom Duty
CETP	Combined Effluent Treatment Plant/ Common Effluent Treatment Plant
CSR	Corporate Social Responsibility
DLTL	Drawback of Local Taxes and Levies
DTRE	Duty and Tax Remission for Export
EDF	Export Development Fund
EGPF	Export Growth Project Finance
EOBI	Employees Old Age Benefit Institution
EPZ	Export Processing Zone
ERF	Export Refinance Facility
ESSI	Employees Social Security Institutions
EU	European Union
FBR	Federal Board of Revenue
FDI	Foreign Direct Investment
FOB	Freight on Board/ Free on Board
FTA	Free Trade Agreement
FY	Financial Year
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GIDC	Gas Infrastructure Development Cess
GSP	Generalised Scheme of Preferences
HS	Harmonized System of tariff nomenclature
IC	International Competitiveness
IFC	International Finance Corporation
IMD	Institute of Management Development
I/O	Input / Output
ITC	International Trade Centre

JVs	Joint Ventures
kW	Kilo Watt
LC	Letter of Credit
LPI	Logistics Performance Index
LTFF	Long Term Finance Facility
LTP	Long Term Plan
MFN	Most Favoured Nation
MMBTU	Million British Thermal Unit
MMF	Man Made Fibers
PM	Prime Minister
PPP	Public Private Partnership
PSDP	Public Sector Development Programme
QC	Quality Control
RD	Regulatory Duty
R&D	Research and Development
RLNG	Re Liquefied Natural Gas
SBP	State Bank of Pakistan
SEZ	Special Economic Zone
SFDAC	Synthetic Fiber Development and Application Centre
SME	Small and Medium Enterprise
SPV	Special Purpose Vehicle
TUF	Technology Upgradation Fund
UAE	United Arab Emirates
UK	United Kingdom
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
VTI	Vocational Training Institute
WPPF	Worker Profit Participation Fund
WWF	Workers Welfare Fund

EXECUTIVE SUMMARY

Introduction

Pakistan is deindustrializing prematurely. The share of manufacturing in Pakistan's GDP decreased from a high of 14.8% in 2008 to 12.1% in 2018. Ideally, the share of manufacturing in GDP of a developing country like Pakistan should reach 28.0% to 30.0% before its contribution begins to decline. A decline in share of manufacturing after attaining the 28.0% to 30.0% of GDP contribution is an indication that the country is moving to the next level of development.

The premature deindustrialization of Pakistan is contributing to an increase in Pakistan's trade deficit. With the country deindustrializing, the share of exports in GDP have gone down from 15.2% in 2003 to 8.5% in 2018, additionally Pakistan's share in global exports has gone down from 0.16% in 2003 to 0.13% in 2017. Pakistan simply hasn't kept up with global demand for manufactured / value added products. The reasons behind Pakistan's premature deindustrialization are well documented in other PBC publications, these can be accessed on PBC's website: www.pbc.org.pk

The textile sector is a major manufacturing and export sector for Pakistan. To begin the process of reversing the premature deindustrialization of Pakistan and for increasing the contribution of manufacturing in GDP, it is important to start with a sector in which Pakistan has a global presence.

This report titled ***"A Policy Framework for Improving the Export Competitiveness of Pakistan's Knitted Apparel Sector"*** is the first in a series of studies of the value added sub-sectors of Pakistan's textile sector. This Study is part of the PBC's ***Make-in-Pakistan*** initiative, an initiative which aims to revive manufacturing in Pakistan, leading to jobs, an increase in value added exports, import substitution, initially of labor intensive products and an increase in tax collection.

This Study relies on existing secondary research supplemented with field interviews of firms in the knitted apparel industry. The Study has been authored by the research team at the Pakistan Business Council (PBC) consisting of **Samir S Amir** and **Shumaila Abbasi** in close partnership with **Dr Huma Amir** at the Institute of Business Administration (IBA), Karachi.

Analysis and Findings – Pakistan’s Economy, its Dependence on Textiles and the Global Textile Trade

A significant portion of Pakistan’s exports comprise of textiles. In 2017, textiles contributed 59.43% to Pakistan’s exports. Pakistan’s total exports of textiles in calendar 2017 amounted to \$13.0 billion

Textiles are a major contributor to the domestic economy. In 2017, textiles contributed 8.5% to the GDP, 23.0% to industrial value addition, it provided employment to 40.0% of the industrial workforce, and its share in large scale manufacturing was nearly 21.0%.

Foreign Direct Investment (FDI) in textiles is low. Though a major contributor to both exports and the domestic economy, the share of textile specific FDI was only 0.6% in 2017.

The global trade in textiles was worth \$789.6 billion in 2017. The global trade in textiles peaked at \$833.5 billion in 2014. In 2017, global trade in textiles grew by 5.1% over 2016 and was worth \$789.6 billion

Pakistan ranked as the 10th largest textile exporter in 2017. China was the largest global textile exporter in 2017 with exports of \$257.3 billion or 32.6% of the global market. The EU was the second largest exporter with exports in 2017 of \$195.0 billion or 24.7%. Pakistan at number 10 had a share of 1.7% of the global trade in textiles and exports of \$13.0 billion.

The European Union (EU) was the largest importer of textiles in 2017. The EU with imports of \$258.8 billion and a share of 36.5% was the largest global importer of textiles in 2017. The EU’s share in global textile imports was more than double that of the second largest importer – the United States of America which had imports of \$114.0 billion or 16.1% in 2017.

Apparel commands the largest share in the global textile trade. With a 57.4% share, apparel by large has the biggest share in global textiles. Cotton with an 8.0% share is a distant second followed by Arts Silk (6.0%), Knitted Fabrics (4.5%) and Yarn other than cotton (4.3%).

Apparel comprises of woven and knitted products. The trade in both woven and knitted apparel has doubled over the last fifteen years. In 2017 the global trade in woven apparel was worth \$227.0 billion and for knitted apparel it was \$225.3 billion.

Pakistan exports both woven and knitted apparel. In 2017, Pakistan exported woven garments worth \$2.5 billion along with knitted garments worth \$2.5 billion.

Knitted and woven apparel are major exports for Pakistan. In 2017, Cotton (raw, waste, yarn, thread & cloth) was the major contributor at 27.7% to Pakistan's textile exports. Knitted apparel contributed 19.4% while woven contributed a further 19.0% to Pakistan's textile group exports. Bed ware was the fourth largest export in the textile group contributing 17.3%.

The knit group comprises of a number of products. Knitted products include T-shirts, hoodies & jackets, jerseys, sports shirts, gloves, socks, etc. A knitted product is made from interlocking loops such that an edge is not formed. Further, a knitted product stretches significantly along its width and little along its length, and finally it doesn't wrinkle easily.

China dominated the export market for knitted apparel in 2017. China with exports of \$71.8 billion dominated the global market for knitted apparel. The EU was the second largest exporter with exports of \$56.4 billion. Pakistan was a distant 12th with exports of \$2.5 billion or just 1.1% of global exports of knitted apparel.

The EU was the largest importer of knitted apparel in 2017. The EU with imports of \$91.3 billion or 45.2% of global imports was the largest market for knitted apparel in 2017. The United State of America was the second largest importer with imports worth \$45.8 billion followed by Japan at number three with imports of \$12.8 billion.

Pakistan's has underperformed in exports of knitted apparel. In 2017, Pakistan's exports of \$2.5 billion were well below its regional peers: Bangladesh (\$17.7 billion), Vietnam (\$13.2 billion) and India (\$8.4 billion). In the last ten years, Pakistan's exports of knitted apparel rose by 33.0% which was significantly lower than regional peers: Bangladesh (181.0%), Vietnam (239.0%) and India (91.0%).

The top '3' global knitted apparel exports were worth \$72.3 billion in 2017. The top '3' global exports of knitted apparel in 2017 were: "*T-shirts, singlets and other vests of cotton, knitted or crocheted*" - \$27.7 billion, "*Jerseys, pullovers, cardigans, waistcoats and similar articles of man-made fibers, knitted or crocheted*" - \$23.7 billion and "*Jerseys, pullovers, cardigans, waistcoats and similar articles of cotton, knitted or crocheted*" - \$20.9 billion.

Pakistan's performance in the top '3' global export categories is dismal. Pakistan's share in the top '3' knitted apparel categories was below par. In "*T-shirts, singlets and other vests of cotton, knitted or crocheted*" Pakistan's market share was 0.7%, in "*Jerseys, pullovers, cardigans, waistcoats and similar articles of man-made fibers, knitted or crocheted*" Pakistan's share was 0.01%, and in "*Jerseys, pullovers, cardigans, waistcoats and similar articles of cotton, knitted or crocheted*" Pakistan's market share was a mere 0.2%.

In the top '20' globally traded knitted apparel products, Pakistan has a significant presence in only one category. In the top '20' products, it is only in "*Full-length, or knee-length stockings, socks and other hosiery*" that Pakistan has any presence, here also it is number five.

China dominates the market for the top '20' items. China is the top exporter for '18' of the '20' top items, for the remaining '2', Bangladesh is the leading exporter. Vietnam is one of the top '3' exporter in ten of the top '20' items.

Knitted apparel made from man-made fibers is an important component of global trade. Eight of the top '20' globally traded knitted apparel products are made from man-made fibers. World exports of these eight items was worth \$52.5 billion in 2017.

Pakistan has negligible exports of knitted apparel made from man-made fibers. In the top '8' items of knitted apparel made from man-made fibers, Pakistan's share is less than 1.0% for each of these items.

China dominates the world market for items in which it has developed competitiveness. Total value of China's top '20' knitted apparel exports in 2017 was \$52.5 billion. China was the leading exporter in '16' of its top twenty knitted apparel exports. Nine of the top '20' exports were for apparel made from man-made fibers. Ten of the top '20' Chinese exports were also Pakistan's top exported items, Chinese exports for these common ten items was \$27.0 billion which were higher than Pakistan's total exports.

India is moving towards exports of knitted apparel made from man-made fiber. The total value of India's top '20' knitted apparel products was \$6.4 billion in 2017. India in the past five years appears to be concentrating on the market for knitted apparel made from man-made fibers.

Vietnam's top '20' knitted apparel exports contributed \$10.7 billion in 2017. Eleven of the top '20' items were knitted items made from man-made fiber, their contribution was \$5.2 billion. The corresponding exports from Pakistan for these 11 items was \$66.00 million. Among the top '20' items, the only item with a negative CAGR was *"T-Shirts, singlets and other vests of cotton, knitted or crocheted"*

Bangladesh's top knitted export is cotton T-Shirts. The top knitted export from Bangladesh in 2017 was *"T-shirts, singlets and other vests of cotton, knitted or crocheted"* valued at \$5.3 billion. In the top '20' exports of knitted apparel, five are articles made from man-made fibers indicating that Bangladesh is working to reduce its dependence on cotton.

Analysis and Findings – Pakistan's Knitted Apparel Sector ■

Knitted apparel exports suffer from market concentration. Out of the \$2.5 billion worth of knitted apparel exports, nearly 90% went to two markets; the EU (52.9%) and the USA (35.8%), the third largest destination was the UAE (1.9%). Pakistan is mostly absent from other major markets such as Japan, China, Canada, Russia, etc.

Knitted apparel exports also suffer from product concentration. The top '10' products contribute 67.0% to exports of knitted apparel. Pakistan's top export in 2017 was *"Shirts; men's or boys', of textile materials (other than cotton or man-made fibers), knitted or crocheted"* worth \$310.7 million. The next significant export is for *"Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted ..."* valued at \$199.9 million.

Various textile policies and incentives have failed to increase exports. The Government of Pakistan announced a number of textile policies and sector specific incentives in the past 30 years to boost textile exports. All policies were well formulated with input from major stakeholders, the weakness appears to have been in the implementation phase as very few incentives announced actually materialized.

For Pakistani exporters, the availability, price and quality of cotton is a major issue. Even though Pakistan is the fifth largest cotton producer in the world, its production has fallen by 18.1% in the last five years. In addition to the reduced availability of cotton, outdated agricultural practices have resulted in contamination of cotton which limits its use. Moreover, Pakistan mostly produces medium staple cotton which is more suited to denim and home textiles.

Spinners are incentivized to export yarn to the detriment of knitted apparel exporters. Spinners get a rebate when they export yarn, in addition spinners also get export refinance at lower rates which helps them fund their inventory. These incentives to spinners work against exporters in the value added sectors of the textile chain.

There are restrictions on the import of cotton & cotton yarn. Though Pakistani apparel exporters are competing in global markets, they don't have access to cotton and yarn at global prices. At the time of finalization of this report, cotton had a customs duty of 3.0% while cotton yarn was subjected to customs duty of 11.0% and regulatory duty of 10.0%.

The cost of doing business in Pakistan is significantly higher than in competitor countries. The cost of major inputs like, electricity, gas and labor are much higher in Pakistan than in competitor countries. Pakistan's gas rate is 19.9% higher than that of India, and 74.8% higher than that available outside of Economic Processing Zones in Bangladesh.

There is a shortage of skilled labor. Industry suffers from the lack of availability of skilled labor. Most training is on-job which restricts development of a broader skillset. Low skill levels are also impacting productivity and quality. This is preventing Pakistan from moving into the more lucrative segments of the market.

Duty and Tax Remission for Export (DTRE) rules needs to be simplified. Under DTRE, exporters are allowed temporary duty-free imports of inputs including machinery. However, the rules for allowing DTRE imports and its monitoring are complex and hence open to abuse by government functionaries. This has restricted the use of DTRE especially by medium sized exporters.

Policy on man-made fibers is a major hurdle. Price and availability of man-made fibers and yarn is a major obstacle to Pakistan's entry into the market for knitted apparel made from man-made fiber. In addition, exporters face problems in getting blended yarn locally due to restricted availability of polyester fiber. China, India and other Southeast Asian countries produce more than 80% of the world's polyester and are also prominent exporters of apparel made from man-made fibers. In addition, Vietnam and Bangladesh import MMF to produce synthetic apparel for export.

Interacting with lower level government functionaries is a major hassle for entrepreneurs. Government oversight is meant to safeguard the interests of all stakeholders including labor. Unfortunately, in Pakistan, outdated laws and inspection processes consume a considerable amount of the entrepreneur and his managerial staffs time. Most larger companies which

supply to global brands have robust compliance requirements in place, for government functionaries to visit them repeatedly and insist on physical audits each time is counterproductive.

Industry suffers from a lack of innovation and low spend on R&D. Since Pakistan is not a major hub for the manufacture of knitted apparel, especially fashion apparel, most of the production is for the mass, price conscious market. For local firms, R&D mostly comprises of developing counter-samples for products made in other countries. The smaller size of orders which come to Pakistan also plays a part in this lack of innovation and R&D.

Security issues hamper close buyer-supplier relationships. Security concerns are a major impediment to the development of close buyer-supplier relations. Travel advisory issued by major western governments also acts as a disincentive for buyers to travel to Pakistan.

Technology & machinery employed is mostly outdated and inefficient. Industry players freely admit that the technology used and the machinery and processes used are mostly outdated and inefficient as per global standards. Lack of government support for upgradation, small production runs and smaller sized units have all contributed to Pakistan's industry falling behind its regional peers.

Industrial infrastructure is missing. Units which want to expand are faced with acute shortage of industrial land with requisite infrastructure. China, Vietnam and even Bangladesh in an effort to promote their apparel industry provide space in a "plug & play mode", Bangladesh has got a number of economic zones where entrepreneurs can setup shop and start production in a very short time period.

Ancillary industry is by and large absent in Pakistan. Ancillary industry which provides accessories for garments such as zips, buttons, thread, labels, garment tags, packing material, etc., is by and large underdeveloped in Pakistan. Arranging accessories as per standards of buyers is thus time consuming and expensive for Pakistani garment manufacturers. This increases lead times and effectively restricts opportunities for Pakistan in the fast-fashion market.

Recommendations

There has to be a fundamental shift in the thinking of policy makers in Pakistan. The focus has to change from cotton to apparel, only once this happens can Pakistan leverage its strengths to become a major player in the global apparel market.

Government policies should prioritize the growing of cotton. The acreage under the cotton crop has declined over the years. This is primarily due to support prices offered to wheat and sugarcane growers. The support price for both wheat and sugarcane is higher than international prices leading to a buildup of surpluses which can only be exported if the government provides subsidies. The government needs to reassess food security requirements and set realistic support prices for wheat and sugarcane.

Emphasis needs to be on improving crop yields and better farm management techniques. Pakistan's cotton yield per acre is well below global best, it is just 42% of global best which is France. Nearer home, China grows 30% of the world's cotton on just 15% of the global acreage used for growing cotton. In addition to the use of better seed; better on-farm management, harvesting and post harvesting techniques are required to reduce contamination. It has been estimated that each 1 million bales of cotton if converted into apparel leads to additional exports of \$1.0 billion! Increasing the size of the cotton crop is therefore imperative if Pakistan hopes to reduce its trade deficit.

Garment clusters should be developed near major population centers. Apparel manufacturing is labor intensive; garment clusters therefore need to be developed near areas of population density. In addition, good air, rail, sea and road connectivity are important for setting-up of successful garment clusters.

Government should fund technology upgradation through incentives. To be able to compete in global markets, there is a need for Pakistani companies to upgrade both technology and processes. Upgradation should be funded through either tax incentives or lower rates of markup for capital investments.

100% FDI and Joint-Ventures need to be promoted. Government will need to come up with a comprehensive strategy to attract either 100% FDI or JVs in the knitted apparel sector. Pakistan will need to make major changes in laws which govern not only investments but the manner in which business is done in this country. Company law, bankruptcy law, intellectual property laws, land ownership laws, labor laws, customs laws, banking laws, among others, will all need to be massively overhauled to make Pakistan an attractive FDI & JV destination. At the moment Pakistan is NOT an attractive alternate for FDI or JVs unless the FDI and JVs are chasing the local demographic dividend.

