

# **Webinar Report**

## **“TEXTILE EXPORTS TO CANADA”**

Arranged by:

**Consulate General of Pakistan, Toronto**

## **TEXTILE EXPORTS TO CANADA**

A webinar was arranged by the Consulate General of Pakistan, Toronto, on 10<sup>th</sup> December, 2020, on the topic “Textile sector exports to Canada”. The objective of the webinar was to explore opportunities and challenges in the Canadian market for textile exporters from Pakistan. The webinar was mediated by Mr. Azhar Husain, Commercial Counsellor, Consulate General of Pakistan, Toronto. His Excellency Mr. Abdul Hameed, Consul General of Pakistan, Toronto, made the opening remarks. The panel of speakers for the webinar comprised of the following:

- Mr. Babar Khan, owner of Multinational Export Bureau, a reputed exporter of textile products from Pakistan
- Mr. Muhammad Sohail, Director Sales & Marketing, Canada Textile Incorporated, leading importer of Textile products in Canada
- Mr. Kashif Mehtab Chawla, one of the owners of Al-Karam Towel Industries (Pvt.) Ltd.

### **Opening remarks by HE Abdul Hameed, Consul General of Pakistan, Toronto**

In his opening remarks, HE Mr. Abdul Hameed, highlighted the size of the Canadian apparel market, its trends, its dynamics, its supplying companies, and the main players. He mentioned that Canada is one of the world's largest clothing markets, with retail sales of US\$28 bn in 2019, which is expected to grow to \$ 29.5 billion in 2025. The fact that clothing in Canada is predominately imported, creates a great market opportunity in Canada for manufacturers, wholesalers, fashion brands and retailers from across the globe.

He further mentioned that Canadian market is highly competitive led by local, regional and global fashion houses, which include Gap, Adidas, Nike, and H&M, along with other major companies like Canada Goose Holdings, PVH, Group Dynamite, and Hugo Boss. In 2019, US fashion companies Gap Inc. had 3.6% market share of Canada and Nike 2.0%. Another interesting aspect of the Canadian market is that e-commerce achieved the highest market share gains from just 1.9% in 2005 to 15.1% in 2019.

Regarding the current sources of supply, it was highlighted that, as of 2019, around 80% of Canada's clothing imports came from Asia, including 36% from China, however, China's

market share is being taken away since 2010s, by other Asian countries, notably, Bangladesh and Vietnam which accounted for 12% and 10% of total clothing imports in 2019. Likewise, Cambodia is also emerging as a critical source, with a remarkable 411% growth in import value since 2005. Mr. Abdul Hameed also highlighted the salient features of Pakistan’s textile industry and the major exports of textile to Canada from Pakistan.

**Presentation by Azhar Husain, Trade & Investment Counsellor**

Mr. Azhar Husain made a brief presentation on the overall trade between Pakistan and Canada, and the tariff regime for import of products from Pakistan and other countries, especially with respect to Textile exports. It was mentioned that Pakistan’s total worldwide exports of textile products were US\$12.78 billion in FY 2019-20, whereas Pakistan’s textile exports to Canada in CY 2019 were US\$195 million. On the other hand, Canada’s total import of textile products from worldwide sources in CY 2019-20 was US\$15 billion, and Pakistan’s share in Canada’s imports was 1.3% only.

He also presented the tariff comparison of the tariff rates charged on top exported items from Pakistan and for other countries which are charged LDC and MFN tariff, given as follows:

<b>Commodities</b>	<b>MFN Rate</b>	<b>GPT</b>	<b>LDCT</b>
420329 - Gloves, Mittens and Mitts - Not For Sports – Leather	15.5% 7%	10% 5%	Free Free
620342 – Men’s/Boys Cotton Trousers, Overalls and Shorts	17%	17%	4%
390761 & 390769- Poly(ethylene terephthalate)	Free	Free	Free
620462 – Women’s/Girls Cotton Trousers, Overalls and Shorts	17%	17%	4%
611020 – Cotton Sweaters, Sweatshirts and Waist-Coats	18%	18%	Free
100630 - Rice - Semi-Milled or Wholly Milled	Free	Free	Free
630260 - Cotton Terry Towels and Household Linen of Cotton Terry fabric	17%	17%	Free
630231 - Bedsheets, Pillowcases and Bed Linen (Including Sets)	17%	17%	Free
721049 - Other Flat Rolled Products Nes - Iron/Non-Alloy Steel	Free	Free	Free
611595 - Hosiery, of Cotton, Knitted or Crocheted	16%	16%	Free

Salient features of the talk made by each of the panel of speakers are given below:

**Mr. Babar Khan (Multinational Export Bureau, Pakistan)**

Mr. Babar highlighted the tariff disadvantage of 18% for Pakistan in Canada vis-à-vis Least Developed Countries, who enjoy duty free access to Canada. He was of the view that before the duty free status of Bangladesh, Canada was a big market for Pakistan's textile exports, and many buying agents of Canadian companies had established their offices in Pakistan, but subsequently because of the duty difference, the buying agents shifted to Bangladesh. However, Pakistan has big scope in "Home Textile" market in Canada because of better quality. He was further of the view that India has fairly developed fashion apparel industry, which has gained comparatively larger share in Canadian market. He advised Pakistan's exporters to:

- Reduce their costs by developing partnerships with Canadian importers or by directly selling to big retail stores.
- Focus on sustainability and compliance standards and secure certifications for meeting the demand for these products, and assuring product quality to the buyers.
- Focus on winter clothing for Canadian market like fleece products, which are in high demand in Canada.

