

PRODUCT REPORT (READYMADE GARMENTS)

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Executive Summary

Textile is the major sector of Pakistan with the contribution of 58% in the total exports of Pakistan. However, the share of readymade garments is only 40% in the textile exports, which is the final product in the supply chain distribution of the textile sector and earns thirty times more average unit price as compared to cotton. Unfortunately, the export of raw cotton alone is over \$3 billion in the total \$13 billion exports of textile sector. The RMG sector is comprised of Knitwear and articles of apparels no knitted. In readymade garments, knitwear has the highest exported value of \$2.8 billion in 2018. The export destinations of Pakistan remains the same in the last four years which show that Pakistan lacks diversification in terms of export markets. The export destinations of RMG sectors are confined to the USA and the EU countries only, which is due to preferential tariff rates and GSP-plus status. In the top export destination of Pakistan, it is not even among top five suppliers. China, Bangladesh, and India the major competitors of Pakistan.

Men's or boys' trouser is the top exported item of Pakistan at HS-06 level in 2018 it also showed a higher average annual growth rate in the past five years. Among top exported items, full length or knee length stocking earns the highest average unit price for Pakistan. The products made of synthetic fiber showed higher growth in the world's exports and market share as well in the past five years and have a high potential for the exports.

Japan, Korea, and Canada are the big markets for the imports of readymade garments. Moreover, current exports of Pakistan is very low in these markets which shows higher untapped potential.

In a meeting with Pakistan Knitwear Export Association of Pakistan, different issues were raised by the importers which include payback period of Drawback of Local Tax and Levies (DLTL), Customs, lack of support of government to SMEs and cost of utilities. Due to lack of research culture, low technology adoption rate, higher duties on synthetic fiber and absence of E-commerce, growth rate of RMG of Pakistan is lagging behind its regional competitors like Bangladesh, India, and China. The exports of RMG sector can be boosted by adopting certain measures like introduction of E-commerce platform and bonded warehouses.

Table of Contents

Introduction.....	1
Major Textile Exports of Pakistan:	2
Top five markets for the Textile Exports of Pakistan:	3
RMG Exports of Pakistan:	4
Knitwear Exports of Pakistan:	4
Apparels (Not-Knitted) Exports of Pakistan:	8
Top exports of Pakistan in Readymade Garments:	11
Top Destinations for RMG Exports of Pakistan:	11
Average Unit Price Earned by the top RMG products of Pakistan:.....	12
Comparison of Growth rate with the World's exports:.....	13
Value Chain Distribution:	15
Identification of potential products by using growth rates:	16
Potential Markets for RMG:	18
Identification of Potential Products by considering demand and supply side potential:	20
Product wise (HS-6 level) identification of Potential Markets:	20
Competitor's Analysis:	24
Trade Agreements:.....	27
Minimum Monthly wages in the Clothing Industry:	27
Comparison of Government Policies with Regional Competitors:.....	28
International Buying Houses:.....	30
Feedback from the Association:.....	30
Issues faced by the Pakistan:.....	32
SWOT analysis	34
Conclusion and Recommendations.....	37

Introduction

Textile is the most significant manufacturing sector and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments.

Ready-made garments are the final textile products of the clothing industry. They are tailored on generalized basis according to anthropometric studies. Their characteristics depend upon the fiber used in their manufacturing, as different type of fiber and yarn are used for their production. MVS yarns, Cool Max Yarns, Fortel Yarns, Lyocell Yarn, Modal Yarn and Melange Yarn are used by fabric manufacturers to produce RMG. It can be divided into the categories of outer clothing and underclothing. Outer clothing includes workwear, leisurewear, and sportswear while underclothing consists of jersey goods and lingerie.

Pakistan is the 4th largest producer of cotton in the world. Local availability of raw material makes it competitive in the world. The textile sector has a very long value chain starting from cotton picking to readymade garments and has a high potential of value addition at each stage. The textile sector has a share of 60% in national exports with 40% industrial labor force engaged in the textile sector. It contributes around 20% in the GDP of Pakistan.

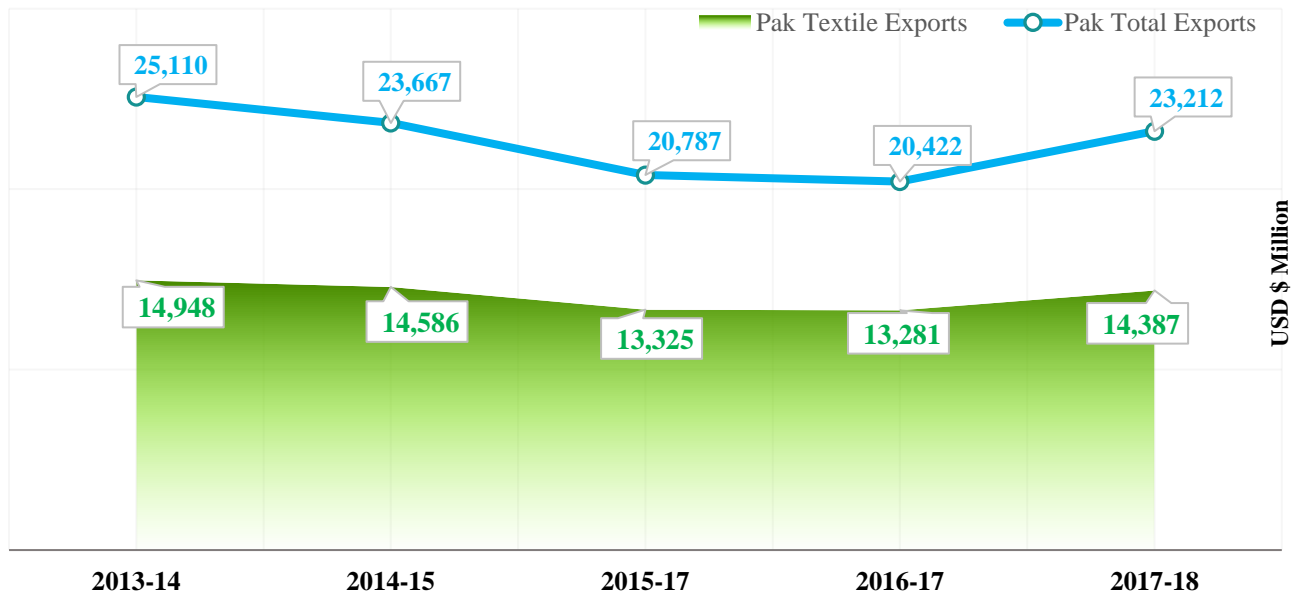
Readymade garments industry of Pakistan is adequately equipped to produce the latest designs to suit tastes and needs in any part of the world. USA, Germany, UK, Spain, Italy, and France are the main export destinations of Pakistan. Knitted garment and hosiery are playing a pivotal role in value addition in the clothing sectors where the products are wide in range and include T-Shirts, Jogging Suits, Jerseys, Pajamas, Sport, Shirts, Gloves, Night Gowns, Track Suits, Sweaters and socks. The products also include utility items such as overalls, shirts Trousers, sports shirts jeans and night suit.

Readymade garments of Pakistan have high local and international demand. The sector produces enough to meet local demand. Most of the machines utilized by the industry are imported. The total exports of the articles of apparel including knitted and not-knitted apparels by Pakistan crossed \$5 billion in 2018. The exports show a rise of 13 percent in terms of quantity from 22.7 million dozens to 25 million dozens.

Pakistani textile experts also said that the readymade garment industry has emerged as one of the significant small scale industries in the country. Its products have large demand both at home and

abroad. The local requirements of readymade garments are approximately totally met by this industry.

The graph below compares the total exports of Pakistan with the exports of textile. It can be comprehended that textile exports and total exports of Pakistan have a high correlation. Total exports of Pakistan are declining with textile exports and vice versa. It shows that total exports of Pakistan have a huge dependence on textile exports.



Data Source: PBS

Major Textile Exports of Pakistan:

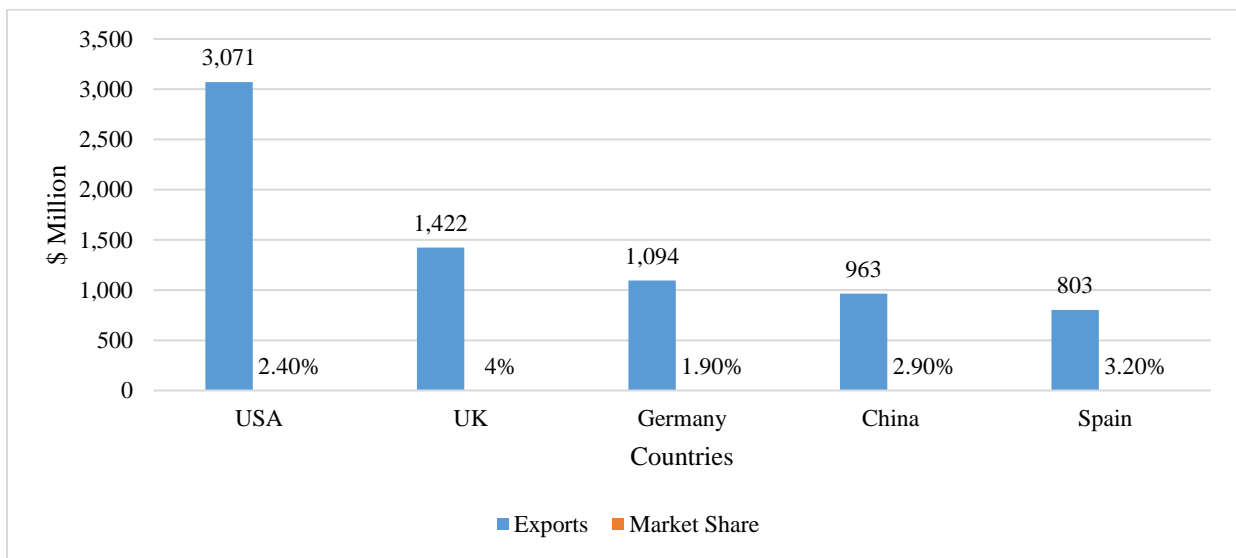
Following graph depicts the product wise detail of Textile sector. It can be seen that the readymade garments have a high share in the textile exports of Pakistan. Total exports of RMG are more than \$5 billion during the fiscal year 2017-18. Breaking down the RMG sector, knitwear has the highest exports of \$2.7 billion during the same period. Bedwear and cotton fabrics also have a significant share in the total exports of textile. The details of the products convey that exports of high-value products like RMG have less than 50% share in the total textile exports of Pakistan while the rest of the products, at the lower level of the value chain has captured more share.