Exporters should be allowed to use balance of the WPPF & the WWF for skill upgradation. Exporters pay Worker Profit Participation Fund (WPPF) and Workers Welfare Fund (WWF) for which they see no tangible benefits accruing either to their workers or to their firms. It is recommended that companies be allowed to use a portion of the left over amount after distribution of WPPF for skill development and CSR in vicinities of their factories.

Government levies like EOBI & ESSI should be deducted as a percentage of remittances. Dealing with inspectors from the Employees Old Age Benefit Institution (EOBI) and Employees Social Security Institutions (ESSI) is especially draining for entrepreneurs and a big impediment to expansion of the SME sector. Medium and large exporters who supply global brands are already audited by international inspectors some with standards far more stringent than local laws. EOBI & ESSI contributions should be deducted at source as a nominal percentage for medium and large enterprises who supply to global brands and who have valid compliance certificates.

DTRE rules need to be simplified and exporters allowed to file requests for imports and compliance reports online. DTRE rules are complicated and difficult to comply with especially for medium sized companies. Most of the medium sized units reported the use of gray channels as it saved them the hassle of applying and then complying with DTRE rules. Exporters should be allowed to file requests online and these should be promptly processed by the Customs. Input / Output (I/O) ratios which are used to calculate consumption should be agreed with trade associations and audits only conducted if these are in variance with agreed ratios.

Local sales by spinning mills to garment exporters should be treated as exports for purpose of availing incentives.

Spinning units when they sell yarn to garment exporters should be allowed the same incentives as available to them when they export yarn. Incentives among others should include duty-draw backs and subsidized export refinance.

Garment exporters should be allowed to open back-to-back LCs for domestic purchases to help finance firms in their value chains. Garment exporters in possession of confirmed Letters of Credit from their buyers should be allowed to open back-to-back LCs for local purchases. Local suppliers in possession of these LCs should be allowed to borrow against the export refinance rate applicable.

Common Research & Innovation Centers funded from the Export Development Fund (EDF) should be setup. Common Research & Innovation Centers need to be setup in the Public Private Partnership (PPP) mode. These centers should act as repositories for knowledge in the sector in particular and textiles in general.

Induction of skilled expatriate manpower should be encouraged. Government should encourage employment of skilled expatriate manpower by local firms. Skills are required not only in manufacturing but also in management, merchandising, marketing, design, compliance etc. Work visas should be processed on an urgent basis and all remuneration paid to expatriate manpower should be tax free and in foreign currency with no restrictions on remittance.

A realistic revisit of the labor laws is needed. Labor laws, some of which are nearly 100 years old, need to be revisited keeping regional and global practices in perspective.

Inputs like power and gas should be brought down to regional levels. While the government works to change the overall energy mix with the objective of reducing cost, it should in the interim period provide relief in the form of reduced rates for the textile sector.

All government export rebates should be automatically credited into the exporters account once remittance is received. The government should have a revolving fund with the State Bank of Pakistan to allow for immediate settlement of export rebates.

Foreign suppliers of cotton, cotton yarn, polyester fiber, polyester yarn, mixed yarn, accessories etc., should be allowed to setup bonded warehouses from which they can sell to apparel exporters. Large bonded warehouses should be constructed to allow foreign suppliers to stock cotton, cotton yarn, man-made fibers and yarn for sale to exporters. This will reduce both uncertainty and delivery times for exporters.

Government should provide special incentives like subsidized airfares, hotel stays, local travel, insurance coverage for designers, foreign merchandizers, quality control staff to visit Pakistan. To overcome security concerns, government should provide incentives for buyers, merchandizers, QC staff etc., to visit and work for extended time periods in Pakistan.

The development of ancillary industry needs to be promoted. Large global suppliers of accessories should be encouraged to begin production in Pakistan. This will reduce not only the cost but also lead times for exporters.

CHAPTER 1

PAKISTAN'S ECONOMY, ITS DEPENDENCE ON TEXTILES AND THE GLOBAL TEXTILE TRADE





PAKISTAN'S TRADE BALANCE IN TEXTILES

The following Figure shows Pakistan's trade balance with the world in textiles between 2003-2017. Pakistan's exports of textiles have always been higher than its imports. However, it can be seen that over the past 15 years imports of textiles have grown by 378.38% against an increase in exports of 56.63%. In 2017, Pakistan's textile exports stood at \$13.00 billion while imports amounted to \$3.54 billion, leading to a surplus of \$9.46 billion.

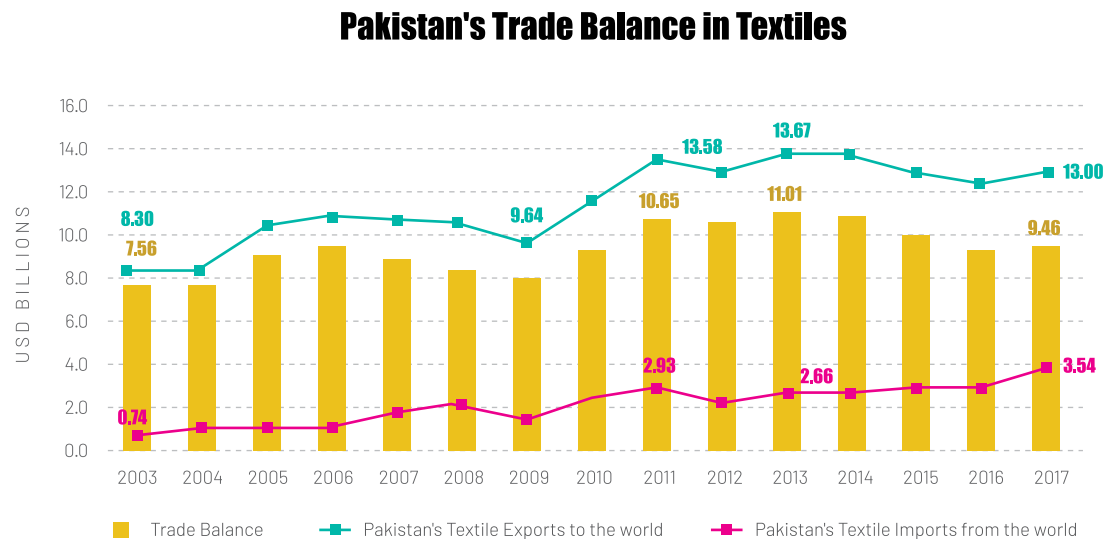


Figure 1 Pakistan's Trade Balance in Textiles, Source: ITC Trade Map

SHARE IN TOTAL EXPORTS

A significant portion of Pakistan's exports comprises of textiles, indicating the sector's significance for Pakistan.

Share in Total Exports, 2017

Composition of Textile Exports



Composition of Other Exports



Figure 2a Share in Total Exports, 2017

Pakistan's Overall Exports & Textile Exports (2003-2017)



Figure 2b Pakistan's Overall Exports & Textile Exports (2003-2017)

CONTRIBUTION OF TEXTILES TO THE NATIONAL ECONOMY

Other than generating exports, the textile industry is a major contributor to the national economy. It provides employment to 40.00% of the labor force and has a share of 8.50% in the GDP¹. Share in industrial value addition is 23.00%. However, FDI contribution is low at 0.57%².

Contribution to National Economy	Percentage(%)
Share in GDP	8.50
Share in industrial value added	23.00
Share in industrial employment	40.00
Share in large scale manufacturing	21.00
Share in FDI	0.57

Table 1 Contribution to National Economy

¹ <https://www.thenews.com.pk/print/326564-pakistan-loses-textile-export-share-from-2-2pc-to-1-7pc>

² State Bank of Pakistan

FOREIGN DIRECT INVESTMENT (FDI) IN TEXTILES

A fifteen-year review shows that Foreign Direct Investment (FDI) in textiles has always been low in Pakistan, never crossing the 5.00% mark. In 2017, net FDI inflows in textiles were a mere \$15.53 million and represented 0.57% of total FDI.

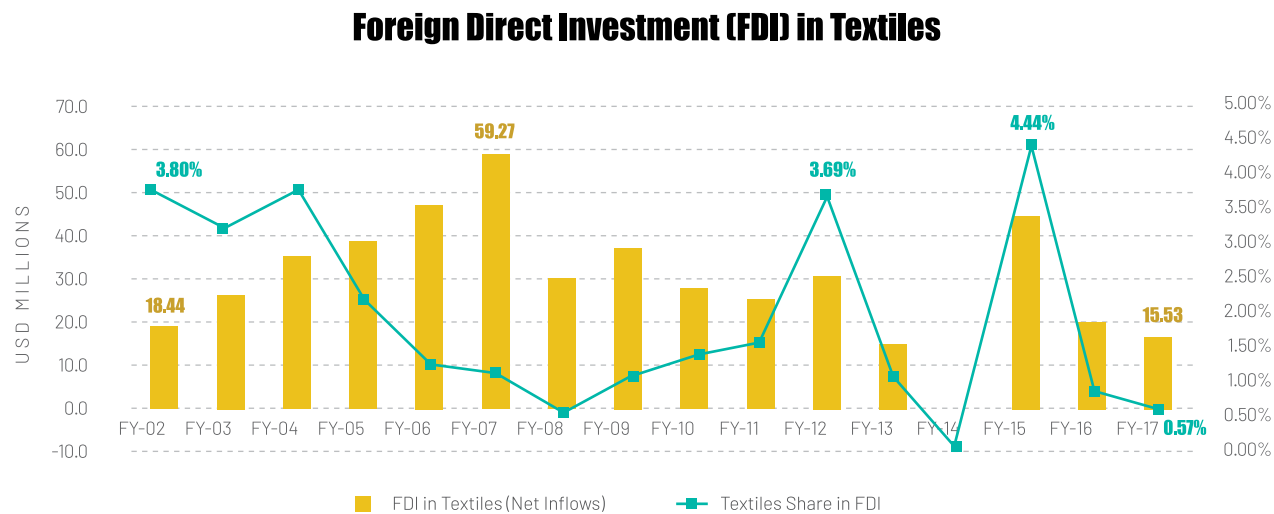


Figure 2c Foreign Direct Investment (FDI) in Textiles Source: State Bank of Pakistan

USD Million	
Year	FDI in Textiles
FY02	18.44
FY17	15.53
15-year Growth Rate	-15.78%

Table 2 Foreign Direct Investment (FDI) in Textiles

OVERVIEW OF GLOBAL TRADE IN TEXTILES

The following Figure shows global supply of textiles over the past fifteen-years. Between 2003-08, world exports of textiles followed an upward trend reaching \$650.20 billion in 2008, up from \$429.55 billion in 2003. Exports in 2009 fell to \$559.49 billion primarily due to the global economic crisis of 2008. In subsequent years, exports increased to \$644.25 billion in 2010 and peaked at \$833.47 billion in 2014. Global supply of textiles was \$789.63 billion in 2017.



Figure 3 Global Supply of Textile, Source: ITC Trade Map

Top Textile Exporters in the world

The following Table lists the top 15 exporters of textiles in 2017. China was the top global textile exporter with a market share of 32.59% followed by the EU³ at 24.69%. Other top exporters included India, Bangladesh and Vietnam, who each contributed 4.71%, 4.62% and 4.33% respectively to global textile exports. Pakistan ranked tenth in the list with exports of \$13.00 billion and a market share of 1.65%, this incidentally was less than half that of its immediate competitors, India, Bangladesh and Vietnam.

Top 15 Textile Exporters in the world 2017

	Exporters	USD Bn	Share
	World	789.63	
1	China	257.32	32.59%
2	European Union	194.98	24.69%
3	India	37.19	4.71%
4	Bangladesh	36.49	4.62%
5	Vietnam	34.16	4.33%
6	Turkey	26.83	3.40%
7	United States of America	25.89	3.28%
8	Hong Kong(China)	21.31	2.70%
9	Republic of Korea	13.27	1.68%
10	Pakistan	13.00	1.65%
11	Indonesia	12.54	1.59%
12	Cambodia	11.39	1.44%
13	Taipei, Chinese	10.09	1.28%
14	Japan	7.56	0.96%
15	Thailand	6.80	0.86%

Table 3 Top 15 Textile Exporters in the world 2017 Source ITC TradeMap

³ The contributors to EU exports included: Germany (4.53%) Italy (4.29%) Spain (2.35%) France (2.00%) Belgium (1.90%) Netherlands (1.69%) UK (1.54%) Poland (1.00%) Portugal (0.75%) Austria (0.71%)

Top Textile Importers in the world

In 2017, EU was the largest importer of textiles in the world with total imports of \$258.84 billion, and a market share of 36.54%. USA and Japan were the second and third largest importers, accounting for 16.10% and 4.95% of global textile imports respectively. In addition to being top exporters, China and Vietnam were also among the top 15 importers of textiles. In 2017, China and Vietnam's imports of textiles were \$31.10 billion and \$24.34 billion, respectively.

Top 15 Textile Importers in the world 2017

	Importers	USD Bn	Share
	World	708.44⁴	
1	European Union	258.84	36.54%
2	United States of America	114.08	16.10%
3	Japan	35.06	4.95%
4	China	31.10	4.39%
5	Vietnam	24.34	3.44%
6	Hong Kong (China)	18.81	2.65%
7	Korea, Republic of	14.47	2.04%
8	Canada	13.86	1.96%
9	Turkey	11.83	1.67%
10	Bangladesh	11.40	1.61%
11	Mexico	10.22	1.44%
12	Russian Federation	10.18	1.44%
13	Australia	9.02	1.27%
14	Indonesia	8.22	1.16%
15	Switzerland	8.20	1.16%

Table 4 Top 15 Textile Importers in the world 2017 Source: ITC TradeMap

⁴ Figure for exports and imports of textiles does not match due to discrepancy in reported data by the countries.

Composition of World Textile Exports

Textiles is not limited to just cotton and fabrics but comprises of a variety of products such as yarn, apparel, carpets, silk, and synthetic textiles. The Figure below shows different types of textile products that the world exported in 2017 and their respective shares in total textile exports. As evident from the Figure below, apparel was the leading exported textile category, with a share of 57.43%. Other important items were cotton, art silk & synthetic textile, fabrics and yarn.

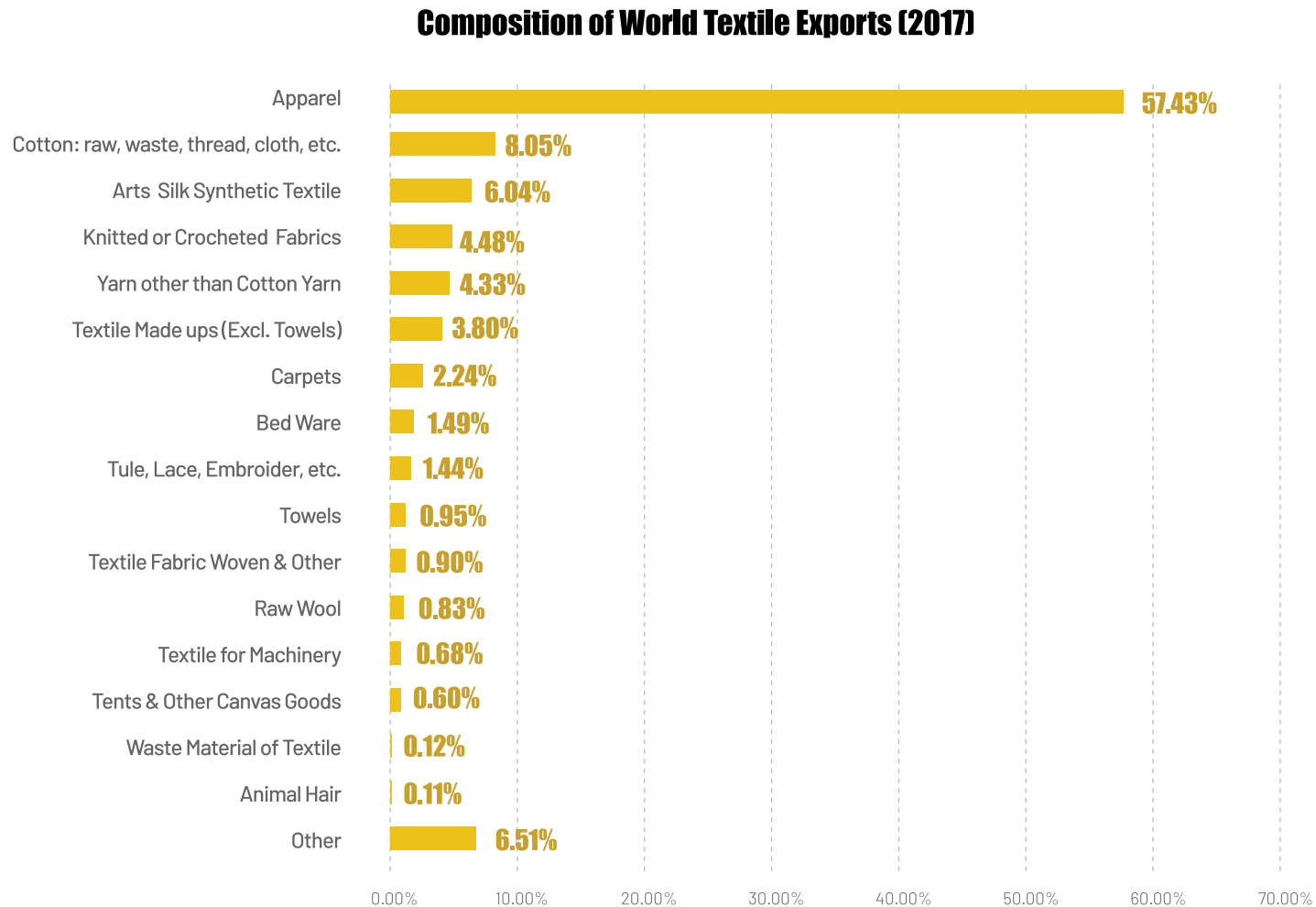


Table 5 Composition of World Textile Exports (2017) Source: ITC TradeMap for export Figures & TDAP for HS code classification of textile goods

The Global Apparel Market

Apparel exports comprise of two types of products: woven and knitted. The figures below show that exports in both categories have increased, signifying the growing importance of the apparel trade. Over the last fifteen years, exports of knitted and woven apparel have almost doubled. Pakistan's exports have also followed a similar trend. Woven apparel exports from Pakistan grew from \$1.05 billion in 2003 to \$2.47 billion in 2017, while knitted apparel exports grew from \$1.30 billion in 2003 to \$2.52 billion in 2017. However, in spite of this growth, Pakistan's market share in global exports is a meagre 1.08% in woven apparel and 1.11% in knitted apparel.