**Mr. Muhammad Sohail (Director, Canada Textile Inc., Canada)**

Mr. Sohail stated that a multifaceted approach is needed for increasing market share of Pakistan's textile industry in Canada. With respect to export of Institutional, Industrial and healthcare linen (target market being hospitality, Industrial and healthcare segments), main competition of Pakistani exports in Canada is from China for value added spun poly fabric and chef wares, while Bangladesh, Vietnam and Cambodia are main competitors in Institutional and industrial products.

Key areas of concerns for buyers in Canadian market who are interested to import from Pakistan were highlighted, which include:

**1. Lack of information /data on Pakistan manufacturers for each segments**

It is essential that a qualitative data of Pakistan's exporters, clearly identifying the manufacturing activities i.e. bed & bath, home textile, industrial textile, or combined activities, such as

institutional & industrial, needs to be compiled. This type of list should be accessible to Canadian importers through various web portals and should also be made available to local trade offices and chambers.

## **2. Price competitiveness**

Mr. Sohail suggested that in order to make Pakistan's exports price competitive, government of Pakistan should:

- support exporters by making their products competitive through the introduction of rebate based program for Canada for making them competitive against Bangladesh, Vietnam and Cambodia, who enjoy duty free import into Canada
- Ensure availability of raw cotton to local industry at competitive prices thus avoiding the import of raw cotton into system for meeting requirement of local manufacturer at higher cost.
- Reduce the cost of production – govt. support is required to ensure accessibility of water, electricity and gas to textile industry 24/7 at lower subsidized rate
- Reduce tax rate(s) for exporter of textile goods
- Hold trade seminar, exhibitions to ensure meeting of right buyers from Canada and sellers from Pakistan.

## **3. Quality issues**

For improving the quality and competitiveness of Pakistan's exports, it was suggested that the government should:

- Invest in R & D, infrastructural devolvement in communication sources, transportation, creation of new textile industrial cities
- extend loans to manufacturers for upgrading the looms and equipment in order to improve overall production quality of the products
- Initiate programs for education of small and medium size manufacturers about the importance of maintaining quality throughout the production process right from weaving until packaging.

The exporters also need to develop corporate culture and think big and develop out of the box strategies. The small and medium size manufacturers should also be aware of the importance of quality control certifications by international agencies such as WRAP and CEDEX so to reassure the foreign buyers and gain their confidence that they are working with professional manufacturers who are adhering to international industry standards. International certifications of manufacturing facilities are very reassuring to importers.

#### **4. Developing Corporate mindset & fulfilling sales contract**

- fulfilling orders in timely manner requires support of government by ensuring economy & political stability
- Government must also ensure that export inspection formalities such as ANF inspection is performed in manner that does not alter the products packaging or result in loss or damage to goods due to their cruel inspection. x-ray or scanners should be introduced to ensure safe and secure inspection of goods
- complain handling, follow up and resolving after sales issues pay key roles in long term repetitive orders from importers

#### **Mr. Kashif Mehtab Chawla from Al-Karam Towels Industries (Pvt.) Ltd.**

Mr. Kashif also agreed that Pakistan's exports were facing tough competition in Canada due to duty disadvantage, however, in his view, the exporters need to be creative and invest in Research & Development to develop new specialty product, which can attract buyer. Further, the exporters need to focus on their quality and service.

In order to compete with competition from other exporting countries, the exporters also should review their processes to reduce cost, so that the cost saving may be passed on to the buyer. He further opined that Pakistani manufacturers have much better compliance standards than that of Bangladesh, therefore, there is opportunity for Pakistani exporters in sustainable products, which are also in high demand. He mentioned 3R (Reuse, Reduce, Recycle) to be used as a part of branding strategy.

Regarding the impact of COVID-19 on world trade, Mr. Kashif expressed the view that world is shifting from high end branded products to mid- & low end products, and this creates big

opportunities for Pakistan exporters. He was of the view that online B2C market is expanding at a faster pace, and he encouraged young exporters to come up with new ideas and brand their products in the online marketplace.

During the Qs. and Ans. session, the speakers made following observations:

- There are no specific import requirements for textile products in Canada.
- For exporting to Canada, a new exporter needs to contact the buyer of the specific product and send company's profile and product's features. Another important way to reach out to international buyers is by participating in international exhibitions as per capacity of the manufacturer/exporter.
- Manufacturers should also invest in modernizing their machinery, to compete with other manufacturers. Government of Pakistan also supports in this respect by offering long term loans at 3% markup rate.

The webinar ended with concluding remarks from HE Consul General, whereby he summed up the discussion and highlighted the important observations made by the speakers. He urged the Pakistani exporters to be creative, gear up for online marketing and tap the opportunities created by the COVID-19 impacted world economy for low to medium end products. He also cited the recent conclusion of agreement between the leading international brand GAP and a Pakistani textile manufacturer Al-Karam Textiles as a classic success story of quality and consistency. He opined that, because of successful policies of the government during and after COVID-19, the world is again approaching Pakistani exporters, evident from the recent surge in Pakistan's exports, and the Pakistani exporters need to make concerted efforts to grab the opportunities in the international market as well in Canadian market.