Data Source: PBS

Top five markets for the Textile Exports of Pakistan:

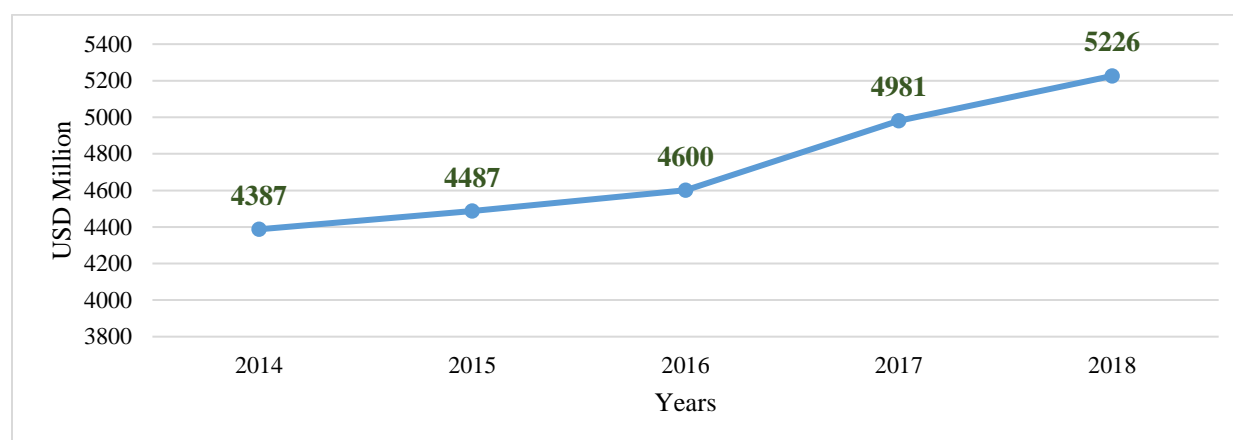
The table underneath shows that the USA is the top destination for the textile exports of Pakistan with a market share of 2.4%. Exports to the UK are also more than \$1 billion, moreover, the market share of Pakistan is the highest in the UK. Three of the top five destinations of Pakistan are from the EU, which is due to GSP plus status.



Data Source: PBS

RMG Exports of Pakistan:

Last five year data of readymade garments show that there is an upward trend in the exports of Pakistan. However, the exports of Pakistan are increasing on a marginal basis and crossed \$5 billion in 2018. The major reason is the increase in world demand, as imports of both knitwear and not knitted apparel increased substantially all over the world.



Data Source: Trade Map

Knitwear Exports of Pakistan:

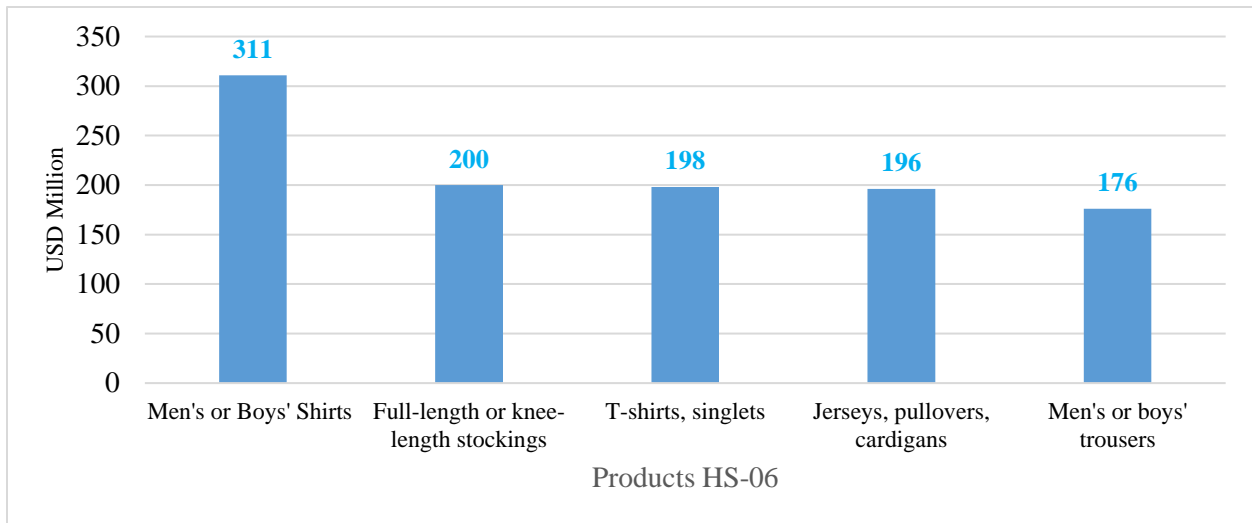
Knitwear has a high share in the readymade garments exports of Pakistan. The following table shows that exports of knitwear are consistently rising and touched \$2.8 billion in 2018. The exports of knitwear are positively correlated with global exports as both of the variable moved in the same direction. Share of Pakistan also shows an upward trend but at a low pace.

S No.	Year	Pak Exports to World(USD Billion)	Global Exports (USD Billion)	Pakistan's Share in Global Exports (%)
1.	2014	2.40	238.47	1.00
2.	2015	2.36	219.63	1.07
3.	2016	2.35	216.17	1.08
4.	2017	2.52	225.33	1.12
5.	2018	2.86	242.92	1.18

Data Source: Trade Map

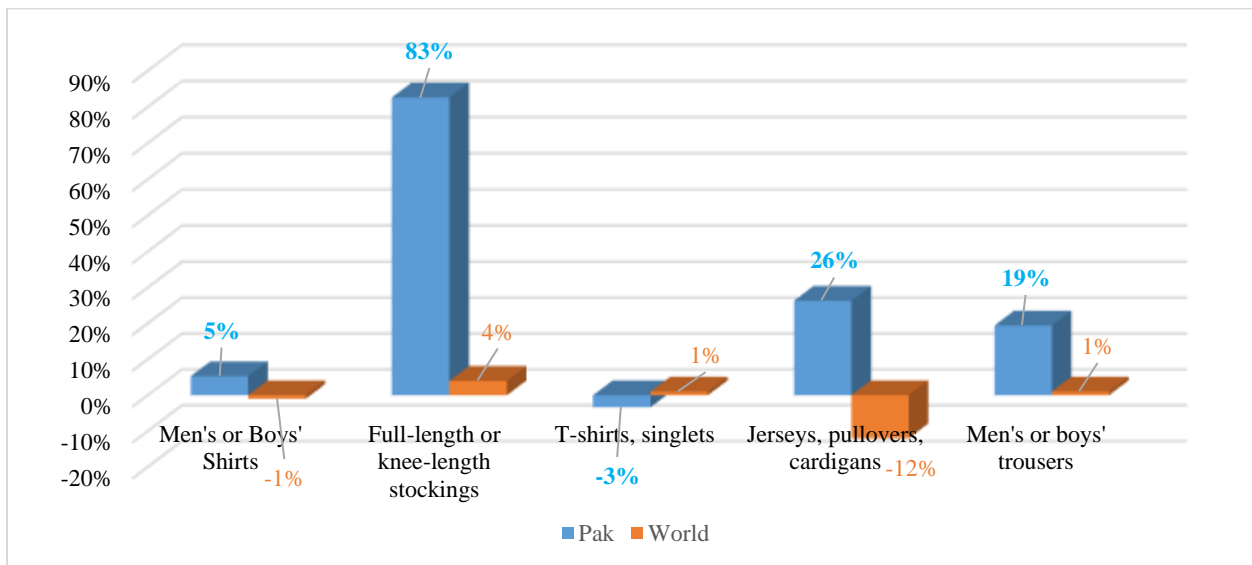
Top Knitwear exports of Pakistan:

The following graph depicts the top knitwear exports of Pakistan. Men’s or Boy’s shirts have high demand in the international markets with an exported value of \$311 million. Other top products include full-length or knee-length stockings, t-shirts, jerseys, and men’s trousers.



Data Source: Trade Map

The graph below compares the five-year growth rate of top exports of Pakistan with the growth rate of the world of the same products. For the majority of the products, Pakistan shows significantly high growth rate as compared to the world. It is evident that the market share of Pakistan is rising for these products.



Data Source: Trade Map

Pakistan's Major export markets for Knitwear:

The following table outlines the top five export markets for the knitwear exports of Pakistan, during the last four years. The data shows that the major markets are almost similar for the last four years. However, Germany has slipped to fifth place, apart from the fact that the value of exports and market share of Pakistan in Germany has increased. The major reason is that the exports of Pakistan to Netherland has increased significantly during the year 2018 as compared to 2017.

S. No	Year	Top 5 Markets	Pakistan Export Value (USD Million)	Total Imports of that Country (USD Million)	Pakistan's Share (%)
1	2015	USA	1026	48,514	2.11
		UK	355	13,395	2.65
		Spain	147	6,966	2.11
		Germany	134	17,133	0.7
		Netherland	132	5,023	2.63
2	2016	USA	913	45,432	2.0
		UK	357	12,434	2.9
		Spain	180	7,541	2.4
		Germany	170	17,551	1.0
		Belgium	152	4,485	3.4
3	2017	USA	900	45,774	2.0
		UK	401	12,514	3.2
		Germany	202	18,983	1.1
		Spain	200	7,870	2.5
		Netherland	167	6,092	2.7
4	2018	USA	1038	47,745	2.2
		UK	439	13,008	3.4
		Netherland	220	8,980	2.5
		Spain	220	8,496	2.6
		Germany	218	20,169	1.1

Data Source: Trade Map

Pakistan's Competitors (knitwear) in the major markets.