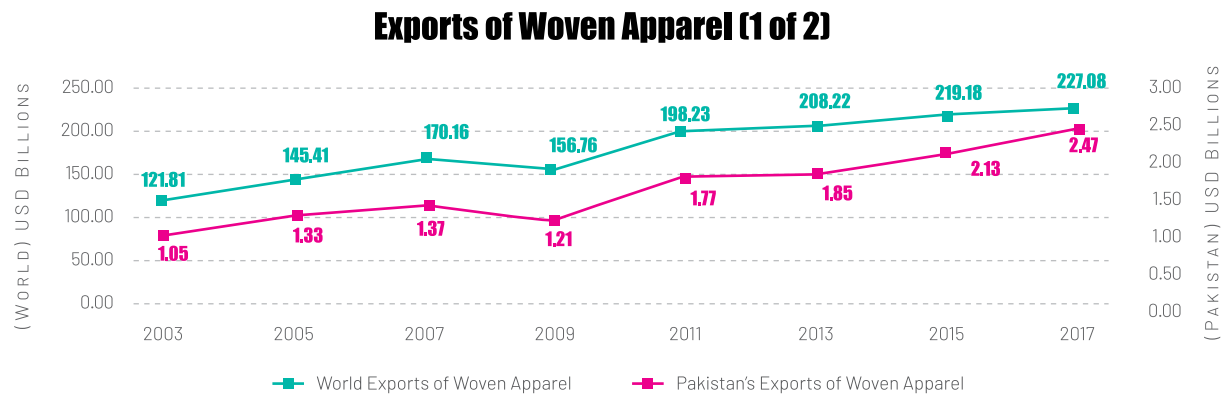


Figure 4 Exports of Woven Apparel, Source ITC TradeMap



Figure 5 Exports of Knitted Apparel, Source ITC TradeMap

Apparel is an important product category in Pakistan's exports. The Table below shows composition of Pakistan's textile exports in 2017. The Table shows that knitted apparel is the most important item in the value-added segment with a contribution of 19.35% followed by woven apparel at 18.96%.

Composition of Pakistan's Textile Exports (2017)

Cotton: raw, waste, yarn, thread & cloth, etc.	27.71%
Knitted Apparel	19.35%
Woven apparel	18.96%
Bed ware	17.34%
Towels	6.34%
Textile made ups (excl. Towels)	5.16%
Arts silk synthetic textile	1.99%
Tents & other canvas goods	0.89%
Carpets	0.59%
YARN (excl. Cotton yarn)	0.21%
Knitted or crocheted fabrics	0.18%
Waste material of textile	0.13%
Tule, lace, embroidery, etc.	0.12%
Textile fabrics woven & other	0.03%
Animal hair	0.03%
Textile for machinery	0.01%
Raw wool	0.01%
Others	0.95%

Table 6 Composition of Pakistan's Textile Exports (2017) Source: ITC TradeMap for export Figures and TDAP for HS code product classification





CHAPTER 2

GLOBAL KNITTED APPAREL INDUSTRY





WHAT IS KNITWEAR?

Knitted products include T-shirts, hoodies and jackets, jerseys, sports shirts, gloves, socks, etc. They are widely used because of the softness of the fabric and their durability. There are some features that distinguish a knitted product from other products such as a woven product. Firstly, thread of a knitted garment is in interlocking loops such that an edge is not formed⁵. Secondly, a knitted product stretches significantly along its width and little along its length and finally, it doesn't wrinkle easily⁶.

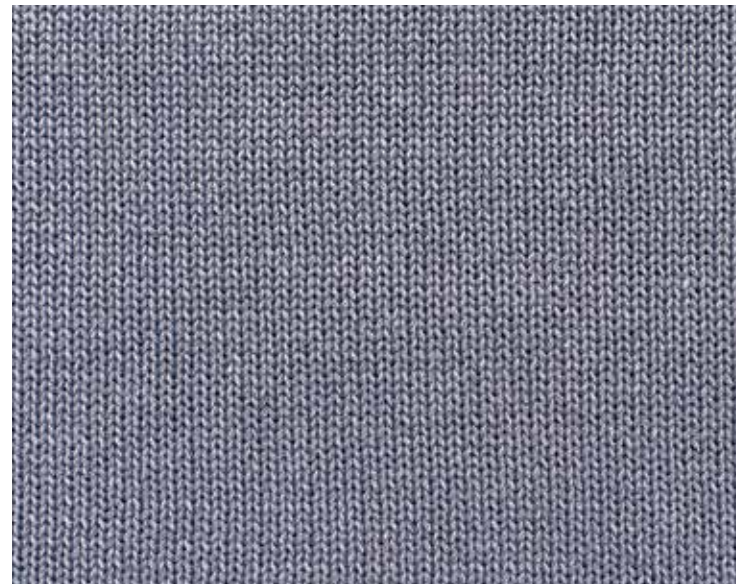


Figure 6 Knitwear, Source Shutterstock

⁵ <https://makersrow.com/blog/2016/10/knits-vs-wovens-what-it-means-for-your-garments/#>

⁶ <https://www.threadsmagazine.com/2009/01/05/knits-wovens-whats-the-difference>

TOP EXPORTERS OF KNITTED APPAREL IN THE WORLD

China dominated the world market for knitted apparel in 2017 by exporting \$71.82 billion in this category and capturing a share of 31.82%. EU⁷ ranked second with a market share of 24.98%. Other notable suppliers were Bangladesh (share 7.83%), Vietnam (share 5.85%), Turkey (share 3.92%), and India (share 3.70%). Although Pakistan was one of the top 15 suppliers of knitted apparel in 2017, its contribution of 1.11% was the lowest amongst its immediate competitors.

Top 15 Exporters of Knitted Apparel in the world

	Exporters	USD Bn	Share
	World	225.74	
1	China	71.82	31.82%
2	European Union	56.39	24.98%
3	Bangladesh	17.67	7.83%
4	Vietnam	13.21	5.85%
5	Turkey	8.85	3.92%
6	India	8.35	3.70%
7	Cambodia	7.73	3.42%
8	Hong Kong (China)	7.09	3.14%
9	Indonesia	3.74	1.65%
10	Sri Lanka	2.73	1.21%
11	United States of America	2.68	1.19%
12	Pakistan	2.52	1.11%
13	El Salvador	1.90	0.84%
14	Thailand	1.61	0.72%
15	Mexico	1.60	0.71%

Table 7 Top 15 Exporters of Knitted Apparel in the world, Source ITC TradeMap

⁷ The Top 10 EU contributors were Germany (4.40%) Italy (3.90%) Spain (2.40%) Belgium (2.40%) France (2.10%) Netherlands (2.00%) UK (1.60%) Portugal (1.10%) Poland (1.00%) Denmark (0.80%)

TOP IMPORTERS OF KNITTED APPAREL IN THE WORLD

Imports of knitted apparel totaled \$201.96 billion in 2017 with the EU accounting for more than 40.00% of global share⁸. Other important destinations were the USA, Japan and Hong Kong (China) which imported \$45.77 billion, \$12.81 billion and \$5.97 billion worth of knitted apparel respectively.

Top 15 Importers of Knitted Apparel in the world

	Importers	USD Bn	Share
	World	201.96	
1	European Union	91.28	45.19%
2	United States of America	45.77	22.67%
3	Japan	12.81	6.34%
4	Hong Kong (China)	5.97	2.96%
5	Canada	4.86	2.40%
6	Russian Federation	3.18	1.58%
7	Republic of Korea	3.12	1.55%
8	Australia	3.09	1.53%
9	China	2.80	1.39%
10	United Arab Emirates	2.77	1.37%
11	Switzerland	2.71	1.34%
12	Sweden	1.99	0.98%
13	Mexico	1.77	0.87%
14	Czech Republic	1.52	0.75%
15	Saudi Arabia	1.45	0.72%

Table 8 Top 15 Importers of Knitted Apparel in the world, Source ITC TradeMap

⁸ Figure for exports and imports of knitted apparel does not match due to discrepancy in reported data by the countries.

PAKISTAN'S PERFORMANCE IN EXPORTS OF KNITTED APPAREL

Pakistan lags behind its regional peers, India, Bangladesh and Vietnam in exports of knitted apparel, and over the years this gap has widened⁹. The Table below shows that Pakistan had the lowest 10-year growth rate in knitted apparel exports at 33.00% compared to Bangladesh's 181.00%, Vietnam's 239.00% and India's 91.00%.

Comparison of Knitted Apparel Exports

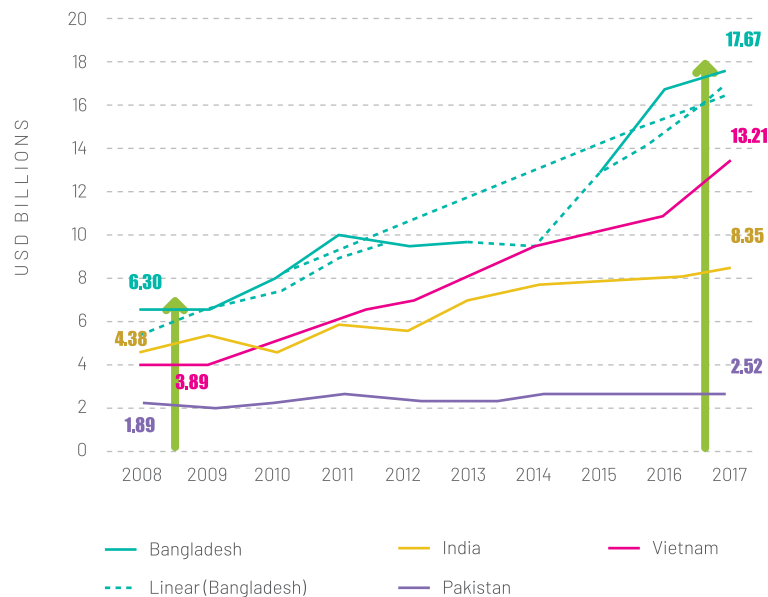


Figure 7 Comparison of Knitted Apparel Exports, Source ITC TradeMap

Growth Rates of Knitted Apparel Exports

	2008 \$ Bn	2017 \$ Bn	10-year Growth Rate
Bangladesh	6.30	17.67	181.00%
Vietnam	3.89	13.21	239.00%
India	4.38	8.35	91.00%
Pakistan	1.89	2.52	33.00%

Table 9 Growth Rates of Knitted Apparel Exports

⁹ Line of Best Fit has been used for Bangladesh due to unreported data for the year 2014.

TOP '20' WORLDWIDE EXPORTS OF KNITTED APPAREL

The following Table shows the top 20 knitted apparel products exported in the world in 2017. It also compares Pakistan's market share and ranking with that of the top suppliers for each of the products listed.

Key Findings

- In 2017, the top three exports of knitwear in the world were “*T-shirts, singlets and other vests of cotton, knitted or crocheted*” (\$27.66 Billion), “*Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibers, knitted or crocheted*” (\$23.66 Billion) and “*Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted*” (\$20.88 Billion).
- Pakistan's global share was a meagre 0.70% in “*T-shirts, singlets and other vests of cotton, knitted or crocheted*”, 0.01% in “*Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibers, knitted or crocheted*” and 0.20% in “*Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted*”
- Pakistan's market share in the top 20 exported goods is negligible except for “*Full-length or knee-length stockings, socks and other hosiery*” in which it was the fifth largest exporter in the world in 2017.
- China is one of the top 3 exporters for all products in the following table, Vietnam was one of the top three exporters for 10 out of the twenty products listed, Bangladesh was for nine, and India was for three.
- Eight out of the twenty products listed were made from man-made fibers. World exports of these items totaled \$52.48 billion in 2017. Pakistan's share in global exports of each of these items was less than 1.00%, China, on the other hand, ranked first in all eight of these items.
- China was the top supplier for 18 of the top 20 exports of knitted apparel in the world. Bangladesh was the leading exporter for the remaining 2.

Top 20 Worldwide Exports of Knitted Apparel at HS 6-digit Level

*All values in USD Billion

Product code	Product Description	2013	2014	2015	2016	2017	Top Exporters	Top Importers	Pakistan's Share & Rank	Pakistan's Top Destinations
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	27.82	29.22	28.38	27.55	27.66	Bangladesh 19.10%, China 14.40%, India 6.20%,	USA, 15.80% Germany, 10.70% UK 6.80%	Share: 0.70% Rank 27th	USA, 45.80%, UK 15.20% Germany 10.60%
'611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibers, knitted or crocheted (excluding wadded waistcoats)	19.88	23.15	20.73	21.50	23.66	China 40.50%, Bangladesh 9.10%, Vietnam 7.00%,	USA, 27.30% Japan 10.80% Germany 9.30%	Share: 0.01% Rank 74th	USA 62.20% Germany 9.60% Belgium 6.00%
'611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)	20.05	21.41	18.08	18.46	20.88	China 27.90%, Bangladesh 11.80%, Vietnam 8.30%,	USA 32.40%, Germany 9.30%, UK 5.50%,	Share: 0.20% Rank 35th	USA 25.20% UK 17.50% Germany 13.00%
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	14.60	16.85	16.04	16.15	16.24	China 25.80%, Turkey 7.50%, India 6.10%, Germany 5.30%,	USA 14.10% Germany 11.70% Japan 7.80%	Share: 0.70% Rank 27th	USA 59.80% UK 10.90% Germany 6.60%
'610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)	8.11	7.41	6.30	6.42	7.20	China 33.20%, Bangladesh 14.60%, Vietnam 8.30%	USA 24.10% Germany 11.30% UK 6.90%	Share: 0.40% Rank 21st	USA 28.90% Germany 16.30% Spain 13.00%
'610463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibers, knitted or crocheted (excluding panties and swimwear)	5.30	5.66	5.80	5.89	7.06	China 38.50%, Vietnam 13.00%, Cambodia 7.50%,	USA 28.60% Germany 9.70% Japan 7.40%	Share: 0.00% Rank 61st	UK 28.80% USA 23.30% Germany 20.80%

Top 20 Worldwide Exports of Knitted Apparel at HS 6-digit Level

*All values in USD Billion

Product code	Product Description	2013	2014	2015	2016	2017	Top Exporters	Top Importers	Pakistan's Share & Rank	Pakistan's Top Destinations
'611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	5.09	5.93	5.17	5.78	6.24	China 30.10%, Bangladesh 12.60%, India 10.10%,	USA 25.30% UK 7.70% France 7.20%	Share: 0.30% Rank 30	Spain 39.00% Netherlands 15.10% Belgium 11.50%
'610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	6.06	6.05	5.18	5.07	5.62	Bangladesh 16.90%, China 10.60%, Vietnam 9.70%,	USA 21.10% Germany 9.30% UK 7.30%	Share 3.00% Rank 11	USA 46.60% UK 19.00% Spain 8.50%
'611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	4.92	5.12	4.80	4.77	5.32	China 44.50%, Turkey 11.80%, Netherlands 6.60%,	USA 14.30% Germany 12.10% UK 8.40%	Share 3.80% Rank 5	USA 26.50% Netherland 23.70% Belgium 11.20%
'610443	Women's or girls' dresses of synthetic fibers, knitted or crocheted (excluding petticoats)	4.31	4.60	4.53	4.51	4.71	China 36.50%, Vietnam 9.00%, Germany 6.20%,	USA 29.70% Germany 8.50% UK 6.90%	Share 0.00% Rank 77	USA 82.20% UK 16.40% New Zealand 0.90%
'610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)	4.82	3.84	3.70	3.81	4.16	China 42.30%, Bangladesh 8.30%, Belgium 6.00%,	USA 19.60% UK 7.10% Spain 5.20%	Share 1.10% Rank 17	Spain 27.80% USA 17.20% UK 14.80%

*All values in USD Billion

Product code	Product Description	2013	2014	2015	2016	2017	Top Exporters	Top Importers	Pakistan's Share & Rank	Pakistan's Top Destinations
'611011	Jerseys, pullovers, cardigans, waistcoats and similar articles, of wool, knitted or crocheted (excluding wadded waistcoats)	4.12	4.46	4.05	3.93	4.09	China 25.50%, Italy 16.60%, Hong Kong, China 14.70%,	Japan 10.90% Hong Kong, China, 10.20% USA 9.50%	Share 0.00% Rank 85	Germany 59.50% USA 19.00% UK 15.20%
'610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	3.70	3.91	3.82	3.98	4.01	China 30.80, Bangladesh 9.50%, Vietnam 8.40%,	USA 23.50% Germany 8.90% UK 6.50%	Share 1.20% Rank 15	Netherlands 76.10% USA 15.80% Germany 1.60%
'611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of synthetic fibers, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	3.76	3.94	3.82	3.51	3.84	China 65.30%, El Salvador 3.30%, Turkey 3.30%	USA 37.60% Japan 14.10% Germany 4.90%	Share 0.90% Rank 13	USA 74.70% Belgium 5.90% Australia 2.60%
'610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibers, knitted or crocheted (excluding swimwear and underpants)	3.18	3.26	3.19	3.14	3.50	China 39.40%, Vietnam 11.70%, Cambodia 5.90%,	USA 36.70% Japan 9.80% UK 5.50%	Share 0.90% Rank 19	USA 46.10% Germany 14.00% UK 8.20%
'610432	Women's or girls' jackets and blazers of cotton, knitted or crocheted (excluding wind-jackets and similar articles)	8.08	5.45	3.72	3.17	3.47	China 89.60%, Turkey 1.10%, Hong Kong, China, 1.00%	Vietnam 20.80% Hong Kong, China 10.10% Germany 7.80%	Share 0.10% Rank 23	UK 31.50% Spain 26.30%

Top 20 Worldwide Exports of Knitted Apparel at HS 6-digit Level

*All values in USD Billion

Product code	Product Description	2013	2014	2015	2016	2017	Top Exporters	Top Importers	Pakistan's Share & Rank	Pakistan's Top Destinations
611241	Women's or girls' swimwear of synthetic fibers, knitted or crocheted	2.74	3.02	2.93	2.97	3.43	China, 37.00% Hong Kong, 10.40% Germany, 6.80%	USA 28.30% Germany 8.30% Hong Kong, 7.50% China 7.50%	Share 0.00% Rank 75	UK 67.10% Ireland 30.10% Switzerland 2.70%
611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibers, knitted or crocheted	2.43	2.85	2.75	2.95	3.23	China, 38.40% Vietnam, 7.90% Germany, 5.30%	USA 22.60% Italy 19.20% Germany 9.60%	Share 0.10% Rank 45	USA 25.00% UAE 14.80% UK 13.80%
610822	Women's or girls' briefs and panties of man-made fibers, knitted or crocheted	2.75	3.13	2.87	2.86	3.05	China 34.30% Hong Kong, 9.10% China 9.10% Vietnam 6.90%	USA 27.70% Germany 7.50% France 7.40%	Share 0.00% Rank 85	UAE 71.80% USA 17.90% UK 10.30%
610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	2.75	3.01	2.94	3.03	2.92	China 31.20% Bangladesh 12.80% Sri Lanka 7.50%	USA 25.50% Germany 8.60% Japan 7.10%	Share 0.30% Rank 36	USA 25.50% Netherlands 3.20% Bulgaria 0.20%
Total of Top 20 items						160.29				

Table 10 Top 20 Worldwide Exports of Knitted Apparel, Source ITC TradeMap

PERFORMANCE OF PAKISTAN'S MAJOR COMPETITORS IN THE KNITTED APPAREL SEGMENT

This section reviews the export performance of Pakistan's major competitors in the knitted apparel segment:

- China
- India
- Vietnam, and
- Bangladesh

China

China's Top 20 Knitted Apparel Exports to the world at HS 6-digit level

The following table lists China's top 20 exports of knitted apparel at HS 6-digit level along with their export patterns, and their CAGR for the period 2013-17. Pakistan's exports for each of these products is also shown on the next page.

Key Findings

- Sixteen out of the 20 products listed were world's top exports of knitted apparel in 2017, indicating China's competitiveness in supplying products that are imported by the world in large quantities.
- Total value of China's top 20 knitted apparel exports in 2017 was \$52.47 billion. Products made out of man-made fibers constitute a significant portion of China's exports. In 2017, nine of China's top 20 knitted apparel exports were made from man-made fibers. Value of these nine top items in 2017 was \$23.12 billion. Pakistan's export value in these items, on the other hand, did not even cross \$1.00 billion.
- Ten of the top 20 Chinese exports were Pakistan's top knitted apparel exports as well. China's exports in these items alone was close to \$27.00 billion, which is more than the value of Pakistan's total exports of all products in 2017.

China's Top 20 Knitted Apparel Exports to the world at HS 6-digit Level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibers, knitted or crocheted (excluding wadded waistcoats)	10,463.32	11,241.04	10,849.92	9,624.17	9,586.24	-2.16%	3.21
'611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)	7,908.82	7,448.64	6,664.62	5,971.11	5,832.06	-7.33%	37.59
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	4,701.63	5,328.20	4,980.34	4,356.99	4,195.98	-2.80%	106.42
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	4,367.80	4,853.86	4,559.45	4,280.55	3,988.63	-2.24%	197.76
'610432	Women's or girls' jackets and blazers of cotton, knitted or crocheted (excluding wind-jackets and similar articles)	7,528.66	4,926.92	3,268.41	2,741.68	3,111.99	-19.82%	3.71
'610463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibers, knitted or crocheted (excluding panties and swimwear)	3,132.29	3,157.22	3,181.54	2,771.20	2,722.95	-3.44%	3.02
'611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of synthetic fibers, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	2,758.42	2,833.36	2,795.36	2,460.72	2,509.61	-2.34%	35.42
'610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)	4,971.84	3,544.68	3,011.75	2,465.00	2,391.98	-16.72%	32.15

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	2,205.43	2,155.32	2,127.64	2,091.21	2,366.86	1.78%	199.89
'611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	2,078.46	2,156.07	2,037.96	1,871.45	1,876.09	-2.53%	18.48
'610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)	3,386.11	2,124.19	1,919.67	1,906.44	1,758.22	-15.11%	47.04
'610443	Women's or girls' dresses of synthetic fibers, knitted or crocheted (excluding petticoats)	2,120.44	2,069.05	2,195.26	1,933.31	1,718.32	-5.12%	0.21
'610433	Women's or girls' jackets and blazers of synthetic fibers, knitted or crocheted (excluding wind-jackets and similar articles)	3,370.62	3,719.26	2,657.42	1,824.51	1,560.68	-17.51%	0.17
'610332	Men's or boys' jackets and blazers of cotton, knitted or crocheted (excluding wind-jackets and similar articles)	2,808.82	1,943.60	1,700.77	1,420.07	1,473.75	-14.89%	33.77
'610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibers, knitted or crocheted (excluding swimwear and underpants)	2,095.28	1,965.11	1,882.90	1,569.34	1,379.13	-9.93%	29.07
'611241	Women's or girls' swimwear of synthetic fibers, knitted or crocheted	935.52	1,121.07	1,153.37	1,186.76	1,275.00	8.05%	0.07
611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibers, knitted or crocheted	1,027.48	1,162.61	1,200.66	1,262.29	1,237.96	4.77%	3.86

China's Top 20 Knitted Apparel Exports to the world at HS 6-digit Level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	1,412.64	1,444.46	1,408.41	1,391.10	1,233.45	-3.33%	49.08
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted or crocheted	827.16	997.58	962.10	1,002.25	1,128.92	8.09%	105.09
610832	Women's or girls' nightdresses and pyjamas of man-made fibers, knitted or crocheted (excluding T-shirts, vests and négligés)	993.34	1,208.93	1,177.66	1,099.00	1,126.92	3.20%	2.45
Total of Top 20 items						52,474.74		908.4

Table 11 China's Top 20 Knitted Apparel Exports to the world, Source ITC TradeMap

India

India's Top 20 Knitted Apparel Exports to the world at HS 6-digit level

The Table below shows India's top 20 most exported items of knitted apparel in 2017 along with their corresponding CAGR calculated for the last five years. Pakistan's exports for each of these products is also shown.

Key Findings

- The total value of India's top 20 knitted apparel exports in 2017 was \$6.37 billion.
- The top '3' knitted apparel exports in 2017 were "T-shirts, singlets and other vests of cotton, knitted or crocheted" at \$1.71 billion, "T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)" at \$1.00 billion and "Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)" at \$0.63 billion.
- Nearly all products in the list below had a positive CAGR between 2013 and 2017. It can be seen that India is gradually moving into exports of man-made fiber as is suggested by their positive growth rates in the Table below.

India's Top 20 Knitted Apparel Exports to the world at HS 6-digit Level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1,873.57	1,827.71	1,779.06	1,732.49	1,712.37	-2.22%	197.76
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	726.73	894.04	1,079.11	1,023.73	998.22	8.26%	106.42
'611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	545.55	583.76	590.34	655.55	631.72	3.73%	18.48
'610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	354.84	355.14	339.28	321.96	334.84	-1.44%	168.34
'611420	Special garments for professional, sporting or other purposes, n.e.s., of cotton, knitted or crocheted	259.48	322.98	312.85	307.06	305.65	4.18%	3.96

India's Top 20 Knitted Apparel Exports to the world at HS 6-digit Level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'610520	Men's or boys' shirts of man-made fibers, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	240.26	242.81	285.05	251.44	272.12	3.16%	22.33
'610831	Women's or girls' nightdresses and pyjamas of cotton, knitted or crocheted (excluding T-shirts, vests and négligés)	245.14	248.21	225.37	232.88	241.64	-0.36%	9.39
'610722	Men's or boys' nightshirts and pyjamas of man-made fibers, knitted or crocheted (excluding vests and singlets)	6.36	7.04	10.26	62.70	188.57	133.38%	0.38
'610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	207.83	187.11	216.68	200.95	178.08	-3.79%	49.08
'611490	Special garments for professional, sporting or other purposes, n.e.s., of textile materials, knitted or crocheted (excluding of cotton and man-made fibers)	125.25	199.39	208.92	184.89	169.50	7.86%	17.84
'611190	Babies' garments and clothing accessories of textile materials, knitted or crocheted (excluding of cotton or synthetic fibers, and hats)	81.44	87.55	83.99	112.85	141.90	14.89%	21.22
'610721	Men's or boys' nightshirts and pyjamas of cotton, knitted or crocheted (excluding vests and singlets)	134.53	160.31	145.35	138.69	140.68	1.13%	2.07
'610443	Women's or girls' dresses of synthetic fibers, knitted or crocheted (excluding petticoats)	88.01	103.28	81.71	94.77	139.19	12.14%	0.21
'610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made fibers, nightshirts, T-shirts, singlets and other vests)	66.66	66.70	127.22	158.20	138.69	20.10%	310.70

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)	125.59	124.95	115.80	118.67	133.30	1.50%	37.59
'610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)	116.28	108.29	130.29	133.23	131.04	3.03%	32.15
'610323	Men's or boys' ensembles of synthetic fibers, knitted or crocheted (excluding ski ensembles and swimwear)	65.75	62.58	83.68	123.76	130.34	18.66%	0.86
'610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	157.88	150.64	142.99	132.71	130.14	-4.72%	7.63
'611130	Babies' garments and clothing accessories of synthetic fibers, knitted or crocheted (excluding hats)	29.66	26.93	28.57	62.54	125.92	43.54%	0.60
'610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)	74.26	88.41	134.81	129.40	122.62	13.36%	47.04
Total of Top 20 items						6,366.53		1,054.05

Table 12 India's Top 20 Knitted Apparel Exports to the world Source: ITC TradeMap

Vietnam

Vietnam's Top 20 Knitted Apparel Exports to the world at HS 6-digit level

The Table below lists Vietnam's top 20 knitted apparel exports to the world in 2017 along with their CAGR for the period 2013 to 2017. Pakistan's exports for each of these products is also shown

Key Findings

- Vietnam's export growth in the knitwear sector has been impressive since almost all products in the Table below have had a positive CAGR over the last five years.
- The total exports for the top 20 items in 2017 was \$10.72 billion, the corresponding exports for Pakistan for these top 20 products was \$744.27 million
- Eleven out of the twenty products in the Table below are textile products made out of man-made fibers. Vietnam's exports in these 11 items totaled \$5.24 billion in 2017. Pakistan's share for the same stood at \$66.00 million.
- "T-shirts, singlets and other vests of cotton, knitted or crocheted" was the only product among Vietnam's top 20 knitted apparel exports with a negative CAGR in the last 5 years.

Vietnam's Top 20 Knitted Apparel Exports to the world at HS 6-digit Level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)	1,114.76	1,137.55	1,123.40	1,123.64	1,734.12	11.68%	37.59
'611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibers, knitted or crocheted (excluding wadded waistcoats)	692.15	937.92	1,146.90	1,188.91	1,667.08	24.58%	3.21
'610463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibers, knitted or crocheted (excluding panties and swimwear)	303.98	444.07	579.43	657.80	918.77	31.85%	3.02

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	539.02	705.76	803.56	894.00	861.70	12.44%	106.42
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	859.33	911.51	1,067.85	1,142.85	837.03	-0.66%	197.76
'610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)	268.37	326.36	373.03	409.91	595.46	22.05%	32.15
'610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	263.18	259.33	254.09	233.07	546.71	20.05%	168.34
'610520	Men's or boys' shirts of man-made fibers, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	201.01	213.09	248.03	294.70	480.34	24.33%	22.33
'610443	Women's or girls' dresses of synthetic fibers, knitted or crocheted (excluding petticoats)	274.70	319.71	333.69	376.01	424.68	11.51%	0.21
'610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibers, knitted or crocheted (excluding swimwear and underpants)	144.62	195.13	210.01	293.74	409.38	29.71%	29.07
'610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	297.62	300.47	304.88	319.99	336.71	3.13%	49.08
'611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibers, knitted or crocheted	112.28	144.72	127.96	134.24	253.99	22.64%	3.86
610230	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of man-made fibers, knitted or crocheted (excluding suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls)	114.67	190.78	233.90	211.85	248.02	21.27%	0.67

Vietnam's Top 20 Knitted Apparel Exports to the world at HS 6-digit Level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	84.48	118.59	111.90	145.88	235.98	29.28%	18.48
'610620	Women's or girls' blouses, shirts and shirt-blouses of man-made fibers, knitted or crocheted (excluding T-shirts and vests)	118.84	137.94	139.15	142.61	232.06	18.21%	2.15
'610822	Women's or girls' briefs and panties of man-made fibers, knitted or crocheted	44.27	47.51	49.51	85.12	213.45	48.18%	0.08
'611241	Women's or girls' swimwear of synthetic fibers, knitted or crocheted	67.72	100.32	114.89	122.19	201.28	31.30%	0.07
'610712	Men's or boys' underpants and briefs of man-made fibers, knitted or crocheted	16.79	46.01	68.39	88.89	193.95	84.35%	1.79
'610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)	34.61	45.36	71.56	90.11	177.02	50.38%	47.04
'610610	Women's or girls' blouses, shirts and shirt-blouses of cotton, knitted or crocheted (excluding T-shirts and vests)	96.21	89.77	88.96	68.33	147.53	11.28%	20.95
	Total of Top 20 items					10,715.26		744.27

Table 13 Vietnam's Top 20 Knitted Apparel Exports to the world, Source ITC TradeMap

Bangladesh

Bangladesh's Top 20 Knitted Apparel Exports to the world at HS 6-digit level

The Table below lists Bangladesh's top 20 knitted apparel exports to the world in 2017 along with their CAGR for the period 2013 to 2017. Pakistan's exports for each of these products is also shown.

Key Findings

- Bangladesh's top export in knitted apparel was "T-shirts, singlets and other vests of cotton, knitted or crocheted" at \$5.29 billion.
- The top 20 items listed below had positive CAGR rates between 2013 and 2017.
- Even though most of the items in the Table below are products made from cotton, Bangladesh's export growth in the man-made fiber category has been impressive. "Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibers" grew by 76.05% and "Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibers" grew by 84.08% in the last five years.

Bangladesh's Top 20 Knitted Apparel Exports to the world at HS 6-digit Level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	4,391.44		5,788.90	5,019.50	5,290.38	4.77%	197.76
'611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)	786.80		1244.22	2,394.66	2,466.10	33.06%	37.59
'611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibers, knitted or crocheted (excluding wadded waistcoats)	223.16		404.60	2,149.59	2,143.57	76.05%	3.21
'610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)	268.73		447.19	1,000.12	1,048.31	40.54%	32.15

Bangladesh's Top 20 Knitted Apparel Exports to the world at HS 6-digit Level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	585.06		717.94	850.10	949.32	12.86%	168.34
'611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	63.77		159.09	745.73	784.58	87.29%	18.48
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	218.04		311.70	736.24	767.97	36.99%	106.42
'610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	159.45		258.82	364.45	382.08	24.42%	49.08
'610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	173.44		288.16	372.44	379.08	21.59%	7.63
'610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)	159.95		278.29	329.40	346.17	21.29%	47.04
'610442	Women's or girls' dresses of cotton, knitted or crocheted (excluding petticoats)	79.72		130.63	277.41	333.50	43.02%	1.90
'610610	Women's or girls' blouses, shirts and shirt-blouses of cotton, knitted or crocheted (excluding T-shirts and vests)	108.34		117.76	257.27	274.78	26.20%	20.95
'610831	Women's or girls' nightdresses and pyjamas of cotton, knitted or crocheted (excluding T-shirts, vests and négligés)	81.16		136.54	252.50	237.66	30.81%	9.39
'610463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibers, knitted or crocheted (excluding panties and swimwear)	17.27		51.86	194.23	198.29	84.08%	3.02

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Pakistan's Exports, 2017
'611420	Special garments for professional, sporting or other purposes, n.e.s., of cotton, knitted or crocheted	10.33		14.04	153.84	180.26	104.41%	3.96
'610822	Women's or girls' briefs and panties of man-made fibers, knitted or crocheted	22.59		68.68	138.88	151.87	61.03%	0.08
'610220	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of cotton, knitted or crocheted (excluding suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls)	22.82		27.54	103.20	132.24	55.15%	1.15
'610721	Men's or boys' nightshirts and pyjamas of cotton, knitted or crocheted (excluding vests and singlets)	52.91		71.29	127.68	121.72	23.16%	2.07
'610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibers, knitted or crocheted (excluding swimwear and underpants)	39.60		42.12	105.10	117.93	31.37%	29.07
'610230	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of man-made fibers, knitted or crocheted (excluding suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls)	12.99		24.10	96.63	95.84	64.80%	0.67
Total of Top 20 items						16,401.65		739.96

Table 14 Bangladesh's Top 20 Knitted Apparel Exports to the world, Source ITC TradeMap

CHAPTER 3

PAKISTAN'S KNITTED APPAREL SECTOR





INTRODUCTION

Pakistan's knitted apparel industry is currently growing at an annual rate of 15-17%¹⁰. Starting with just 2 or 3 units in the 1950s, there are currently about 3500 units¹¹. It provides employment to about 700, 000 workers, out of whom 210,000 are skilled and 490,000 are unskilled. Moreover, it indirectly employs an additional 350,000 people through related cottage industries¹². Even though the industry is predominantly labor intensive, capital investment plays an important role.