The table underneath lists the competitors of Pakistan in the top export destinations of Pakistan, their exported value and market share. The data shows that China has a strong presence in all the major markets of Pakistan. In the US, China has captured approximately one-third of the market share. As China is the biggest exporter of textile, so it enjoys economies of scale. The second major competitor of Pakistan is Bangladesh, which has a high presence in the EU countries. Bangladesh has been awarded the Everything But Arms (EBA) status by the EU, which gives it access to the EU at zero percent tariff rate on textile and without any quota limits. Other competitors of Pakistan include Vietnam and Turkey.

S. No	Country	Competitors	Export Value (USD Billion)	Market Share (%)
1	USA	China	14,899	32.5
		Vietnam	6,997	15.3
		Indonesia	2,458	5.4
2	UK	China	2,779	22.2
		Bangladesh	1,782	14.2
		Turkey	1,216	9.7
3	Germany	China	4,428	23.32
		Bangladesh	3,255	17.14
		Turkey	2,367	12.48
4.	Spain	China	1,732	22.00
		Bangladesh	1,372	17.43
		Turkey	957	12.16

Apparels (Not-Knitted) Exports of Pakistan:

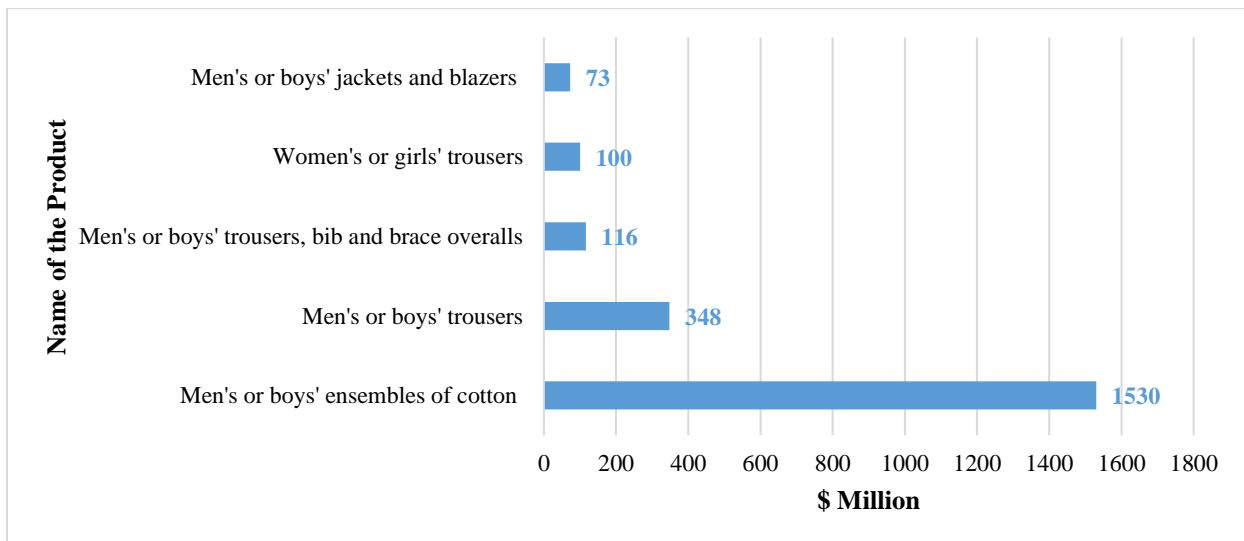
The other category of the products which Pakistan exports in the readymade garments are the apparels not knitted. There is an upward trend in the exports of this product, but, the growth is very slow. Moreover, Pakistan has not been able to improve its market share over the past five years. It stayed at the same level which shows that demand for Pakistani products is rising slowly as compared to its competitors. Global demand for the product declined sharply in the year 2015 and 2016. Eventually, it crossed its previous high of \$233 billion in 2018 with the exports value of \$239 billion.

S No.	Year	Pak Exports to World(USD Billion)	Global Exports (USD Billion)	Pakistan's Share in Global Exports (%)
1.	2014	1.98	233	0.8
2.	2015	2.12	219	1
3.	2016	2.25	216	1
4.	2017	2.47	228	1
5.	2018	2.58	239	1

Data Source: Trade Map

Top Exports (apparels not knitted) of Pakistan at HS-6 Level:

Among the top five exports of articles of apparels (not-knitted), men's or boy's ensembles of cotton earn high foreign exchange for Pakistan. Its exports are over \$1.5 billion in 2018. Other top exports of apparels (not-knitted) include men's trousers, women's trousers and, men's jackets.



Pakistan's Major export markets for not-knitted apparels:

Pakistan's major export markets for the apparels (not-Knitted) are the USA, Spain, UK, Germany, and Netherlands. Data shows that Pakistan consistently exported in the same markets, which is an indication of the fact that export destinations of Pakistan are not well diversified. Pakistan's exports are confined to only two regions which include the USA and the EU. There is an element of apprehension that if Pakistan will lose GSP-Plus status in the future, it will adversely affect the exports of readymade garments of Pakistan.

S. No	Year	Top 5 Markets	Pakistan Export Value (USD Million)	Total Imports of that Country (USD Million)	Pakistan's Share
1	2015	USA	494	40,574	1.2%
		Spain	296	8,708	3.4%
		UK	282	13,134	2.1%
		Germany	256	17,205	1.5%
		Netherland	142	7,198	2.0%
2	2016	USA	501	38,570	1.3%
		Spain	294	9,415	3.1%
		UK	286	12,081	2.4%
		Germany	285	17,666	1.6%
		Belgium	166	3,845	4.3%
3	2017	USA	536	37,824	1.4%
		Gernmany	335	18,719	1.8%
		Spain	323	10,119	3.2%
		UK	299	11,746	2.5%
		Belgium	165	3,852	4.3%
4	2018	USA	596	39,048	1.5%
		Spain	327	10,902	3.0%
		UK	308	11,900	2.6%
		Germany	278	19,679	1.4%
		Netherlands	179	8,768	2.0%

Data Source: Trade Map

Pakistan's Competitors (apparels not-knitted) in the major markets.

Like Knitwear, China is the leading exporter in the top export markets of Pakistan for the “articles of apparels” not-knitted as well. Pakistan is not able to secure a place among the top three suppliers in any of its top export destinations.

S. No	Country	Competitors	Export Value (2018) (USD Billion)	Market Share (%)
1	USA	China	13.4	34
		Vietnam	5.2	13
		Bangladesh	3.8	10
2	Spain	China	1.7	16
		Turkey	1.6	15
		Morocco	1.5	14
3	UK	China	2.5	22
		Bangladesh	1.5	13
		Italy	0.9	7
4.	Germany	China	4.9	26
		Bangladesh	2.7	15
		Turkey	1.5	8

Data source: Trade Map

Top exports of Pakistan in Readymade Garments:

The following table outlines the top exports of readymade garments to the world at the HS-06 level. It was \$5.2 billion in 2018. Men's or boys' ensembles of cotton have the highest market share of 26% with the exported value of \$1.3 billion. For the rest of the products, the exported value is less than \$500 million.

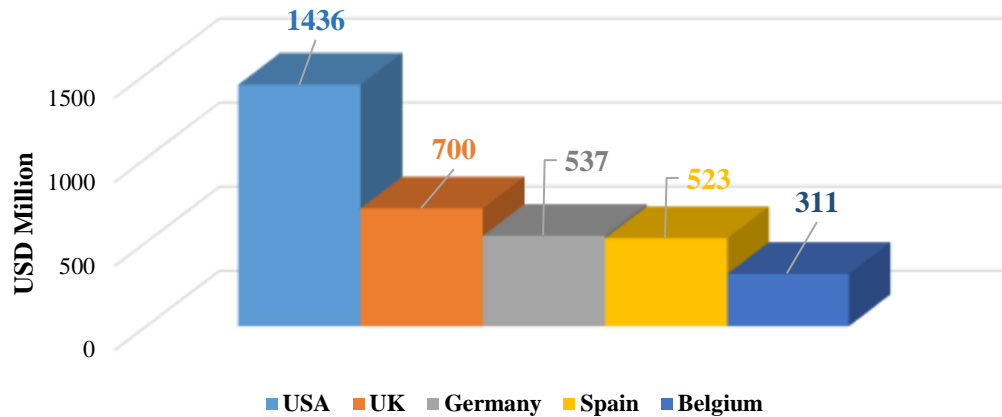
Sr #	HS Code	Nam of the Product	Value \$Million	Share in Pakistan's exports of RMG												
1	620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	1,291.73	<table border="1"> <caption>Share in Pakistan's exports of RMG</caption> <thead> <tr> <th>HS Code</th> <th>Share (%)</th> </tr> </thead> <tbody> <tr> <td>620322</td> <td>26%</td> </tr> <tr> <td>620342</td> <td>8.20%</td> </tr> <tr> <td>610590</td> <td>6.20%</td> </tr> <tr> <td>611595</td> <td>4.00%</td> </tr> <tr> <td>610910</td> <td>3.90%</td> </tr> </tbody> </table>	HS Code	Share (%)	620322	26%	620342	8.20%	610590	6.20%	611595	4.00%	610910	3.90%
HS Code	Share (%)															
620322	26%															
620342	8.20%															
610590	6.20%															
611595	4.00%															
610910	3.90%															
2	620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	410.42													
3	610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made)	310.70													
4	611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	199.88													
5	610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	197.75													

Data Source: Trade Map

Top Destinations for RMG Exports of Pakistan:

The following table shows the top five export destinations of Pakistan in the RMG sector. The USA is the leading importer, while the rest of the importers are from the European Union. Pakistan mainly exports readymade garments to European countries because exporters get higher prices and GSP-plus status gives duty-free access to Pakistani exporters in the European markets.

TOP DESTINATIONS FOR THE EXPORTS OF RMG

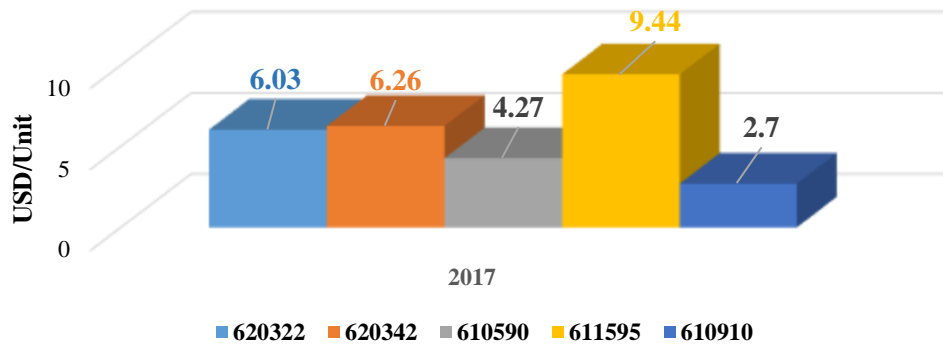


Data Source: Trade Map

Average Unit Price Earned by the top RMG products of Pakistan:

The graph outlines the Average Unit Price earned by the top exports of Pakistan. The highest AUP is earned by the Full-length or Knee length stocking which is the \$9.44 per unit. However, this product has the total exported value of \$200 million only. The top two exports of Pakistan earned the price of around \$6 per unit. Due to the lack of branding, Pakistani exports are not earning very high prices as most of the exporters of Pakistan acting as suppliers to different brands in the world. Eventually, the brands are earning higher margins.

AVERAGE UNIT PRICE

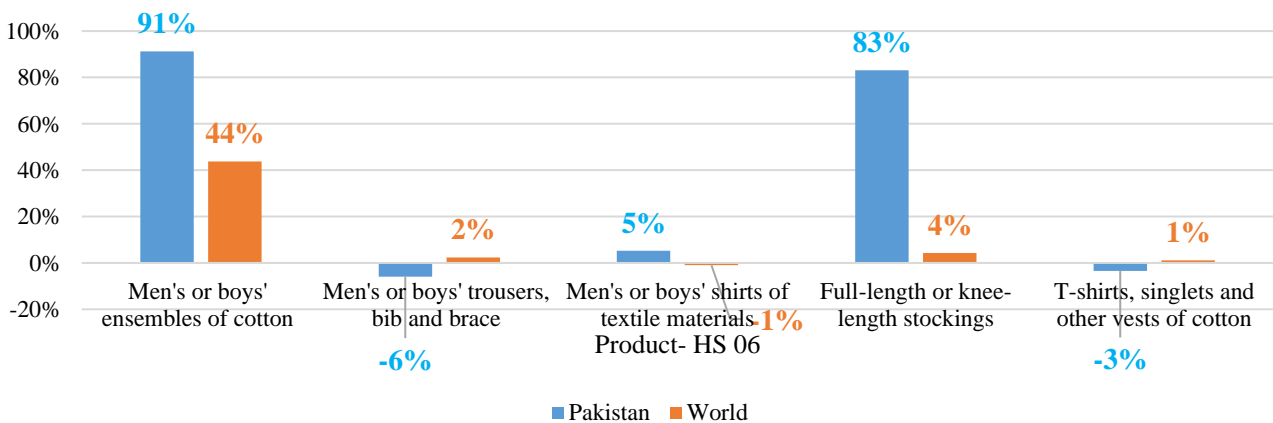


Data Source: Trade Map

Comparison of Growth rate with the World's exports:

The following graph compares the Average Annual Growth Rate (AAGR) of top exports of Pakistan to the AAGR of the same products in the world's exports. The graph shows that for the majority of the products Pakistan has a higher growth rate as compared to the world. For Men's or boys' trousers and T-shirts and singlets the AAGR of Pakistan's exports is negative.

COMPARISON OF AAGR OF PAKISTAN'S TOP EXPORTS WITH THE WORLD



Data Source: Trade Map

Top Exporters of Ready Made Garments in the World:

China is the top Exporter of Readymade garments and has a clear monopoly in most of the markets. It satisfies almost one-third of the total demand of the world. Bangladesh is at 2nd place with the exports of \$34.7 billion and has a market share of 7.7% in the world. Vietnam has also emerged as a key player in Readymade exports with a market share of 5.3%. As the textile is a labor-intensive sector and labor cost is comparatively low in Bangladesh, Vietnam, and China so these are the major suppliers of readymade garments to the world. However, labor cost is rising in China that's why China is shifting most of its textile industry to Vietnam and other countries, to remain competitive in the world regarding pricing.

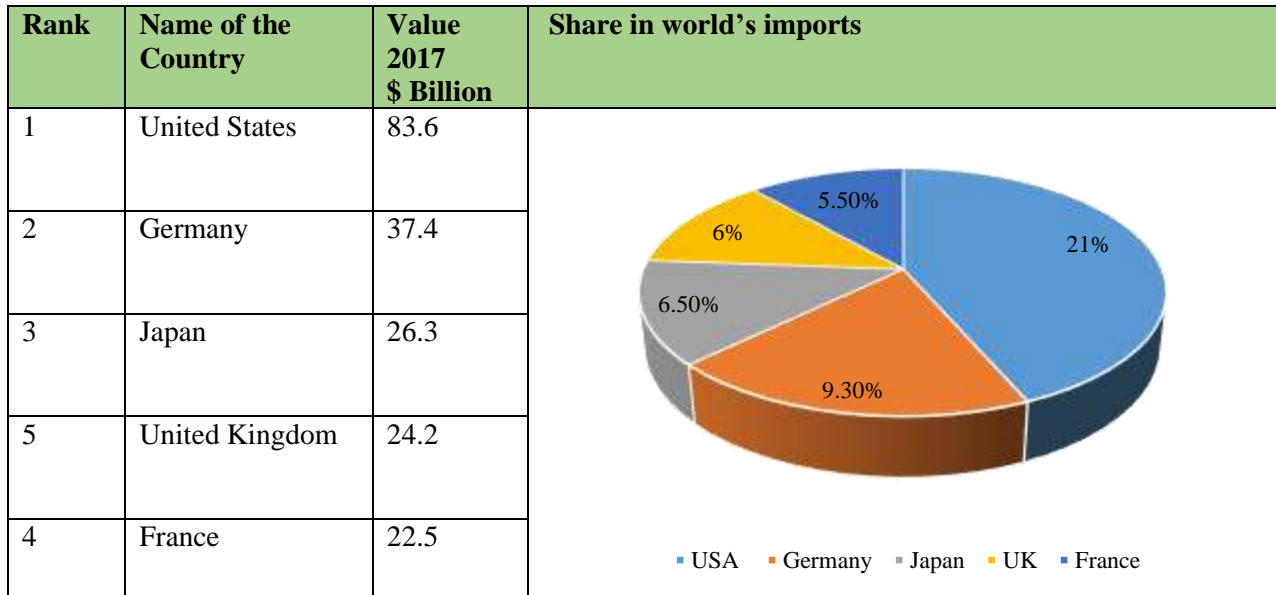
Rank	Name of the Country	Value 2017 \$ Billion	Share in World's Exports
1	China	145	<p>A 3D pie chart illustrating the market share of the top five exporters of ready-made garments in the world. The largest slice is China at 32%, followed by Bangladesh at 7.7%, Vietnam at 5.3%, Italy at 4.7%, and Germany at 4.5%.</p>
2	Bangladesh	34.7	
3	Vietnam	24.2	
4	Italy	21.3	
5	Germany	20.6	

Data Source: Trade Map

Top importers of Ready Made Garments in the World:

The table underneath shows the Top importers of Ready Made Garments in the world. The USA is the biggest importer of readymade garments with a 21% share in the world's imports. In the list of top five importers, three countries belong to the European Union. All the top importers are advanced and high-income economies. The reason is that RMG is a labor-intensive sector and labor cost is very high in the economies, where the per capita income is high. Therefore these countries prefer to import the textile product instead of manufacturing them as they concentrate

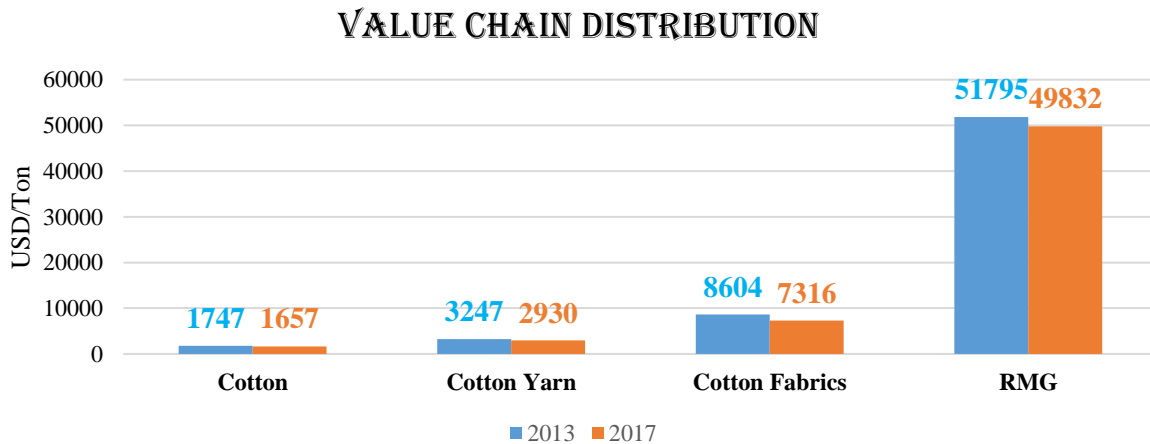
more on manufacturing tech-intensive products. Total world’s imports of Readymade Garments in around \$400 billion.



Data Source: Trade Map

Value Chain Distribution:

The graph compares the average unit price of Textile products earned by Pakistan at various steps of the value chain. The comparison is made between different steps like Raw material, semi-processed and processed goods. When the product goes through various steps of value addition, profit margin raises due to the increase in the value. Cotton is the raw material and readymade garment is the final product. Price earned at the last step of value chain is almost thirty times higher than the first step of the value chain. In order to earn more foreign exchange, Pakistan needs to promote the production of value-added goods.