The following Table shows that Pakistan imported Rs. 5.76 billion worth of knit-related machinery during FY17.

Import of Knitwear and Embroidery Machines

Value: Rs Million

Machines	2013-14	2014-15	2015-16	2016-17
Circular Knitting Machines (Dia - 165 mm)	428	350	332	229
Circular Knitting Machines(Dia >165 mm)	434	393	313	453
Flat Knitting Machines (Stitch Bonding)	204	259	460	275
Multi-Head embroidery Machines.	3,728	6,152	6,892	4,292
Other Circular Knitting Machines.	273	503	453	512
Total	5,067	7,657	8,450	5,761

Source: Pakistan Bureau of Statistics

Table 15 Import of Knit Machinery

¹⁰ Industry players estimate, includes domestic consumption also

¹¹ <http://www.expopakistan.gov.pk/company-profile/PHMA%20Profile.pdf>

¹² <http://www.expopakistan.gov.pk/company-profile/PHMA%20Profile.pdf>

MAJOR DESTINATIONS FOR PAKISTAN'S KNITTED APPAREL EXPORTS

As already mentioned, knitted apparel is Pakistan's highest foreign exchange earner amongst finished textile products. In 2017, Pakistan exported \$2.52 billion worth of knitted apparel which made up 11.50% of total exports. The following Table provides a country-wise break-up of Pakistan's exports. As can be seen from the table below, Pakistan's exports of knit are highly concentrated with respect to markets, almost 90.00% are directed towards the EU and the USA. Pakistan has been unable to capture a significant share in other important markets such as Russia, Canada, China and Japan.

Exports of Pakistan's Knitted Apparel

		Value (USD Billion)	Share in Pakistan's Knitted Apparel Exports
	World	2.52	
1	EU¹³	1.33	52.93%
2	United States of America	0.90	35.77%
3	United Arab Emirates	0.05	1.91%
4	Canada	0.04	1.73%
5	China	0.02	0.88%
6	Japan	0.02	0.67%
7	Russian Federation	0.01	0.55%
8	Mexico	0.01	0.50%
9	Republic of Korea	0.01	0.42%
10	Singapore	0.01	0.35%

Table 16 Exports of Pakistan's Knitted Apparel, Source: ITC TradeMap

¹³ Top EU contributors: UK (15.90%) Germany (8.00%) Spain (8.00%) Netherlands (6.70%) Belgium (5.80%) France (2.50%) Italy (2.10%) Denmark (0.90%) Poland (0.70%) Sweden (0.50%)

PAKISTAN'S TOP 20 EXPORTS OF KNITTED APPAREL TO THE WORLD AT HS 6-DIGIT LEVEL

The following Table lists the top 20 knitted apparel products exported by Pakistan along with their CAGR (2013-17); global ranking and market share.

Key Findings

- *“Men’s or boy’s shirts of textile materials, knitted or crocheted...”*, and *“Full-length or knee length stockings, socks and other hosiery...”* were Pakistan’s top exports of knitted apparel in 2017.
- Pakistan’s export mix of knitted apparel comprises of finished products made out of cotton such as shirts and T-shirts, trousers, socks and stockings, jackets and gloves. As the table shows, there was a positive growth in a majority of Pakistan’s exports of knitted apparel in the last five years.
- Pakistan is one of the top ‘10’ top suppliers for twelve out of the ‘20’ items listed. However, Pakistan needs to focus more on the goods that are demanded by the world since only nine of the items in the Table below were part of the top 20 products in knitted apparel exported in the world.
- Pakistan also suffers from product concentration since the top 10 knitted apparel exports represented 67.00% of Pakistan’s total knitted apparel exports to the world in 2017.

Pakistan's Top 20 Knitted Apparel Exports to the world at HS 6-digit level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Global Share & Rank 2017
'610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made fibers, nightshirts, T-shirts, singlets and other vests)	225.93	275.73	262.02	252.52	310.70	8.29%	Share: 45.50% Rank 1
'611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	104.36	150.46	166.21	143.32	199.89	17.64%	Share: 3.80% Rank 5
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	212.42	195.41	203.76	205.11	197.76	-1.77%	Share: 0.70% Rank 27
'611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted or crocheted (excluding of wool, fine animal hair, cotton or man-made fibers, and wadded waistcoats)	81.24	121.09	129.80	151.09	195.78	24.60%	Share: 13.40% Rank 2
'610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, knitted or crocheted (excluding of wool, fine animal hair, cotton or synthetic fibers, swimwear and underpants)	80.77	123.68	135.66	159.06	175.67	21.44%	Share 28.20% Rank 1
'610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	265.36	269.38	240.34	209.89	168.34	-10.75%	Share: 3.00% Rank 11
'610339	Men's or boys' jackets and blazers of textile materials (excluding of wool, fine animal hair, cotton or synthetic fibers, wind-jackets and similar articles)	110.76	124.19	112.44	127.9	146.53	7.25%	Share 47.70% Rank 1

Pakistan's Top 20 Knitted Apparel Exports to the world at HS 6-digit level

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Global Share & Rank 2017
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	64.86	76.09	92.00	99.53	106.42	13.18%	Share 0.70% Rank 27
'611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted or crocheted	46.33	57.18	63.35	64.63	105.09	22.72%	Share 4.10% Rank 6
'610690	Women's or girls' blouses, shirts and shirt-blouses of textile materials, knitted or crocheted (excluding of cotton or man-made fibers, T-shirts and vests)	35.34	44.19	40.76	53.40	71.69	19.35%	Share 15.10% Rank 1
'610469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials, knitted or crocheted (excluding of wool, fine animal hair, cotton or synthetic fibers, panties and swimwear)	36.12	45.69	41.41	52.37	59.01	13.06%	Share 4.10% Rank 9
'610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	33.44	29.77	41.54	43.34	49.08	10.07%	Share 1.20% Rank 15
'611599	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of textile materials, knitted or crocheted (excluding of wool, fine animal hair, cotton or synthetic fibers, graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	45.7	57.59	58.98	41.56	47.46	0.95%	Share 11.30% Rank 3
'610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)	44.86	70.23	70.44	50.50	47.04	1.19%	Share 1.10% Rank 17

*All values in USD Million

Product code	Product Description	2013	2014	2015	2016	2017	CAGR (2013-17)	Global Share & Rank 2017
'611692	Gloves, mittens and mitts, of cotton, knitted or crocheted (excluding impregnated, coated or covered with plastics or rubber, and for babies)	51.49	59.56	49.02	41.21	42.80	-4.52%	Share: 5.80% Rank 2
'610439	Women's or girls' jackets and blazers of textile materials, knitted or crocheted (excluding of wool, fine animal hair, cotton or synthetic fibers, wind-jackets and similar articles)	28.33	28.47	31.82	34.59	39.67	8.78%	Share 8.30% Rank 2
'611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)	34.29	39.46	32.42	30.27	37.59	2.32%	Share 0.20% Rank 35
'611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of synthetic fibers, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	25.18	47.98	40.64	30.63	35.42	8.91%	Share 0.90% Rank 13
'610332	Men's or boys' jackets and blazers of cotton, knitted or crocheted (excluding wind-jackets and similar articles)	55.6	62.22	53.89	38.59	33.77	-11.72%	Share 1.80% Rank 4
'610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)	39.55	57.21	30.62	30.17	32.15	-4.06%	Share 0.40% Rank 22
	Total of Top 20 Items					2,101.86		

Table 17 Pakistan's Top 20 Knitted Apparel Exports to the world at HS 6-digit level, Source ITC TradeMap

CHAPTER 4

**GOVERNMENT
SUPPORT FOR
THE KNITTED
APPAREL
SECTOR**





GOVERNMENT SUPPORT IN PAKISTAN FOR THE KNITTED APPAREL SECTOR

Review of Pakistan's Textile Policies

This section provides an overview of the different textile policies and plans announced at different times by different governments to support the textile industry in general.

Textile Vision 2005 (1999-2000)

Textile Vision 2005 (1999-2000) acknowledged the economic significance of the textile sector including its contribution to employment, GDP and foreign exchange earnings. Additionally, it also highlighted the major issues of the industry including poor cotton quality, little use of Man-Made-Fiber (MMF) in the production of garments, and technological backwardness. Textile vision 2005 among others recommended reducing financing rates, and the introduction of awards for outstanding exporters. It also stressed on the need to allow the import of man-made fibers not produced in Pakistan. Moreover, it also encouraged setting up of a Technological Upgradation Fund (TUF) to provide exporters with long-term funds and subsidized credit for capital investment.

Textile Policy (2009-2014)

Textile Policy (2009 - 2014) emphasized the need to increase investment in the sector and to shift to the production of high-end textile products. It supported the textile industry through duty-free import of textile related machinery, Drawback of Local Taxes & Levies (DLTL) at 3.00% for garments, and the Technological Upgradation Fund (TUF). The most important feature of this policy was textile becoming a part of the zero-rated regime for sales tax purposes. All inputs including purchase of raw materials, intermediate goods and energy for the textile industry were charged zero sales tax preventing the build-up of refunds when textiles were exported.

The main problem with the Policy was lack of implementation. During the first three financial years of the Policy's implementation, the government released only 25.00% of the amount that it had promised. Lack of funds affected implementation of other projects as well that were part of the Policy such as Technological Upgradation Fund (TUF). Moreover, the industry also faced gas and electricity shortages that affected timely execution of export orders. As a result, textile exporters suffered \$5.00 billion in losses due to non-implementation of the textile policy¹⁴.

Textile Policy (2014-19)

The second textile policy planned to increase textile exports to \$26.00 billion over the five-year period and create 3.00 million additional jobs. DLTL scheme under the first textile policy was continued, however, the rate for garment exports was increased from 3.00% to 4.00%. Other incentives that were part of the previous textile policy such as duty free import of textile machinery and Technological Upgradation Fund (TUF) were also part of the new policy.

The second textile policy also failed to achieve the ambitious goals that it had set. This was mainly blamed on a shortage of funds. According to an estimate by Mr. Khan Afridi, the federal minister for Textiles, the second textile policy required Rs. 65.00 billion for implementation, however, only Rs. 10.00 billion were actually released by the government¹⁵. Moreover, rising energy shortages and increasing costs during the period 2014-19, hindered an increase in exports¹⁶.

Federal Budgets (FY16, FY17, FY18 and FY19)

Most of the incentives in these budgets were action points for the broad goals identified in the Textile Policy (2014-19). Financial package of Rs. 65.00 billion was announced in the Budget for FY16 for the implementation of the second textile policy. A training program worth Rs. 4.40 billion for skilled and unskilled workers was also announced in the same budget. All budgets between FY '16 & FY '19 allowed for the continuation of the DLTL scheme, duty-free import of textile machinery, and zero-rated tax regime for the textile sector.

The last budget that was announced for FY19 was met with resentment by the industry. Exporters complained that the budget concentrated on general industry and trade instead of defining a clear export strategy¹⁷¹⁸. Moreover, it did not provide a plan to resolve industry grievances related to pending refunds, high energy tariffs, and Export Development Surcharge (EDS)¹⁹.

14 <https://fp.brecorder.com/2012/05/201205091187077/>

15 <https://fp.brecorder.com/2015/02/201502101149902/>

16 <https://fp.brecorder.com/2019/01/20190114439435/>

17 <http://textalks.com/budget-2017-18-textile-sector/>

18 <https://www.thenews.com.pk/print/309884-textile-sector-concerned-over-concession-less-budget>

19 <https://fp.brecorder.com/2018/05/20180506368874/>

PM Incentive Package for Exporters FY18 (2017-18)

In January 2017, the government announced the PM Incentive Package for FY18 in order to increase Pakistan's exports by \$3.00 billion by the end of June 2018. The most important feature of the scheme was the introduction of a financial package of Rs. 180 billion for the export industry. Textile sector was supported by removing customs duty on the import of cotton and man-made fibers (except polyester). Duty-drawback rate for garments was increased from 4.00% to 7.00%. Sales tax on textile machinery imports was also removed^{20,21}.

Even this scheme suffered from lack of implementation and failed to achieve the targets it had outlined. The industry received only Rs. 18.00 billion out of the Rs. 50.00 billion funds that the government had released²². Moreover, there was also a delay in the payment of tax refunds. As a result, exporters were unable to fulfil their orders due to shortage of funds. The PM Incentive Package has been extended till FY21. Its features include continuation of the DLT scheme, duty-free import of machinery, reduced electricity tariffs and removal of sales tax on packaging material²³.

A detailed comparison of the major incentives offered in the various textile polices is shown as Annexure I at the end of the Study.

²⁰ <https://www.dawn.com/news/1307569>

²¹ <https://www.thenews.com.pk/print/178392-Incentive-package-for-exporting-sectors-widely-welcomed>

²² <https://tribune.com.pk/story/1721170/2-textile-industry-awaits-release-funds-pms-package/>

²³ <https://fp.brecorder.com/2018/05/20180531376061/>

GOVERNMENT SUPPORT FOR THE KNITTED APPAREL SECTOR IN COMPETITOR COUNTRIES

This section looks at the government support provided to the knitwear exporters in Pakistan's competitor countries. It also compares these policies with those followed in Pakistan.

1. Provision of Infrastructure

Governments in Pakistan's competitor countries provide extensive support to exporters in the area of infrastructure. Exporters in Bangladesh benefit from zones that are fully-constructed with compliant buildings and centralized common effluent treatment plants. Similarly, economic zones in Vietnam have the advantage of improved connectivity, subsidized infrastructure and tax holidays²⁴. Likewise, the Indian government has initiated textile parks and cluster schemes for the development of India's apparel industry²⁵. Pakistan also announced similar projects such as the development of textile clusters (Textile Policy 2009-14) and apparel houses (Textile Policy 2014-19), however, the main issue with such initiatives was the lack of implementation.

2. Financial Support

Bangladesh has various schemes through which it financially supports its knitwear exporters. It provides duty drawback on the import of raw materials²⁶, a lower corporate tax rate of 12.00%,²⁷ and cash incentives to local suppliers for selling raw material to garment exporters²⁸. Pakistan does not have a concessional corporate tax for the knitwear industry nor does it provide the same incentive to yarn exporters whether they export yarn or supply domestically to garment exporters.

India provides refund on freight charges (this is in Telangana only) to support apparel exporters²⁹, this kind of incentive is not part of Pakistan's textile policy. Moreover, garment units in Maharashtra receive loans at 0.00% interest rate³⁰. Although, Pakistani exporters receive loans at concessional interest rates, they are never at 0.00%.

²⁴ https://www.brookings.edu/wp-content/uploads/2016/07/L2C_WP19_Nguyen-Luu-and-Trinh-1.pdf

²⁵ <http://www.makeinindia.com/sector/textiles-and-garments>

²⁶ The End of Textiles Quota: A Case Study of the Impact on Bangladesh, By Mr. Montfort Mlachila, Yongzheng Yang

²⁷ <https://www.textiletoday.com.bd/bangladesh-govt-cuts-tax-exports-items-corporate-tax-rmg-makers/>

²⁸ The End of Textiles Quota: A Case Study of the Impact on Bangladesh, By Mr. Montfort Mlachila, Yongzheng Yang

²⁹ <https://www.tgnns.com/telangana-new-district-news/telangana-textile-apparel-incentive-scheme-2017/2017/08/18/>

³⁰ <https://www.wirc-icai.org/material/Textiles-Policy-CR1-Int-Sub-1-March-12-Eng.pdf>

3. Upgrading of Labor Skills

Indian government promotes skill-upgradation, by providing training subsidies to garment units (this is in Telangana only)³¹. Pakistani government also supports and initiates training programs, but their success rate has been low.

Apart from training, governments also provide assistance to exporters in the area of standards and compliance. For example, the government of Bangladesh is fully committed to the ILO-funded “Better Work” project that helps factories meet labor compliance requirements³². Pakistan announced a similar program in the Textile Policy (2014–19) but the required funds were never released

4. Technology Upgradation

Support for technology upgradation in Pakistan’s competitor countries is mostly financial. For example, India provides capital subsidies between 25.00%–35.00% to the textile sector³³, while China has allocated special funds for technological innovation.³⁴

Similarly, Pakistan promotes technological development through the Technological Upgradation Fund (TUF). Even though this scheme is part of almost every textile package that is announced, lack of implementation has prevented its effectiveness.³⁵

5. Reducing the Cost of Production

Policymakers in India and Bangladesh have kept costs of production low to support their exporters. Pakistani government, on the other hand, has failed to take appropriate measures to resolve the high input cost issue in the country. As a result, production cost in Pakistan is higher than in India and Bangladesh.