Identification of potential products by using growth rates:

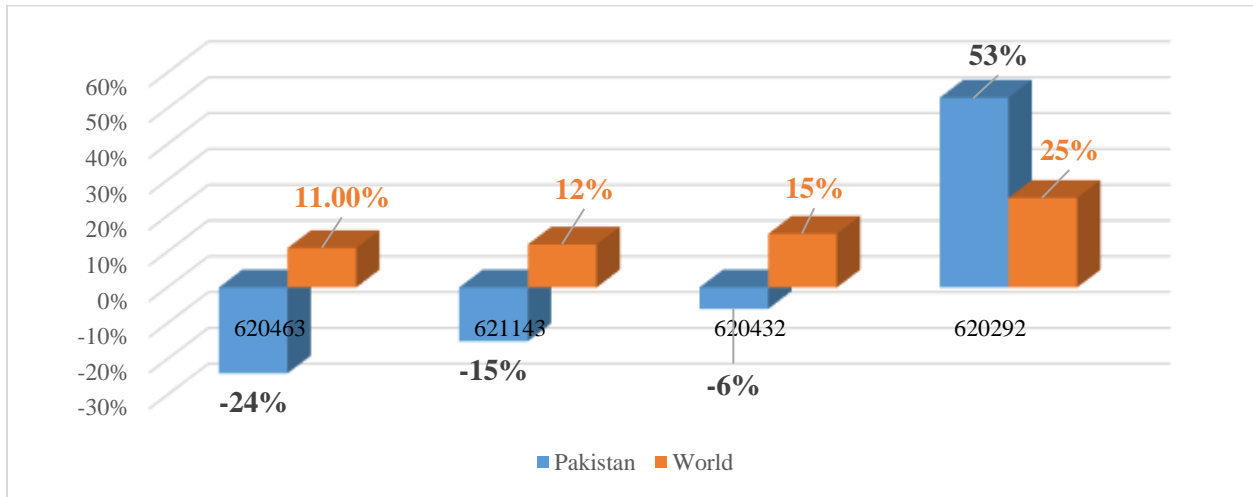
The following products are identified as potential products. The products are selected on the basis of a higher growth rate in their exports value and higher growth rate in their market share over the past five years. The growth rate is measured by Average Annual Growth Rate (AAGR). A higher growth rate in market share indicates that the demand for the product is raising in the world market. The potential products identified include women's or girls' trouser of synthetic fibre, women's or girls' tracksuits of man-made fibre, women's or girls' jackets of cotton and women and girls' anoraks and windcheaters. The selected products show higher AAGR in exported value and higher AAGR in the market share of the world's exports for the last five years. Additionally, the current share of Pakistan is very low in the world's exports for these products which shows high untapped potential.

Sr #	HS Code	Name of the Product	World export \$ million	Pak Export \$ million	Pak share in world export
1	620463	Women's or girls' trousers, bib and brace overalls,	5,769	1.7	0.02%
2	621143	Women's or girls' tracksuits and other garments...	4,379	1.2	0.02%
3	620432	Women's or girls' jackets and blazers of cotton	4,355	5.9	0.13%
4	620292	Women's or girls' anoraks, windcheaters, wind jackets	2,498	0.8	0.03%

Data Source: Trade Map

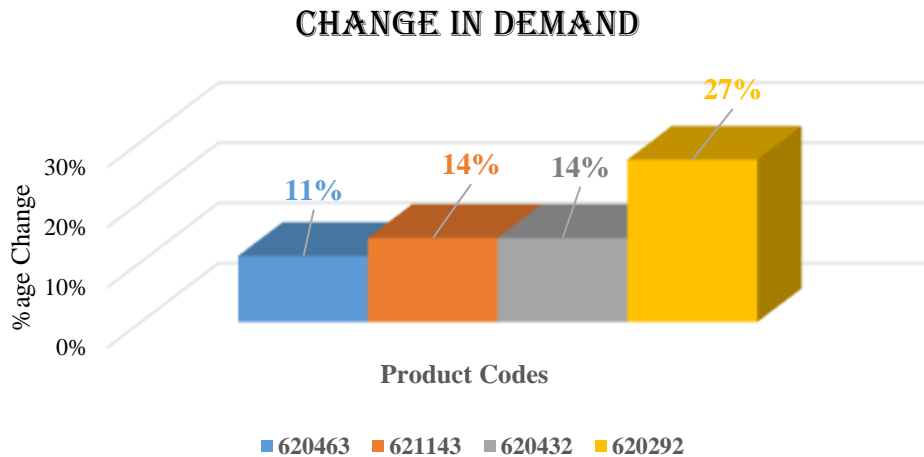
The AAGR of world and Pakistan is compared for the Potential products. All the potential products have higher than 10% growth in the world's exports. However, Pakistan's exports for some of the products show a negative trend. The products which showed negative growth include 620463 and 621143. Both of the products are the apparel made with synthetic or man-made fiber. As the world's demand is shifting towards synthetic fiber so these products have a higher growth rate in the world's export. But Pakistan's export for apparel made of man-made fiber is declining which was already very low. The basic reason is the higher duties which Pakistani producer have to pay to import the raw material of these products, which ultimately increased the cost and eventually

reduce the competitiveness in the world. Only for the product 620292, Pakistan has higher growth rate than world's exports.



Data Source: Trade Map

The demand pattern of products is measured by calculating the growth rate of the market share of the products over the last five years. The product identified as potential products through AAGR method experienced high growth rates in their market share as well. The market share of 620292 in the total exports of RMG has increased by 27% in the last five years. Higher percentage increase in the market share of selected products shows that the demand for these products is rising in the world.



Data Source: Trade Map

Potential Markets for RMG:

The following markets are identified as potential markets for the exports of readymade garments sector as a whole. In the latter part, we have identified the potential markets for individual products as well. Potential markets are identified on the basis of the size of demand and current market share of Pakistan in the specific country. The products which have high imported value for the RMG and current market share of Pakistan is low there are supposed to have high untapped potential. Currently, most of the exports of Pakistan are concentrated in the USA and some of the EU countries. Being the holder of GSP-Plus status, Pakistan has duty free access in the European Union markets. Pakistan has very limited markets for the exports of RMG. About 75% of exports by Pakistan concentrated in the top five destinations.

Sr #	Name of Country	Value imported \$ Million (2017)	Pak exports to country \$ Million (2017)	Market Share	Tariff faced by Pakistan	Top suppliers		
						Country	Value \$ Mil	Tariff %
1	Japan	26,374	34	0.12	12.8%	China	16,748	8.9
						Vietnam	3,232	0
						Bangladesh	858	0
2	Canada	9,217	79	0.8	18%	China	3,642	17.5
						Bangladesh	1,088	0
						Vietnam	751	16.4
3	Korea	8,785	14	0.2	13%	China	3,268	10.2
						Vietnam	2,827	0
						Indonesia	546	1.2
4	Poland	6,250	86	1	0%	China	1,985	11.5
						Bangladesh	1,193	0
						Germany	608	0
5	Czech Republic	2,958	17	0.5	0%	China	790	11.5
						Bangladesh	464	0
						Germany	324	0

Data Source: Trade Map

Japan is the third biggest importer of readymade garments in the world, but, the market is highly underexploited by Pakistan. The imports of Japan are more than \$26 billion, but Pakistan supply only \$34 million worth of readymade garments to this market. Although the imports of Japan are marginally declining but still the size of the market is very big. China, Vietnam, and Bangladesh are the major exporters of readymade garments in Japan. Bangladesh and Vietnam face zero

percent tariff rate. On the other hand, Pakistan has to face high tariff rate of 12.8%. To exploit the Japanese market Pakistan needs to consider trade agreements with Japan.

Canada also has high untapped potential for the Pakistani exporters of readymade garments. The country imported more than \$9 billion worth of readymade garments in 2017. China, Vietnam, and Bangladesh are present in the Canadian markets as well, as top suppliers. Bangladesh faces a zero percent tariff while China and Vietnam face a high tariff of 16%. Pakistan's exports are only \$79 million in Canada, the low market shows high untapped potential.

South Korea also imports a substantial amount of readymade garments from the world. Its major suppliers are China, Vietnam, and Indonesia, which have grabbed more than 70% of the total market of Korea. Pakistan's exports are mere \$14 million. High tariff rate seems to be the major impediment for the Pakistani exporters in the Korean market. It can be fixed by negotiating a trade agreement with Korea.

Poland also has high untapped potential for RMG of Pakistan. Pakistan faces a zero percent tariff rate in Poland but still, its exports are only \$86 million. China, Bangladesh, and Germany are the major competitors of Pakistan in Poland. Pakistan needs to improve the quality and diversify export basket, especially with man-made fiber.

The Czech Republic also charges zero percent tariff to Pakistan on the exports of RMG. The market share of Pakistan is 0.5%. China, Bangladesh, and Germany are present in the Czech Republic as a major supplier.

Identification of Potential Products by considering demand and supply side potential:

Those products are selected as potential products which have high demand in the world, Pakistan has a high capacity to supply those products and current market share of Pakistan is very low for those products. By following the same criteria, these products are selected as potential products.

Product code	Product label	World imports 2017	World Imports' CAGR(2013-2017)	Pakistan's exports 2017	Pakistan's market share
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	24,886	0.82%	197.8	0.8%
'620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	23,877	-0.9%	410.4	1.7%
'620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	19,202	-3.75%	197.1	1.0%
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	13,484	3.54%	106.4	0.8%
'610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...	5,342	-2.95%	168.3	3.2%

Data Source: Trade Map

Product wise (HS-6 level) identification of Potential Markets:

Potential markets have been identified for each product selected as a potential. Analysis of individual product is provided for the potential markets. Different potential products have different potential markets. The methodology of identification of Potential markets is based on three variables which include the size of the market, tariff rates and current market share of Pakistan, as low market share of Pakistan indicates high untapped potential. Information of the competitors is also provided in the analysis of the potential markets.