Minimum wage in Pakistan is \$124.00 compared to \$95.80 in Bangladesh. Moreover, gas rate in Pakistan is \$4.58 per MMBTU which is higher than India’s \$3.82 per MMBTU, and Bangladesh’s \$2.62 per MMBTU. Pakistani exporters also face a higher electricity tariff of \$0.11 per kWh against \$0.10 per kWh for exporters in India.

³¹ <https://www.tgnns.com/telangana-new-district-news/telangana-textile-apparel-incentive-scheme-2017/2017/08/18/>

³² https://www.ilo.org/dhaka/Whatwedo/Projects/WCMS_240343/lang--en/index.htm

³³ <https://www.tgnns.com/telangana-new-district-news/telangana-textile-apparel-incentive-scheme-2017/2017/08/18/>

³⁴ <https://www.uscc.gov/sites/default/files/Research/TLAG%20Report%20-%20China%27s%20Support%20Program%20for%20Textiles%20and%20Apparel.pdf>

³⁵ <https://fp.brecorder.com/2018/04/20180406358124/>

Conclusion: Major Lessons from Competitor Country Policies

Pakistan can take some lessons from the export policy of its competitors. Governments of India, Bangladesh and China support their exporters by providing them with capital subsidies, credit guarantees, infrastructure, etc. Although such incentives were part of various textile policies in Pakistan as well, they were ineffective due to lack of implementation. The Pakistani government needs to watch and match incentives offered in competitor countries. This requires formulating Pakistan's future textile policies after reviewing those of its competitors.

A detailed comparison of the incentives offered in competitor countries is shown as Annexure II at the end of the Study.

CHAPTER 5

INDUSTRY VIEW ON ENHANCING EXPORT COMPETITIVENESS OF PAKISTAN'S KNITTED APPAREL SECTOR





COMPETITIVENESS

Definition of Competitiveness

A literature review of "Competitiveness" reveals that there is no single definition of the term competitiveness. Instead different writers have defined the term from their own perspective. Listed below, are some of the definitions of "Competitiveness".

"In regard to a country, competitiveness is defined as the ability of the country to produce goods and services that meet the test of the international markets and simultaneously to maintain and expand the real income and also raise the welfare level of its citizens." -Trade, Technology and International Competitiveness, Haque (1995).

"The only meaningful concept of competitiveness at the national level is productivity. The principal goal of a nation is to produce a high and rising standard of living for its citizens. The ability to do so depends on the productivity with which a nation's labor and capital are employed"-The Competitive Advantage of Nations, Michael E. Porter (1990).

Bert G Hickman (1992) in his book "International Productivity and Competitiveness" defines international competitiveness (IC) as the ability to sustain in a global economy, an acceptable growth in the real standard of living of the population with an acceptably fair distribution, while efficiently providing employment for substantially all who can wish to work and doing so without reducing the growth potential in the standards of living of future generations.

In the book, "Creating an Internationally Competitive Economy" Harry Bloch and Kenyon define competitiveness as "the ability of a country to realize central economic policy goals, especially growth in income and employment, without running into a balance of payments deficit"

As can be summarized from the above, for an economy / industry to be competitive it must be able to survive in the international market by being more productive than its peers, moreover the growth of the industry should be sustainable and lead to a higher standard of living over time.

As important as it is to define competitiveness it is equally important to understand “What Competitiveness is not”. For instance, if a firm or an industry is merely surviving in the export market because of subsidies, it would be misleading to regard it as being competitive. Another perception, that a favorable exchange rate can lead to an economy / industry becoming competitive is also prevalent. However, it should be noted that currency depreciation in order to become competitive in the export market provides benefits in the short-run only³⁶.

Peter J. Buckley in his article, Measures of international competitiveness: A critical survey, writes that, export market share, percentage of world manufacturing output, Balance of Trade (BoT), profitability, comparative advantage, competitiveness (cost, price and quality), labor productivity and access to resources (raw materials, capital and skilled labor) can be used to gauge competitiveness.

The three well-known competitiveness indices used are:

- Global Competitiveness Report by World Economic Forum (WEF)
- The World Competitiveness Yearbook by the Institute of Management Development (IMD)
- Business Competitiveness- Ease of Doing Business by the International Finance Corporation (IFC)

To gauge the competitiveness of Pakistan’s knitwear apparel industry, an approach similar to that used by WEF was followed and interviews were conducted with individuals involved in Pakistan’s Knitted Apparel industry in various capacities. In-depth interviews were conducted to better learn the issues faced by the industry participants as well identify solutions based on the experiences of the interviewees.

³⁶ www.tci-network.org/media/download/1185

INTERVIEW FINDINGS

A total of 21 interviews were conducted with exporters of knitted apparel in order to get their input on factors affecting Pakistan's competitiveness in the knitwear sector. The respondents were further requested to share their views on the policy framework required to make Pakistan a major player in the global knitted apparel market.

Following are some of the views expressed by the Respondents:

1. Availability, Price and Quality of Cotton

Majority of the knitwear exporters cited availability, price and quality of cotton as a major hurdle in the promotion of export of knitted apparel. Even though Pakistan is the fifth largest cotton producing country in the world, in the last five years its production of cotton has fallen by 18.11%³⁷. In FY2018, the cotton crop was short by 2.50 million bales as compared to the official target³⁸.

In addition to the quantity, outdated agricultural practices has resulted in contamination of cotton which requires removal of impurities before it can be used in the production process. This step is time-consuming and adds to the cost of production and is also never 100% effective. This is important because contaminated cotton adversely affects the quality of the garment, as well as limiting the colors of the fabric that can be produced, exporters are reluctant to produce garments in pastel colors for this reason.

Pakistan mainly produces medium-staple cotton which is more suited for denim and other coarser fabrics / apparel. For products such as T-shirts, long-staple cotton is required which needs to be imported.

Another issue faced by exporters is that of prices of cotton and yarn. Cotton prices are subject to fluctuations due to its supply which makes planning difficult. There is no mechanism in place for price hedging of either cotton or yarn, this means that apparel manufacturers have to first ensure that they have the required quantity of cotton and yarn before they can go out and sell apparel, this seriously limits the planning horizon.

³⁷ Percentage calculated using Pakistan Bureau of Statistics data

³⁸ <https://tribune.com.pk/story/1729463/2-pakistan-fails-meet-cotton-sowing-target-water-shortage-bites/>

Additionally, since there is no incentive to local spinning units to supplying yarn to Pakistani exporters – their being a rebate on exports, spinners prefer to export Pakistani yarn to regional competitors, China, and Bangladesh, at a lower price which leaves limited or higher-priced yarn for Pakistani exporters. At the time this report was being compiled, cotton yarn had a regulatory of 10.00% and a custom duty of 11.00%^{39 40}. Prior to 31st January 2019, cotton imports had a custom duty of 3.00%⁴¹.

Recommendation

If Pakistan is serious about developing into a global apparel player, the focus has to shift from cotton to apparel. Holding the apparel industry hostage to domestic cotton & yarn suppliers has severely limited the options available to apparel exporters. When international prices increase, the domestic suppliers of both cotton and yarn increase prices, however, when international cotton prices decline, the government imposes regulatory duty on imports of both cotton and yarn putting apparel manufacturers especially in the SME sector out of international markets. In order to resolve issues of cotton availability and quality, outdated agricultural practices need to be replaced with modern methods and better technology. This can be achieved by investing in high-yield seeds, laser leveling of fields, water management and improved mechanization at the farm level etc., all measures which will improve the availability and quality of cotton. Furthermore, agricultural supplies such as fertilizers, seeds, and cotton picking machinery should be made available to farmers at affordable rates. A mechanism for hedging cotton and yarn prices needs to be put in place, and finally yarn exporters should be allowed the same rebates when they sell to apparel exporters as are available to them when they export.

2 High Cost of Doing Business in Pakistan

According to exporters, Pakistan's high cost of doing business is a major factor affecting the country's competitiveness. Pakistan's gas rate is 19.90% higher than that of India and 74.81% higher than that available outside of Economic Processing Zones (EPZ) in Bangladesh. The minimum wage rate in Pakistan is more than that of Bangladesh, and only recently has India's minimum wage rate surpassed that of Pakistan, otherwise Pakistan's labor cost was higher than India's. Other cost disadvantages for Pakistan include electricity and water tariffs. In addition, there is a gas price differential within Pakistan due to the use of imported LNG along with domestic gas.

³⁹ [http://download1.fbr.gov.pk/SROs/2018524185344622SRO-640\(1\)-2018.pdf](http://download1.fbr.gov.pk/SROs/2018524185344622SRO-640(1)-2018.pdf)

⁴⁰ <http://download1.fbr.gov.pk/Docs/2018817158749999PakistanCustomTariff2018-19-CH1-99.pdf>

⁴¹ <http://download1.fbr.gov.pk/SROs/2019241325843803SRO107.pdf>

Cost of Doing Business

Inputs	Pakistan	India	Bangladesh
Minimum Wage in Relevant Currency	PKR 16,200	INR 16,858	BDT 8000
Minimum Wage Eq. to USD	\$124.00	\$236.00	\$95.80
Gas Rate (including GIDC per MMBTU)	\$4.58	\$3.82	EPZ: \$2.89 Outside \$2.62
Electricity USD/kWh	\$0.11	\$0.10	EPZ: \$0.12 Outside \$0.11
Water Tariff per 100 gallons	\$0.50-\$2.30	-	Free (Well Water)

Table 18 Cost Doing Business

Apart from uncompetitive input costs, Pakistani exporters also face high tax rates. Corporate tax is the highest in Pakistan when compared to India, Bangladesh and Vietnam. Pakistan's number of tax payments at 47 is also very high. All these lead to higher transaction costs, further impacting the cost of doing business.

	Corporate Tax Rate includes labor levies
Pakistan	37.00%
Bangladesh	12.00% ^{*42}
India	30.00%
Vietnam	20.00%

Table 19 Comparison of Corporate Tax Rate

Economy	Ease of Paying Taxes (Rank)	Total Tax & Contribution Rate (%)	Time to comply (hours)	Number of payments
Pakistan	173	34.10	294	47
India	121	52.10	275	12
Bangladesh	151	33.40	435	33
Vietnam	131	37.80	498	10

Table 20 Ease of Paying Taxes, Source PwC 2019

⁴² For knitwear only

Recommendation

To reduce input costs, the government needs to provide utilities at regionally competitive rates. Tax rates need to reduce to regionally competitive levels as well as decreasing the number of tax payments. Punjab has had higher gas rates than Sindh in the past affecting competitiveness of exporters in Punjab. Therefore, it is also important for the government to ensure that utility costs are uniform across all provinces to prevent competition between local exporters. Apart from uniformity and reduced costs, exporters also require stability in utility and raw material prices which will help them better price their products.

3. Lack of Skilled Workers

Another issue brought up by the knitwear exporters related to labor. Exporters complained of lack of trained workers in Pakistan. They opined that this has adversely affected productivity levels. Since apparel production is labor-intensive, low skill levels is one of the reasons for poor industry performance as well as Pakistan being stuck in the lower priced commodity items. Exporters are unable to compete with regional peers since their labor is better trained and more productive.⁴³

Moreover, Pakistani workers lack the skills and knowledge to operate advanced technology. This is due to lack of institutions for technical training. Those that exist are not sufficiently equipped with proper machinery. Ultimately, exporters have to bear the cost of training.

Recommendation

Labor training programs should be organized through a public-private partnership. Government should build simulated factories and institutes where such programs can be imparted. Funds for the program to be provided by the government, while the program is conducted by the private sector. The curriculum for such programs should be decided with knitwear manufacturers after analyzing the requirements of the industry. Moreover, foreign trainers should be appointed so that quality in the training scheme can be ensured. Another option could be to allow industry to use the WPPF and the WWF contributions for programs aimed at enhancing the skills of their workers.

Labor Productivity Growth Rates (%)

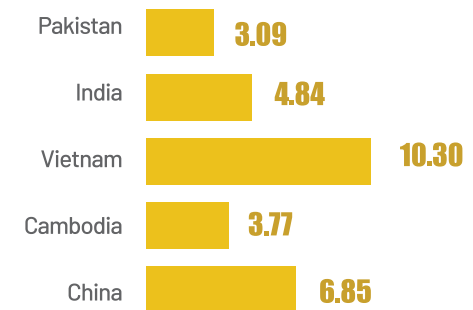


Figure 8 Labor Productivity Growth Rates Source: CEIC

⁴³ <https://www.ceicdata.com/en/indicator/pakistan/labour-productivity-growth>

4. Order Size Impedes the Development of Economies of Scale

As opposed to Pakistan, manufacturers in India and Bangladesh receive larger orders which allows them longer production runs and hence the ability to benefit from the learning curve advantage. This has allowed both Indian and Bangladeshi firms to scale up rapidly. Scale has allowed companies in these countries to be able to offer a better price to customers and yet maintain a higher profit margin. Pakistan on the other hand because of its unique circumstances is stuck with “leftovers”- low volume orders that are not taken up by the Indian and Bangladeshi exporters. Some of the exporters are of the view that even if Pakistan receives orders of high quantities, it would be difficult to accept them because most of the factories in Pakistan are operating with limited capacity.

Recommendation

This issue can be tackled by adopting various measures, some of which have already been mentioned. Indian and Bengali exporters are able to offer a better a price to buyers because their cost of doing business is lower than in Pakistan. Hence, it is important for the government to bring Pakistan's cost of doing business at par with its regional peers (**Recommendations are under the heading High Cost of Doing Business in Pakistan**). Other measures include increasing productivity and minimizing production costs. Pakistan's competitors have been able to achieve these by investing in better machinery and providing training to its workers. Hence, Pakistan needs to follow their example and provide labor training (**Detailed discussion under the heading: Lack of Skilled Workers**), and improve its technological status (**Detailed discussion under the heading: Technology**), and finally the Government of Pakistan needs to work to improve the soft-image of Pakistan.

5. Government Policies

5.1. Lack of Long-Term Policies

The fundamental issue with Pakistan's textile policies is that they are not long-term. Regulations that affect business costs such as custom duty on textile machinery imports and DLT rates are defined for one financial year in the federal budgets. Exporters are unsure if these incentives will continue the following year as well. This is why they are unable to plan based on the short-term policies that are initiated. Garment manufacturing is a long term process involving multiple production processes and developing buyer relations over an extended period of time. Hence, short-term incentives cannot be relied upon.

Recommendation

If the government wants to promote garment exports, it should introduce stable and long-term policies. All incentives such as tax holidays, rebates, interest rates, etc. need to be valid for a minimum of 5 years. Policies should also outline short-term and long-term goals. Moreover, frequent alterations in policy should be avoided by the government to allow for consistency which will boost exporter and investor confidence.

5.2 Issue of Policy Implementation

Another important issue is the lack of policy implementation. Governments announce incentives for exporters in the form of subsidies, rebates, refunds, and DLTL but never fully release the same. Moreover, exporters are reluctant to apply for rebates because of the long-procedures. As of August 2018, government liabilities in the form of pending refunds totaled Rs. 109.0 billion⁴⁴. Exporters complained that unpaid rebates affected liquidity of their firms, have created cash-flow problems, and generally impacted their businesses.

Recommendation

The government should make sure that when a policy is announced, it also outlines a clear mechanism for its implementation. Policies should focus on an online system of filing for rebates / refunds to make the procedure easy and transparent. Furthermore, the government needs to pay outstanding refunds and rebates on an urgent basis to improve cash flows of exporters. Lastly, all future refunds and rebates should be made on settled on receipt of remittances. This will make the procedure quicker and ensure transparency.

5.3 Incentives for Spinners to Export as Opposed to Selling to Garment Exporters

In 2017, the government provided a rebate of 4.00% to yarn exporters and a 7.00% rebate to garment exporters⁴⁵. Exporters complained that such policies do not promote value-addition since yarn manufacturers don't see any incentive to forward integrate or to sell locally to garment exporters. Moreover, a 4.00% rebate to yarn exporters means regional competitors are able to procure yarn at a cheaper rate.

⁴⁴ <https://www.pbc.org.pk/wp-content/uploads/Pakistan%E2%80%99s-Readymade-Garments-Sector-Challenges-and-Opportunities.pdf>

⁴⁵ <http://www.sbp.org.pk/epd/2017/FECL25-Annex1.pdf>

Recommendation

All textile policies should promote the value-added sector such as knitwear. Hence, policies should be made after consulting experts from the value-added sectors. This does not mean that the spinning sector should be ignored. If an incentive such as 4.00% rebate is granted, it should be with a condition that the rebate is also valid if the yarn is sold to an exporter of knitted apparel. When local yarn is available, knitwear exporters won't have to import, reducing pressure on the balance of payments.

5.4 Duty and Tax Remission for Export (DTRE) Rules Need to be Simplified

Duty and Tax Remission for Export (DTRE) is a government scheme which allows temporary duty-free import of inputs including machinery for textile exporters. All those who were interviewed expressed dissatisfaction over the scheme, saying that they stopped using the facility after their first experiences. They complained that they are unable to use it freely because of the number of regulations involved. For example, the amount of an input that can be imported is based on preceding year's export figures and in case the material is not fully consumed, a penalty is charged. Since this facility is handled by the Customs Officers and not the Ministry of Textile, time is wasted in educating the officers regarding particulars of HS codes. Moreover, wastage of raw material is not allowed, which is impractical in garment manufacturing. Exporters also said that they are subjected to a time limit to export the finished good for which DTRE is requested. Additionally, DTRE approvals are buyer-specific which means applying for the process all over again in case the order is cancelled by the original buyer.

All of these problems make the DTRE complex, time-consuming and costly. This especially discourages medium sized exporters from using this facility.

Recommendation

If the government wants textile exporters to utilize the DTRE facility, it needs to simplify the procedure. For this purpose, DTRE should be a single-window operation that is run on an electronic system. Secondly, DTRE regulations need to be more flexible. For example, the time period of exporting the goods for which DTRE is required, should be counted from the day approval is granted as opposed to when the request for the DTRE is received by the authorities. This will give the exporter sufficient time to export. Moreover, extension should be granted in case the exporter needs more time to export the merchandise. Furthermore, DTRE approvals should be general instead of buyer-specific to make it easy for exporters to switch to a different buyer in case of cancellation of an order by the original buyer. Finally, DTRE should come under the administration of Ministry of Textile, and the role of custom officers should be limited to supervision.

5.5 Policy on Man-Made Fibers

In order to protect the local MMF industry, the government has levied duties on the import of man-made fibers. This discourages garment manufacturers from using imported MMF as a raw material since it increases cost. Exporters cannot turn to local sources for MMF yarn or blended yarn since only 25.00% of Pakistan's spinning mills produce MMF yarns. As a result, Pakistan has been lagging behind in the exports of synthetic apparel. This is unfortunate since world demand is moving from cotton-based products to those made out of man-made fibers⁴⁶. Our regional competitors have already ventured into synthetic products. China, India and other Southeast Asian countries produce more than 80.00% of world polyester, and are also prominent exporters of synthetic textile products. Moreover, Vietnam and Bangladesh import MMF to produce synthetic apparel for export⁴⁷.

Duties levied by the Government on MMF yarn is shown in Table below:

HS Code	Product Description	Regulatory Duty (RD)
5402330,54024600,54024700,5402500 & 54026200	Polyester Yarn	5.00%
5407 & 5408	Woven fabric of synthetic & artificial yarn	8.00%
5509-11	Yarn other than sewing thread of synthetic & artificial fibers	2.00%
5512-16	Woven fabric of MMF or mixed content (cotton & man-made fiber)	5.00%

Table 21 Regulatory Duty on Man Made Fiber Source: Federal Board of Revenue

HS Code	Product Description	Custom Duty (CD)
5401-06	MMF sewing thread; MMF yarn	3.00%-11.00%
5407-08	MMF woven fabric	16.00%
5501-08	MMF, MMF thread & waste	3.00%-11.00%
5509-16	Yarn & woven fabrics of MMF	11.00%-16.00%

Table 22 Custom Duty on Man Made Fiber Source: Federal Board of Revenue (FBR)

⁴⁶ <https://fp.brecorder.com/2018/09/20180915407891/>

⁴⁷ <https://dailytimes.com.pk/269261/pakistan-lags-behind-peers-in-synthetic-textiles-exports/>

Recommendation

Government needs to promote the use of man-made fibers by reducing import duties and removing any other barriers to import. It can also set a duty-drawback rate on the import of polyesters and other MMF. Additionally, Pakistani MMF manufacturers need to be supported to increase local production of quality MMF and to reduce its price. Government can provide them with capital subsidies or funds for technological development. These measures will reduce cost of production and motivate exporters to venture into the production of MMF apparel.

5.6 Harassment by Government Departments / Functionaries

Another issue that needs immediate attention is that of various government departments under the control of both the federal and provincial governments. These need to be better managed as the people in them end up harassing exporters. These departments also cause delay in the payment of rebates & prolong the DTRE process. One interviewee complained about the self-contradictory behavior in these bodies, saying that the department responsible for installing water treatment plants is also the one following up with exporters about compliance. An unacceptable amount of time is spent dealing with these departments, time which could be better served improving the operational side of businesses.

Recommendation

This issue can be resolved by putting an end to unnecessary audits by the departments. Additionally, the government needs to introduce new regulations that will reduce the authority that these departments have.

6. Lack of Innovation and Research & Development

Interviews with knitwear exporters revealed that research undertaken locally is mostly basic and customer driven. The buyer brings their own fabric and designs and these are mostly replicated by Pakistani exporters.

The fabric and garments to be cloned are mostly from countries which are known for product innovation. A cloned product will never fetch a price close to the original item, hence, there is a general lack of motivation amongst local exporters to innovate, which has resulted in a low score for Pakistan in the innovation capability index. Any research undertaken is limited to observing fashion trends in stores when travelling abroad or attending international fairs. Furthermore, Pakistan's high cost of doing business combined with

lack of support in research from the government means research & development is the first function to be impacted when firms try to reduce costs to remain competitive. Since product innovation is a crucial step to attract buyers and to move towards producing high-end products, there is a serious need for investment in this area at both, the government and firm level.

Recommendation

Government needs to support those firms that are carrying out research in the area of product development, designing, sustainability, manufacturing processes and product innovation. This can be in the form of project-based grants, or subsidizing salaries of the research team. Additionally, research should be conducted at the association and government level as well. Government should have a separate department for research in textile.

7. Security Issues Hamper Closer Coordination with Buyers

Another important issue highlighted during the interviews was that of visits of buyers to Pakistan. Exporters complained that security concerns discourage foreign buyers from visiting Pakistan, limiting face-to-face interaction with potential customers. In order to approach buyers, Pakistani exporters have to travel and attend international exhibitions which is costly and time-consuming. Visits of buyers to suppliers' premises are extremely important as during these visits, buyers explain their requirements and expectations in greater detail and are also able to assess the supplier's capabilities. Pakistani exporters miss out on this interaction and have to operate through trial and error which is expensive.

Moreover, according to the knitwear exporters, Pakistani commercial consulates and embassies have also failed to arrange meetings or motivate buyers to come to Pakistan in spite of having the potential to do so.

Innovation Capability

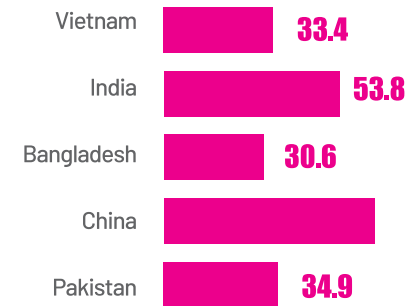


Figure 9 Innovation Capability Source: The Global Competitiveness Report, World Economic Forum 2018

Recommendation

Steps need to be taken to increase exporter-buyer interaction by encouraging buyers to visit Pakistan as well as supporting local exporters when they attend international exhibitions. In order to attract buyers, government needs to invest in special zones for export industries with proper infrastructure, transport, and a high level of security.

Events such as trade exhibitions help exporters interact with new buyers. This is why it is important that the ones that are held in Pakistan are planned properly. They should be held right after the ones in China or India so that buyers don't have to incur an additional travel cost. Similarly, when Pakistani exporters are attending exhibitions held abroad, they should be helped in terms of cost for setting up stalls. Moreover, commercial consulates also need to play an active role in arranging B2B meetings with potential buyers.

8. Technology

Knitwear exporters confirmed that Pakistan's technological status is lower than that of its regional peers. One of the reasons quoted was the lack of adequate government support. Exporters complained that the government announces schemes to support technological upgradation through funds, but fails to implement them. Similarly, even though there is the DTRE facility, exporters rarely import machinery under this scheme because of red-tape involved in the process. Moreover, textile machinery imports might be at zero-duty, but there is still a high duty on supplementary items such as chemicals & dyes, spare parts, etc. which makes the overall investment high. This means that exporters have to resort to old and obsolete machinery that are inefficient and lead to high-wastage.

Regional competitors, on the other hand, import machinery duty-free which allows them to benefit from productivity, reduced time, and cost-efficiency. The following Table shows that Pakistan's technological level is basic in most of the textile production stages. On the other hand, our competitors such as China are very advanced in their production techniques.

Stage of production	China	Sri Lanka	India	Bangladesh	Pakistan	Vietnam
Pre-Production (Order planning and maintenance)	Mid to advanced			Base to mid		
Production Preparatory (Cutting)	Mid to advanced			Base to mid		Mid
Production (Sewing)		Mid		Base to mid		Mid
Post-Production (Finishing & Packaging)	Mid	Base	Mid	Base to mid		
Manufacturing efficiency, method, wage & time keeping	Mid			Base to mid	Mid	

Figure 10 Technological Status Source: Ministry of Textiles, India (2018) (as cited in "Pakistan's Ready-Made Garments Sector: Challenges & Opportunities, CDPR and Pakistan Business Council (PBC))

One of the exporters commented that China's polyester products mimic the texture of cotton. Pakistan cannot hope to make such strides while being stuck in the current technological status. It must invest in technology if it wants to venture into technical textiles.

Recommendation

In order to improve Pakistan's technological status, the government needs to execute plans it announces for technological development. This requires providing funds for Technological Upgradation Funds (TUF) and improving the DTRE system. Furthermore, machinery spare parts, textile chemicals and dyes should be at zero-duty as well to make technological investment more attractive.

9. Lack of Proper Industrial Infrastructure

Pakistan lacks industrial infrastructure for growth. Some of the exporters commented that this is one of the reasons affecting their expansion plans. They said that there aren't any well formulated plans for economic zones to support the building of more factories. Moreover, the existing infrastructure is not sufficient for growth since it is outdated. There are no new gas pipelines, and supply of electricity is not stable. Furthermore, there is also a need to improve logistics by providing better connectivity of roads to ports and railway stations. This observation is also supported by secondary data which shows that Pakistan has the lowest score and the poorest rank in the Logistic Performance Index (LPI) among its immediate competitors.

The exporters also said that they are pressurized by buyers to set up effluent treatment plants. They explained that neither do they have space in their existing factories nor the financial strength to undertake this task. They pointed out that it should be the government's responsibility to setup common effluent treatment plants. Pakistan has the lowest score in infrastructure compared to China, India, Bangladesh and Vietnam. It also lags behind in customs, tracking and tracing, and timeliness, and is only marginally ahead of Bangladesh in the ease of international shipments and logistics.

Comparison of Logistics Performance Index (LPI)

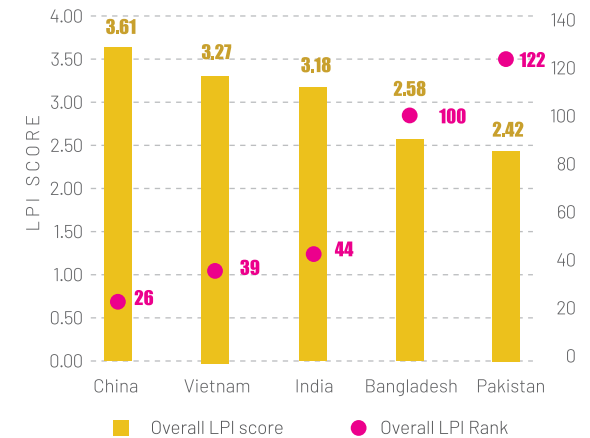


Figure 11 Comparison of Logistics Performance Index (LPI) Source: World Bank

Components of Logistic Performance Index (LPI)

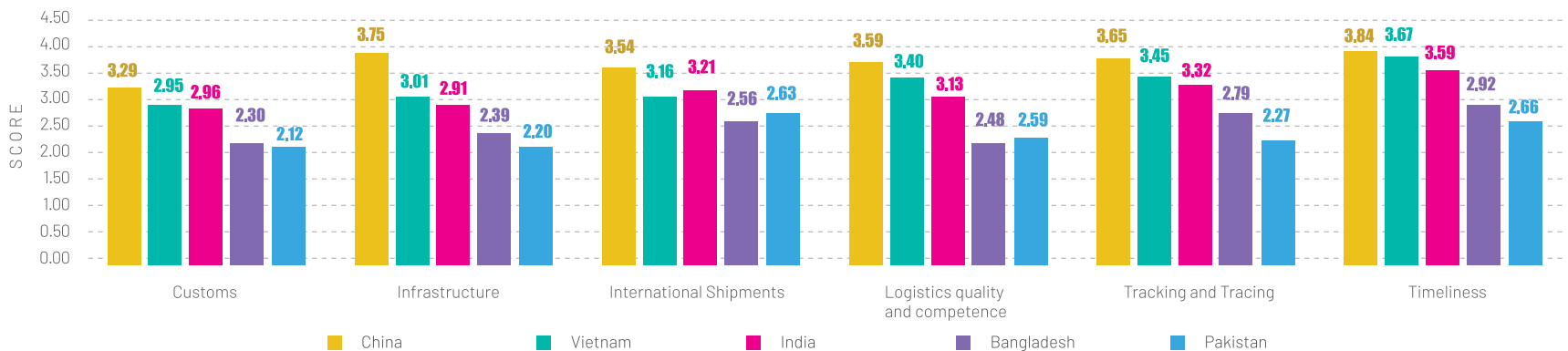


Figure 12 Components of Logistic Performance Index (LPI) Source: World Bank

Recommendation

There should be more industrial clusters with affordable land, water, common effluent treatment plants, adequate energy, and ease of access through transport routes. Additionally, common effluent treatment plants should be set-up in existing industrial clusters.

10. Absence of Ancillary Industry

Another issue that was frequently brought up was that of accessories. Pakistan does not have its own local industry for accessories and this necessitates the need to import, increasing cost and affecting lead times. There is only one internationally accredited zip manufacturer YKK^R in Karachi. In addition to zips other accessories such as buttons, labels, threads, packing material all need to be imported resulting in costs and lead-time disadvantages.

Recommendation

Pakistan needs to develop its own industry for accessories so that import reliance can be reduced. This function can be taken up by the SMEs, provided there is financial support from the government. Moreover, such units should be set-up in locations such as Special Economic Zones (SEZ) or Textile cities so that they are easily accessible to garment factories.

ANNEXURE I

Comparison of Pakistan's Textile Policies

Policy Component	Textile Vision	Textile Policy 2009-14	Textile Policy 2014-19	Budgets	PM Incentive Package (FY18)
1.Goals	<p>Better agronomic practices to boost production by 20%</p> <p>Take cotton production beyond 15 million bales.</p> <p>Increase the use of Man-Made Fiber</p>	<p>Double the value addition in textile from USD 1 billion to USD 2 billion per million bales in five years.</p> <p>Increase employment by 100%</p> <p>Private sector along with the government to bring USD 8 billion investment through Textile Investment Support Fund (TISF)</p> <p>Transformation of the sector to produce high-end textile products</p>	<p>Double value-addition from \$ 1 billion per million bales to \$ 2 billion per million bales in five years.</p> <p>Double textile exports from \$ 13 billion to \$ 26 billion in next five years.</p> <p>Facilitate additional investment of \$ 5 billion in machinery and technology.</p> <p>Improve fiber mix in favor of non-cotton from 14 % to 30 %.</p> <p>Improve product mix in the garment sector from 28 % to 45 %.</p>		
2. Infrastructure	<p>Textile cities should be established in Karachi and Lahore.</p> <p>Initiate a study for establishment of textile cities.</p>	<p>Development of clusters through Public-Private Partnership.</p> <p>Government support for the provision of effluent treatment plants.</p> <p>Schemes for common warehousing, storage and marketing facilities through public-private partnership would ensure timely and cost-effective availability of inputs.</p>	<p>Effluent Treatment Plants to be established through Public-Private Partnership.</p> <p>Special Purpose Vehicle (SPV) will be incorporated to establish Model Combined Effluent Treatment Plant (CETP) in Khurrianwala, Faisalabad.</p> <p>Apparel Houses and World Textile Centre.</p>	Establishment of 1000 stitching units (Budget FY18)	

Policy Component	Textile Vision	Textile Policy 2009-14	Textile Policy 2014-19	Budgets	PM Incentive Package (FY18)
		Government to develop product development centers, research centers and common sheds			
3. Financing / access to credit	<p>Reduction of export refinance rates.</p> <p>Awards should be given to the deserving exporters.</p> <p>Initiate a scheme (Export Growth Project Finance (EGPF)) for provision of long term credit at lower rates to textile industry. Amount of credit to be linked with the past year's performance of the exporter.</p>	<p>Refinancing arrangement will be made through the Central Bank.</p> <p>Government shall undertake part of financing while capital support will be extended for small capital investments.</p> <p>Principle exports of textiles would not be taxed. Establishment of zero-rated tax regime.</p> <p>Introduction of insurance schemes for exporters to reduce risk.</p> <p>Establishment of Export Housing Schemes to fetch better prices for the country's exports.</p> <p>Drawback of Local Taxes and Levies (DLTL)</p> <p>Processed Fabric 1% of the FOB value of exports</p> <p>Home textiles 2% of the FOB value of exports</p> <p>Garments 3% of the FOB value of exports.</p>	<p>Mark up rate for Export Refinancing Scheme of SBP is being reduced from 9.4 % to 7.5. %.</p> <p>Drawback of Local Taxes and Levies (DLTL) for Garments: 4% Made ups: 2% Processed fabric: 1%</p> <p>Introduction of an expeditious refund system to facilitate the above scheme.</p>	<p>Export Refinance Facility (ERF) at 4.50% (Budget FY16); at 3.00% (Budget FY17)</p> <p>Long Term Finance Facility at 6.00% (Budget FY16); 5.00% (Budget FY17)</p> <p>Brand Development Fund for textile sector (Budget FY18)</p> <p>Zero-rating for textiles. Zero sales tax on purchase of raw material, intermediate goods and energy. (Budget FY17, FY18 & FY19)</p> <p>DLTL for garments at 4% (Budget FY16)</p> <p>DLTL continued (Budget FY17, FY18 & FY19)</p> <p>Pending Sales Tax to be refunded (Budget FY17)</p>	<p>Financial package of Rs. 180 billion</p> <p>DLTL at 7.00% (valid till FY18)</p>