T-shirts, singlets and other vests of cotton, knitted or crocheted (610910):

Countries	Exported by Pakistan in 2017 \$ Million	Imported from World 2017 \$ Million	Pak Market Share (%)	Tariff faced by Pakistan	Suppliers		
					Competitors	Value 2017 \$ Million	Tariff %
United States of America	90.6	3,939.4	2.30%	16.50%	China	353.0	16.50%
					India	216.8	16.50%
					Bangladesh	194.2	16.50%
Germany	20.9	2,665.6	0.78%	0%	Bangladesh	1,037.0	0.00%
					India	260.2	9.60%
					China	152.8	12.00%
Japan	2.7	1,146.3	0.24%	9%	China	597.7	9.20%
					Vietnam	161.7	0.00%
					Bangladesh	117.4	0.00%

Men's or boys' trousers, and shorts, of cotton (620342):

Countries	Imports 2017 \$ million	Pakistan's Exports 2017 \$ million	Pakistan's market share	Tariff faced by Pakistan %	Suppliers		
					Competitors	Exports \$ million	Tariff %
Japan	816.2	0.3	0.0%	9.55%	China	343	9.55%
					Bangladesh	137	0%
					Turkey	11.4	9.55%
Switzerland	512.6	0.1	0.0%	1.5%	Bangladesh	80.5	0%
					China	80.5	0%
					Turkey	64.5	0%
Austria	430.3	0.4	0.1%	0%	Bangladesh	113	0%
					China	28	12%
Russian Federation	352.7	0.2	0.1%	10.29%	China	107	10.29%
					India	12.5	10.29%
South Africa	198.6	0.5	0.2%	45%	China	74.5	45%
					Bangladesh	11	45%
					India	2.2	45%

Potential Markets for Women's or girls' trousers and shorts of cotton (excluding knitted or crocheted, panties and swimwear)-620462

Countries	Imports 2017	Pakistan's Exports 2017	Pakistan market share	Tariff faced by Pakistan%	Suppliers		
					Competitors	Exports	Tariff %
Japan	910.3	0.8	0.1%	9.55%	China	573	9.55%
					Bangladesh	59	0%
					India	10	0%
Canada	445.3	2.3	0.5%	17%	China	153.7	17%
					Vietnam	10.6	8.5%
					India	4	17%
Russian Federation	346.8	0.3	0.1%	8.85%	China	91	8.85%
					Bangladesh	87	8.85%
					Turkey	38.6	8.85%
Korea, Republic of	296.1	0.1	0.0%	13%	China	300	7.8%
					India	1	0%
Australia	290.8	0.1	0.0%	5%	China	182.6	0%
					Bangladesh	45.4	0%
					India	2.3	5%
Austria	223.2	-	0.0%	0%	Bangladesh	34	0%
					China	25.6	12%

T-shirts, singlets (610990):

Countries	Exported by Pakistan in 2017	Imported from World 2017	Pak Market Share (%)	Tariff faced by Pakistan	Suppliers		
					Competitors	Exported Value 2017	Tariff %
United States of America	63.66	1,905.91	3.34%	14.1%	China	291.21	14.1%
					Vietnam	166.61	14.1%
					India	17.89	14.1%
Germany	6.99	1,585.28	0.44%	0.0%	China	273.21	12.0%
					Bangladesh	137.81	0.0%
					Vietnam	52.97	9.6%
Japan	0.37	1,054.24	0.03%	9.2%	China	582.75	9.2%
					Vietnam	239.19	0.0%
					Bangladesh	87.43	0.0%

Men's or boys' shirts of cotton, knitted or crocheted (610510)

Countries	Exported by Pakistan in 2017	Imported from World 2017	Pak Market Share (%)	Tariff faced by Pakistan	Suppliers		
					Competitors	Exported Value 2017	Tariff %
United States of America	78.53	1,132.19	6.94%	19.70%	Vietnam	244.68	19.70%
					India	193.35	19.70%
					China	136.77	19.70%
Germany	8.63	499.27	1.73%	0%	Bangladesh	164.9	0%
					China	58.48	12%
					India	49.22	9.60%
Japan	0.84	139.12	0.60%	9.20%	China	54.18	9.20%
					Vietnam	47.58	0%
					Bangladesh	5.33	0%

Competitor's Analysis:

There are there regional competitors of Pakistan in the exports of readymade garments.

China:

China is the biggest exporter of Textile in the world. It has modern infrastructure which includes 19000 km of high-speed rail and expected to increase to 30,000Km in 2020. It brings efficiency in the movement of goods by lowering logistical cost. Moreover, China is the home to six of the world's ten busiest port by tonnage and road density is also relatively high.

China has the largest and productive labor of 800 million from which 28 million are associated with the clothing and textile sector. The literacy rate of Chinese workers is 96% which improve their productivity. The population is well spread and manufacturers are moving their units to areas where the production cost is relatively low. In the wake of rising domestic labor cost, China is investing in ASEAN countries where the cost of labor is low. China is striving hard to boost its competitiveness in terms of quality, they are investing in professional training, research and development, and branding. Chinese exhibitors are showing a strong presence in worldwide textile events to develop their own brands.

In order to upgrade the technological level of the textile industry, during the period of 1997 to 2000, the industry scrapped 110 million outmoded cotton spindles, 280,000 wool spindles, and 1 million silk spindles. The government provided RMB 3.1 billion to the industry in the form of grants or tax forgiveness to facilitate its restructuring. A total of \$18.9 billion was spent after 2000, to import large quantities of foreign advanced textile and apparel equipment were imported.

In order to promote brands, the government of China has launched a campaign titled "Ten Thousand Miles March for Brand Building". Under the campaign, the companies which have famous brand names will be given free media publicity. In Ningbo city, Companies are awarded who export their products with their own brand names. An award of RMB 0.05 for every U.S. dollar of apparel exports is given to companies which have annual exports of over \$200,000.

The Xinjiang region has announced different incentives for the textile industry which includes, rent-free factories, industrial parks, interest-free loans, cheap electricity at 6 cents per Kwh and transportation subsidies. Due to the subsidies by the Chinese government, it is estimated that there will be more than 15 million spindles dedicated to cotton in Xinjiang producing 9 million bales which are greater than the production of Vietnam or Bangladesh.

Bangladesh:

Bangladesh has set a target of \$50 billion worth of Apparel exports by 2021, and it seems to be on the right track as exports are growing at a higher rate. The biggest strength of Bangladesh is a cheap and vast workforce. The minimum wage in Bangladesh is lower than other regional competitor and biggest supplier of textiles like China, Pakistan, India, and Vietnam. Bangladesh imports raw cotton in high quantity from Pakistan and exports it to the world by converting into value-added products like readymade garments. It is also a major competitor of Pakistan in the EU. Bangladesh is improving the quality of products through Research and Development, there are around 37 Universities in the country which are producing skilled graduates for the segment. The technology and quality parameters have steeped in the apparel manufacturing system of Bangladesh.

The favorable policies of the Government which include an increase in cash incentives for apparel exporters from 3% to 4% for new markets has motivated exporters to compete in non-traditional markets.

The Least Developed Country (LDC) status of Bangladesh qualifies it for duty-free market access or reduced tariff facilities to a number of developed and developing countries, internationally. The country enjoys zero percent tariff rate in 52 markets, including countries in the EU, the USA, Australia, Switzerland, Japan, Turkey, Russia, Norway, New Zealand, China, South Korea, Thailand, Malaysia, and India, for the trade of many products, especially textile.

Bangladesh has also signed various trade agreements with a number of trade unions, which give a preferential treatment to its exports, like SAARC Preferential Trading Arrangement, Asia-Pacific Trade Agreement, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, South Asian Free Trade Area, and the Trade Preferential System among the OIC member states.

According to Mckinsey report 2011, Bangladesh declared as the next hot spot for sourcing in the RMG market next to China.

India:

The estimated value of the Indian textile industry is around \$150 billion and it is expected to reach \$250 billion in 2019. The production of raw cotton has been reached to 32.9 million in 2018. The textile sector of India received a Foreign Direct Investment of \$2.97 billion since 2000.

In order to boost make in India and indigenous production, the Government of India has increased the basic customs duty to 20 percent from 10 percent on 501 textile products. The Government has also announced a Special Package to boost exports by \$31 billion, create one crore job opportunity and attract investments worth Rs 80,000 crore (US\$ 11.93 billion) during 2018-2020. As of August 2018, it generated additional investments worth Rs 25,345 crore (US\$ 3.78 billion) and exports worth Rs 57.28 billion (US\$ 854.42 million).

India has introduced the Amended Technology Up-gradation Fund Scheme (A-TUFS) to upgrade its textile sector in terms of quality. This scheme is expected to create employment for 3.5 million people and enable investments worth \$14.17 billion by 2022.

The government has approved the Integrated Wool Development Program (IWDP) to provide support to the wool sector starting from wool producer to end consumer. Its aim to improve the quality and increase production.

A new skill development program 'Scheme for Capacity Building in the Textile Sector' (SCBTS) has been initiated with the allocation of \$203 million in order to improve the productivity of labor.

Trade Agreements:

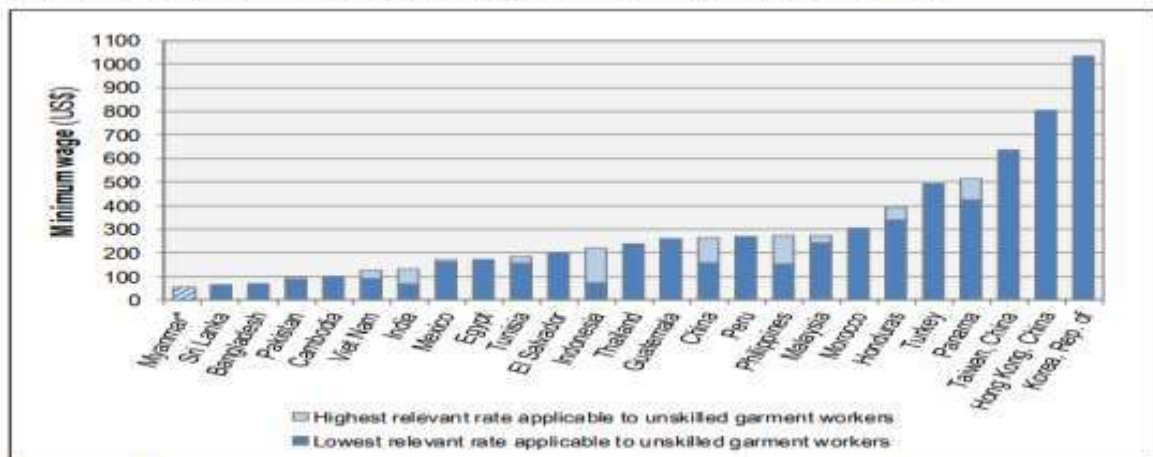
The table below compares the trade agreements between different competitors of Pakistan. China has many trade agreements with different countries of the world. But in this study, we compared the trade agreements with the potential markets like Japan, US, and EU.

Pakistan	India	Bangladesh	China
GSP Plus Beneficiary in EU	Standard GSP Beneficiary- EU	EBA in EU	Comprehensive Economic Partnership for East Asia/ASEAN
GSP Beneficiary in Japan (maturity: 31 March 2021)	India-Japan Comprehensive Economic Partnership Agreement (provides better preferential tariffs than GSP)	Asia Pacific Trade Agreement (APTA) with Japan	
GSP Beneficiary in USA	GSP Beneficiary- Japan GSP Beneficiary in USA	GSP Beneficiary- Japan	

Minimum Monthly wages in the Clothing Industry:

The following graph shows the minimum monthly wage in the clothing industry. Bangladesh has lower wages as compared to Pakistan while India has high wages.

Minimum monthly wages in the clothing industry in 2014, selected countries



* Temporary rate for industrial zones, currently under review. Source: ILO compilation based on national sources. ILO Regional Office for Asia and the Pacific/Regional Economic and Social Analysis Unit, 10 Feb. 2014.

Comparison of Government Policies with Regional Competitors:

Pakistan	India	Bangladesh
DUTY DRAWBACK		
<ul style="list-style-type: none"> Made-ups (2.0%) Processed fabrics (1%) Garments (4%) 	<ul style="list-style-type: none"> Made-ups (2.6%) Processed fabrics (1.6%) Garments (2.85%) 	<ul style="list-style-type: none"> Textile (2-5%)
FINANCING SCHEMES		
<u>Export Refinancing Facility</u> <ul style="list-style-type: none"> Part-I: Based on individual LC's or contracts Part-II: Based on export performance Mark-up rate: 3 percent 	<u>Duty Credit Scrips (for basic custom duty payment)</u> <ul style="list-style-type: none"> Mark-up rate: 3 to 5 percent of FOB value 	<u>Green Refinancing Mechanism</u> <ul style="list-style-type: none"> Funds: USD 25.6 million. Maximum amount: USD 128000 Interest rate: 5%
<u>Long Term Financing Facility (LTFF)</u> Available if exports equivalent to USD 5 million or 50% of sales. <ul style="list-style-type: none"> Duration: 3-10 years Mark-up rate: 6 percent Maximum limit: Rs. 1.5 billion 	<u>Interest Equalization Scheme</u> <ul style="list-style-type: none"> Duration: 1 year Mark-up rate: 3 percent 	<u>Bonded warehouse scheme</u> <ul style="list-style-type: none"> Warehouse where goods can be stored without payment of tariff Benefits: <ul style="list-style-type: none"> Firms can delay payments of tariffs until they are ready to consume inputs. Not required to pay tariff if producing for exports.
<u>Additional Duty drawback</u> <ul style="list-style-type: none"> Duty drawback: 2 percent Markets: Africa, Latin America, non-EU European countries, CIS 	<u>Merchandise Exports from India Scheme</u> <ul style="list-style-type: none"> Duty reward: 2 percent Markets: Africa, Latin America, Mexico, CIS, Turkey & West Asia, ASEAN, Japan, South Korea, China, Taiwan, Hong Kong 	<u>Cash Incentives</u> <ul style="list-style-type: none"> Rate: 3 percent of FOB. Markets: Other than US, Canada, and the EU
<u>Technology Up-gradation Fund (TUF) Scheme</u> <ul style="list-style-type: none"> Subsidy rate: 5%-15% for Non-SME and 10%-20% for SME. Limit: USD 0.1-0.2 million for Non-SME and USD 0.07-0.1 million for SME. 	<u>Technology Up-gradation Fund (TUF) Scheme</u> <ul style="list-style-type: none"> Subsidy rate: 10%-15% for all. Limit: USD 3 million to 4.6 million 	Not available
<u>Pakistan Textile City Park</u> Key Features: <ul style="list-style-type: none"> Uninterrupted Utility supply. Combined Effluent Treatment Plant. Status: Not Functional	<ul style="list-style-type: none"> Number of parks approved: 21 Number of parks functional: 08 	Not available

Pakistan	India	Bangladesh
OTHERS		
<p><u>The PM's Package for Exporters for FY2018</u></p> <p>The duty drawbacks of 50 % was provided without condition of increment.</p> <p>Remaining 50% was provided if exporter achieved at least 10% increment.</p>	<p><u>Market Development Assistance (MDA)</u></p> <p>Assistance on travel expenses by air in economy class and/or charges in built up of furnished stall.</p> <p>Ceiling:</p> <p>Latin America: USD 3,600</p> <p>Africa, CIS, ASEAN: USD 2,900</p> <p>General areas: USD 2,170</p> <p>Eligibility: companies having FOB value of exports up to USD 4.4mn.</p>	<p><u>USAID Guarantee Scheme:</u></p> <p>Two credit guarantee schemes: USD 22 million loans</p> <p>Benefits:</p> <p>Fewer collateral requirement</p> <p>Longer repayment terms (2 to 5 years)</p>
<p><u>Gas Subsidy for FY2019</u></p> <p>The government has approved a Rs. 25-billion gas subsidy for five zero-rated export-focused industries.</p> <p>Uniform tariff rate of gas at \$6.5/MMBTU</p>	<p><u>New National Textiles Policy draft:</u> in process</p> <ol style="list-style-type: none"> 1) Investment allowance of 15% be provided across the entire textile and apparel manufacturing value chain for next 10 years. 2) Leasing of machinery for power looms and knitting sectors. SPVs or NBFCs to be setup. 3) Replace old looms with modern shuttle less looms. <p><u>Mega Textile Clusters Scheme:</u></p> <p>Mega cluster approach is a Drive to scale up the infrastructural and production chain at Handlooms & Handicrafts clusters.</p> <ul style="list-style-type: none"> • Establishment of Raw Material Bank and Common Facility Center. • Margin money for working capital @ INR 4000 per artisan • Funding: 30% govt assistance with max limit of INR 60 lac per unit. • Purpose: Training centers, assist artisans & entrepreneurs to set up world-class, and latest technology. <p><u>Technical Textiles Scheme</u></p> <ul style="list-style-type: none"> • Funding: INR 4.6 crore • 100% FDI allowed. • Custom duty for machinery @ 5% 	<p><u>JICA Credit Facility</u></p> <p>JICA loan (USD 13 million) through G2G at annual rate of 0.01%.</p> <p>Financial institutions obtain sub-loan from the Bangladesh Bank at 5%.</p> <p>Factories receives loan at an annual rate between 5% and 10%.</p>

International Buying Houses:

Bangladesh (1000-1500)	India (483)	Pakistan (113)
TMS fashion (Hong Kong)	Asmara International Ltd	Adidas Sourcing Ltd (Germany)
Asmara International Ltd (Hong Kong)	Steve & Barry's (USA)	Inditex (Spain)
Innotex (India)	D. Cogour	C & A Sourcing International Ltd (Netherlands)
Grupokaybee (Japan)	Columbia Sports Wear (USA)	Li and Fung (Hong Kong)
H&M (Sweden)	Francis Wacziarg Agencies (P) Ltd (France)	GAP international sourcing (california) inc. (USA)
JC Penny (USA)	Levis Strauss (USA)	Kirens International (UK)
GAP Inc (USA)	Linmark International HK limited	Wal Mart Global Procurement (USA based)
Target Australia Sourcing Ltd (Australia)	Li and Fung (Hong Kong)	JC Penny (USA based)
Hermes-Otto Int.(Hong Kong)	VF Brands India Pvt. Ltd(USA)	Wünsche (Hong Kong) Ltd

Feedback from the Association:

Following are the suggestions were given by the Pakistan Knitwear and Sweater Exporter Association (PAKSEA) in a meeting held on 19-01-19 at the head office of Trade Development Authority of Pakistan.

- The government announced a package of Rs.180 billion in Drawback of Local tax and levies (DLTL) and zero-rated from 2009-12 to boot exports of textile to \$20 billion. But it was discontinued, only Rs.33 billion were released. About 70% are SMEs in Pakistan. Association showed a concern that announcement by the government to reduce gas price has not been implemented yet.
- The interaction of Government departments remained very limited with the associations. However, the exports of textile are expected to reach \$13 billion. Power looms in Pakistan are getting closed due to high tariff rates.

- The existing capacity of Pakistan can generate \$0.7 billion to \$1 billion more exports for Pakistan. Hence maximum exports can reach to \$14 billion for the textile sector. To build more infrastructure will take at least two years. Currently, Pakistan is exporting 4-5 major items in cotton, whereas, 70% garments are prepared using man-made fiber nowadays. As cotton is very expensive, so a mixed trend is prevailing. Only big giants can adjust themselves. The contribution of cotton in t-shirts or cloths has been reduced to 30% only. There is a high duty of 29% on man-made fibre in Pakistan. It is suggested that duty may be reduced as the range of lines can be prepared through polyester. It has high demand in the world due to low price and easy to iron. Pakistan mainly exports low-value products
- Process for Duty and tax remission for exports is very tough. The policy needs to be altered. The process of approval takes 1.5 to 2 months. Consequently, exporter loose buyers. It is hard for SMEs to go to DTRE. As exporter have to export within one year, it is suggested that the period should be counted from the Import General Manifest (IGM) number when a shipment reaches Karachi. Exporters have no issue even if the time period for exports is reduced to 180 days. Textile exporters can register themselves with the ministry and approval can be given through one window operation. Custom approval should also be online. Our major competitor Bangladesh has Export oriented Unit as one window operation. Input price should also be leveled with competitors like Bangladesh and Vietnam. Exporter Pay 14 % tax as admin cost like toll plaza when it reached to the exporter as an input.
- Instead of giving incentive or rebate in cash it should be incorporated in the cost of utilities like electricity and gas.
- Association suggests the involvement of software to give automatic approval within 24 hours of application based on last year exports.
- Most of the textile exports are going to the EU countries due to GSP-plus status. Exports can be increased up to certain limits. Beyond the allowed quota Pakistan will be charged with heavy tariff rates in EU.
- Current devaluation of Pak-rupee did not affect exports significantly.