Policy Component	Textile Vision	Textile Policy 2009-14	Textile Policy 2014-19	Budgets	PM Incentive Package (FY18)
<p>4. Technology upgradation</p>	<p>Import of textile machinery older than ten years should be banned.</p> <p>Technology Upgradation fund (TUF) & EGP schemes for the provision of long-term funds and subsidized credit for technological investment, especially to garment & other made-up textile exporters.</p> <p>Duty-free import for the value-added sector.</p> <p>Sales tax exemption for hand-held ultra-low volume spraying equipment</p>	<p>Technological upgradation to be supported through schemes that reduce cost and improve availability of credit.</p> <p>Textiles Investment Support Fund (TISF) will be extended for existing and greenfield projects.</p> <p>Duty free import of textile machinery.</p>	<p>Provision of Long Term Financing facility (LTFF) to the textile units for technology upgradation at the rate of 9% for 3-10 years' duration.</p> <p>Duty free import of textile machinery under textiles policy (2009-14) has been extended for another 2 years.</p>	<p>Zero custom-duty on the import of machinery (Budget FY16)</p> <p>Duty-free import of machinery (Budgets FY17, FY18 & FY19)</p> <p>Launch of Technological Upgradation Fund (Budget FY16)</p> <p>Technology Upgradation Fund(TUF) Scheme 2016-19 for the textile sector (Budget FY17, FY18 & FY19)</p>	<p>Removal of sales tax on the import of machinery</p>
<p>5. Tariff</p>	<p>Ensure free availability of inputs for exporters. Cotton should be allowed to be traded freely.</p>	<p>The principle of cascading will be implemented while ensuring adequate protection to the local industry and removing anomalies.</p>	<p>Tariff rates for entire supply chain need to be rationalized while providing adequate protection</p>	<p>Withdrawal of Customs Duty on Manmade Fibers (Budget FY17)</p> <p>Tariffs on industrial raw materials to be reduced (Budget FY19)</p>	

Policy Component	Textile Vision	Textile Policy 2009-14	Textile Policy 2014-19	Budgets	PM Incentive Package (FY18)
<p>6. Vocational Training /Labor laws/ Compliance</p>	<p>Establish a separate training wing within proposed Textile Board.</p> <p>Provide Licensing authority to the board for all new VTI (Vocational Training Institutes)</p> <p>Standardize courses, faculty and facilities in each subsection of textile. Introduce training courses of shorter duration.</p> <p>Initiate national textile curriculum development task.</p> <p>Hire foreign consultants for short fixed duration to train the trainers.</p> <p>Utilization of EDF for equipping Vocational Training Institutions.</p>	<p>National Textiles University of Faisalabad to be upgraded and revamped.</p> <p>Establishment of Specialized training institutions (funds from Export Development Fund).</p> <p>Specialized training courses to facilitate large scale manufacturing of higher value added products.</p> <p>Foreign technicians and experts will be hired.</p> <p>Audit facility will be provided to exporters.</p> <p>Mass training programs to be undertaken to counter labor shortage.</p>	<p>Introduction of vocational training program through PSDP to improve skills of labor required in the value addition sector.</p> <p>Business Alliances and Buyers' Forums to assist value added sectors in meeting compliance</p>	<p>Mega project worth Rs. 4.4 billion for training of 120,000 unskilled men and women over a period of 5 year (Budget FY16)</p>	
<p>7. Man-made Fibers</p>	<p>Exempt the duty on import of manmade fibers not produced in Pakistan.</p> <p>Phase out the import duty on manmade fibers produced in Pakistan.</p>	<p>Special focus on MMF garments</p> <p>Development of a strategy to encourage technical textiles.</p> <p>Synthetic Fibre Development and Application Centre (SFDAC) would be strengthened to improve the quality of MMF.</p>	<p>Establishment of testing system to determine the man-made fiber content in the exporting products.</p> <p>Drawback Rates for MMF based export products to be determined by Input-Output Coefficient Organization</p> <p>Introduction of Deemed Imports Basis scheme to protect domestic PSF industry.</p>		<p>Removal of custom duty on the import of man-made fiber (except polyester)</p>

Policy Component	Textile Vision	Textile Policy 2009-14	Textile Policy 2014-19	Budgets	PM Incentive Package (FY18)
8. Utility		Government to remove cross subsidization that burdens the textile sector by lessening utility cost	<p>Joint committee to resolve the issue of energy gap.</p> <p>Energy audits and replacement of old machinery to conserve energy</p>	Uninterrupted supply of electricity and gas is ensured for the textile sector. (Budget FY18)	

ANNEXURE II

Comparison of Government Support for the Knitted Apparel Sector ⁴⁸

	Bangladesh	India	China	Vietnam	Cambodia	Pakistan
Infrastructure	Zones in Bangladesh have fully constructed and compliant building with proper supply of water, gas and electricity, and centralized common effluent treatment plants (CETP).	Textile parks, cluster schemes, and integrated processing schemes initiated by the government.	Rent-free buildings in SEZs	Economic Zones in Vietnam benefit from improved connectivity, subsidized infrastructure and tax holidays. Improved industrial system Government provides production site for expansion or for investment-intensive projects	NA	Textile Policy 2009-14 Textile Policy 2014-19 Budget 2017-18
Financial/ Access to credit	Duty drawback scheme on the import of raw materials Corporate tax rate of 12% for knitwear exporters Domestic suppliers to RMG exporters receive cash incentives worth 10% of the value of the exported garment.	0% interest rate for garment units in the state of Maharashtra. Introduction of a special package worth Rs 71.48 billion for FY19 for apparel exports Refund of freight charges (between 25%-75% over the period of 5 years)-in Telangana only	Export rebates of 15% Tax exemptions and tax rebates on R&D activities Credit guarantees for SMEs	Refund of value-added tax. Zero-duty on the import of machinery Export credit at 4% lower interest rate	Export tax exemption for up to 3-5 years	All

⁴⁸ <https://www.tgnns.com/telangana-new-district-news/telangana-textile-apparel-incentive-scheme-2017/2017/08/18>

<https://www.wirc-icai.org/material/Textiles-Policy-CR1-Int-Sub-1-March-12-Eng.pdf>

https://www.ilo.org/dhaka/Whatwedo/Projects/WCMS_240343/lang--en/index.htm

<https://www.tgnns.com/telangana-new-district-news/telangana-textile-apparel-incentive-scheme-2017/2017/08/18/>

<https://www.uscc.gov/sites/default/files/Research/TLAG%20Report%20-%20China%27s%20Support%20Program%20for%20Textiles%20and%20Apparel.pdf>

<https://www.pbc.org.pk/wp-content/uploads/Pakistan%E2%80%99s-Readymade-Garments-Sector-Challenges-and-Opportunities.pdf>

	Bangladesh	India	China	Vietnam	Cambodia	Pakistan
	Tax rebates between 25%-100% over a 5-year period for manufacturers located in the EPZs of Chittagong and Dhaka					
Vocational Training/Labor laws/ Compliance	Better Work Bangladesh-scheme to help apparel manufacturers with compliance.	Training subsidies between Rs. 3,000 and Rs 5,000 per employee (in Telangana)	No specific policy	No specific policy	NA	Textile Policy 2009-14 Textile Policy 2014-19 Budget 2015-16
Technology Upgradation	No specific policy	50% cost of installing common effluent treatment plants is supported by the government. Capital subsidy-25% for conventional textiles; 35% for technical textiles	Special funds allocated for technological innovation and brand building	Financial support in R&D for technology transfers, strengthening the capability of scientific and technological bodies (laboratories, laboratory standards, R&D institutions etc.) research to improve productivity and quality, Test-trial production (new products & materials to replace imports).	NA	All

Table 23 Comparison of Government Support for the Knitted Apparel Sector

ANNEXURE III

Cotton Production

Unit: Million US Bales

	Pakistan	India	China
1991	10.00	9.29	26.10
2018	8.50	28.70	26.50
Growth Rate (%)	-15.00%	208.93%	1.53%

Table 24 Cotton Production, Source: Index Mundi

Man-Made Fibers Imports

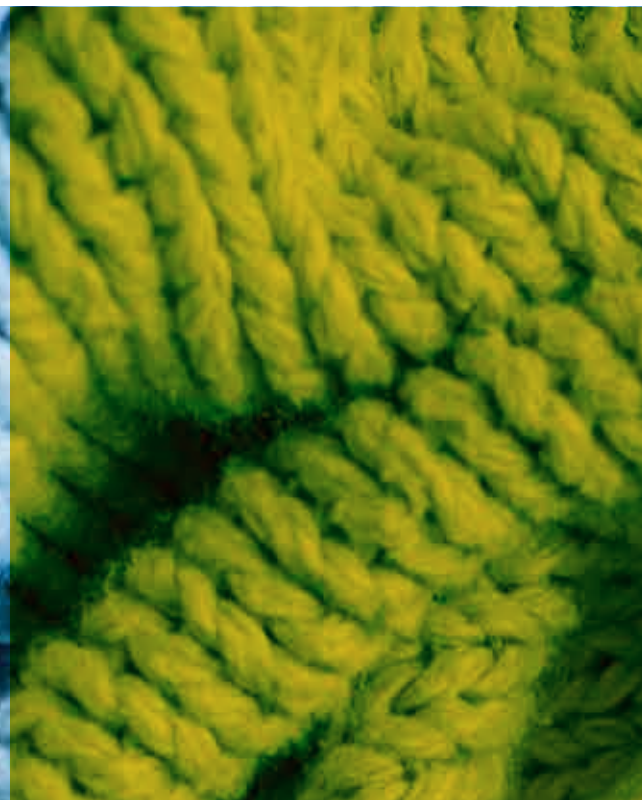
	Import of Man-Made Fibers 2017
Vietnam	\$6.25 Bn
China	\$5.39 Bn
Bangladesh	\$2.70 Bn
Pakistan	\$1.49 Bn
India	\$1.46 Bn

Table 26 Import of Man-made Fibers

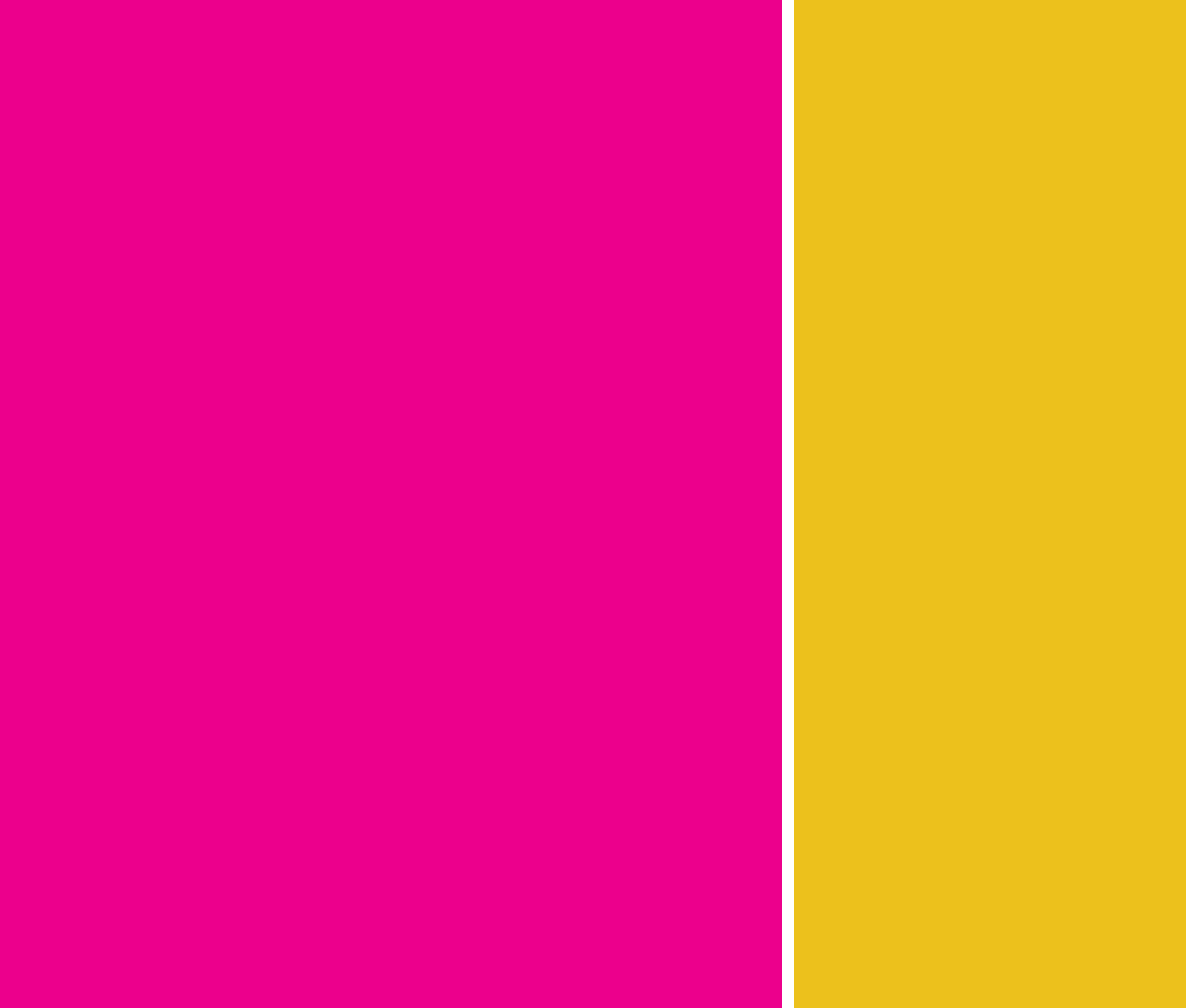
Textile Machinery Imports

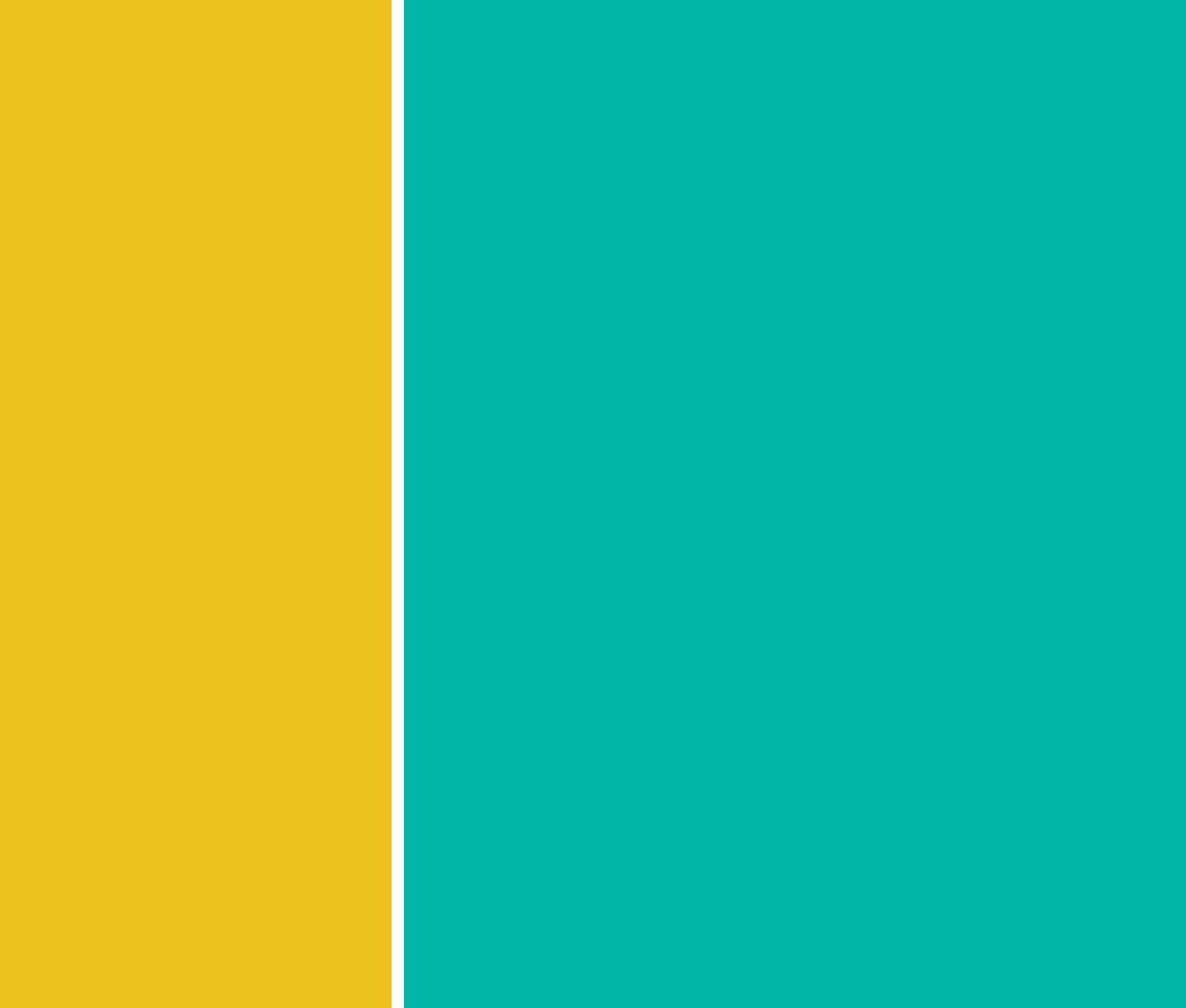
Importers	Import of Textile Machinery 2017	Comparison with Pakistan
China	\$2.94 Bn	x5.92 times
India	\$1.77 Bn	x3.58 times
Bangladesh	\$0.73 Bn	x1.47 times
Vietnam	\$0.71 Bn	x1.43 times
Pakistan	\$0.50 Bn	

Table 25 Import of Textile Machinery











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