Issues faced by the Pakistan:

Following are the issues faced by the exporters of the readymade garments.

- The readymade garments which are produced by Pakistan are not competitive concerning the quality. As most of the RMG exports of Pakistan are based on Cotton, so poor quality of locally produced cotton seed makes it difficult to create demand in the international markets. Some firms use imported cotton as well but its cost is very high. Additionally, there is also a duty of 5% for its imports.
- Due to lack of skill, the productivity of Pakistani labor is low as compared to its regional competitors. The literacy rate of Chinese and Indian workers is higher which results in more efficiency. There is high spending by the Government of India to develop the skill of the labor, engaged in the textile sector. In Bangladesh 37 universities are producing skilled graduates. On the other hand, Pakistan has only 11 universities which are offering bachelor program for textile engineering. Moreover, the quality of education in Pakistan is also substandard.
- Due to the imposition of water tax i.e. 1 rupee per liter by the Sindh Government, the cost of production has become very high for the industry. The high cost of production is already a major concern for the exports of Pakistan.
- The payback period of duty drawback is very lengthy in Pakistan. Exporters remain unable to reinvest their money for further production.
- The selling trend is changing in the world, the exporters are selling their products by using E-Commerce which is very much popular in the US and European countries. Unfortunately, there is no proper E-Commerce Platform available for the Pakistani exporters.
- In the dynamic world, innovation in design and production methods earns high revenues. But research and development culture has not been developed in Pakistan. By and large, the exporters of Pakistan are not willing to invest in Research and development and instead they prefer to copy the ideas.
- Technology Adoption rate is low in Pakistan as it requires a lot of investment and most of the Pakistani exporter are SMEs. Obsolete methods of inventory management are being used. The capital acquisition is also very difficult for the new entrants.

- Pakistan's export base in garments is biased towards low value-added items that earn a lower price in the international market. There is a high demand for man-made fiber products in RMG throughout the world, which is continuously growing, but no reasonable concern is shown by the different stakeholders in Pakistan. The top 6 products exported by Pakistan across knitwear and woven accounted for 52% of its garments exports in 2017, but only 20 per cent of total garment exports of the world. Moreover, the products which have a high contribution in the export basket of Pakistan are cotton yarn and fabric and intermediate value items such as textile made-ups.
- Exports of Readymade garments by Pakistan is confined to the US and EU countries only. It shows that export destinations of Pakistan are very limited and not well diversified in terms of destinations. Any disturbance in Pak-US bilateral relation or negative progress regarding FATF can create a serious threat to the textile sector of Pakistan.
- Pakistan has to import man-made fabric and high quality cotton for the production of RMG. Therefore the cost of Production in Pakistan has started to expedite which is already high.
- As most of the exports of Pakistan are in US and EU. The safety standards are strictly been followed there. It adds additional cost to export to these destinations.
- Japan is a high potential market for the exports of readymade garments, its imports are more than \$26 billion. But Pakistan has no presence there, which is due to demand for high quality products and the existence of strict non-tariff barriers. Similarly, the African region also has high potential but high tariff rates are the real barriers to entry.
- Regional competitors of Pakistan like China and India have a number of trade agreements with the trade unions or individual countries to get preferential tariff. On the contrary, limited trade agreements by Pakistan make it face high tariff in the different regions of the world, which is also a reason for limited export destinations of Pakistan.

SWOT analysis

Strengths

- Pakistan is the fourth largest cotton producer in the world, which makes the availability of raw material of readymade garments very easy.
- GSP-plus status of Pakistan gives access to textile exporters in the EU markets at zero percent tariff rate. On the other hand, India has graduated from GSP-plus status and face high tariff as compared to Pakistan.
- Pakistan has a complete value chain of readymade garments from cotton production to the production of readymade garments.

Weaknesses

- Europe is the major destination for the readymade garments exports of Pakistan. In Europe, Pakistan faces Bangladesh as major competitors. Bangladesh has an edge over Pakistan in terms of cheap labor and tariff rates. Most of the labor in the RMG sector of Bangladesh consists of females which are employable at low wages and EBA status of Bangladesh give it access to the EU at zero percent tariff rate without any quota.
- Currently, the demand for readymade garments prepared by man-made fiber is growing swiftly. But, Pakistan is not able to supply the product responding to changing demand, which is due to high duties on the import of man-made fiber. Textile sector of Pakistan is majorly dependent on cotton. It adds more risk because if anything happens to crop due to bad weather, it eventually deteriorates the productivity of the textile sector.
- Textile is the biggest sector of Pakistan, concerning the exports. But Pakistan focuses less on value-added products which earn low prices in the international markets. For example exports of raw cotton by Pakistan is over \$3 billion in 2018. Converting this cotton into readymade garments could have earned very high foreign exchange for Pakistan. Poor quality of Pakistani readymade garments also makes it less desirable for the foreign consumer, especially in Europe and America.
- Lack of research and development is also an impediment for the exports of RMG. Only a few big players have moved towards higher value-added products by designing new products

Opportunities

- Renegotiation of FTA with China gives an opportunity to Pakistan to improve its exports in China. Pakistan will be charged zero percent for 313 additional products which include textile items as well.
- China is the top exporter of textile in the world. But due to rising labor cost and shift of China from labor-intensive products to tech-intensive products, it is shifting its production of the textile sector in the neighboring country where the cost of labor is low. Pakistan also has an opportunity to attract investment from China in the readymade garments.
- The government has provided Rs. 42 billion to the local textile industry under “Prime Minister Exports Enhancement Package” for enhancing textile exports. This injection of funds by the government will improve the exports of Pakistan.
- Recent currency devaluation also provides the opportunities to the readymade garments exporters of Pakistan. Its impact may be observed in the medium term.
- A lot of infrastructural projects under CPEC are expected to be completed in the near future, which will improve the mobility of raw material and provide uninterrupted supply of power. This will reduce the cost of production for readymade garments and will eventually result in improved competitiveness.

Threats

- Pakistan is in the grey list of Finance Action Task Force (FATF). It is facing a lot of pressure from the international community. If Pakistan could not address the issues of FATF it might be included in the black list of FATF, which will eventually hurt the exports of Pakistan as well. Moreover, there is tension between Pak-US bilateral relations which may also hurt the textile export of Pakistan as the US is the top export destination of Pakistan and absorb over \$3 billion textile exports of Pakistan.
- Bangladesh is the major destination of Pakistan’s exports of cotton. It is also a major competitor of Pakistan in Europe for readymade garments. Bangladesh imports cotton from Pakistan convert it into readymade garments and compete with Pakistan in the European markets.

- Brexit could be a major threat to the exports of readymade garments to the UK. Because Pakistan enjoys zero percent tariff on its readymade garments exports to the UK due to GSP plus status granted by the EU. After the UK exit from the EU, GSP-plus status will not remain applicable to the UK. Eventually, Pakistan might have to face the tariff, which is a potential threat to the exports of Pakistan.
- Currently, Pakistan is facing a balance of payment crisis. To fix this issue, the government is discouraging imports by putting high tariff rates. These measures are causing the economy of Pakistan to slow down, which is resulting in low productivity. In the prevailing situation, exports of Pakistan are not expected to increase substantially in the near future.
- China's access is expanding in Pakistan due to CPEC, which is perceived as a serious threat to the local industry of Pakistan. Pakistan expects serious competition from large scale garments industry in Xinjiang.

Conclusion and Recommendations:

Textile sector contributes around 60% in the total exports of Pakistan. However, the share of the high value-added product i.e. readymade garments, in the textile exports of Pakistan is only 38%. The exports of RMG of Pakistan has been increased on a marginal basis in the past five years. The existing capacity of Pakistan can increase the exports of readymade garments by \$1 billion in the short term. A substantial increase in exports will take a longer period of time and business-friendly policies by the Government. Following measures can help to boost the exports of readymade garments of Pakistan.

- The demand for organic fabric is rising in the world especially in Japan which is one of the biggest import markets of textile in the world. The organic fabric is prepared without using chemicals in the production process. Pakistani exporters should also be encouraged to invest in this technology, as it has high potential in the future.
- To promote research and development, the government may setup Institutions for new designs and a new version of fabrics. i.e. ‘performance garments’ – water absorbent, durable, stretchable, breathable, anti-bacterial function. Fabric Development Center needs to be established to catch up with the increasing demand for man-made fiber internationally, for instance, China is using Polyester fiber, Rayon, and Nylon.
- Exporters are extremely concerned about the payback period of duty drawbacks. It is suggested that instead of giving cash incentives to the exporters, the funds can be adjusted in the cost of. In this way that money will be used directly for the production of readymade garments. It will eventually serve the purpose in an optimal way.
- After the Brexit, Pakistan may not be able to export its readymade garments to the UK at a zero percent rate. So it is suggested that Pakistan may negotiate the more favorable terms once BREXIT becomes a reality. For instance, a quota for textile and regional cumulating criteria may be avoided.
- The trend of E-commerce is prevailing all over the world especially in the developed countries. Pakistan also needs to develop an E-commerce platform, similar to IndiaMart and Alibaba, to facilitate exporters reach international customers.
- A bonded warehouse scheme like Bangladesh may be established in Pakistan, which is supposed to provide and duty-free imports of inputs.

- The water tax of Rs.1 per liter introduced by Sindh government is adding more cost to the production. Pakistani exporters are already struggling to compete in the international markets due to high cost so it is suggested that the government may withdraw the duties to facilitate industry. Certain measures need to be taken to bring the cost of production lower than regional competitors of Pakistan like Bangladesh and India.
- Pakistan needs to form targeted policies to expand the capacity of the textile sector. The SME is a big sector of Pakistan's economy, it needs to be pitched globally by providing facilitation.
- It is suggested that Pakistan should work on signing trade agreements with different countries and regions to diversify its exports destinations. Trade agreements should be negotiated cautiously as poorly negotiates agreements can put more pressure on the balance of payments of Pakistan.