

Islamabad Outlook

Textile sector confronting numerous difficulties

Prevailing power crisis in the country had badly hurt the overall industrial activity, but largest export-oriented sector textile was one of the main affected sectors. Overall, the country's textile exports stood at \$5.137 billion during first half of current fiscal year as compared to \$5.228 billion in same period of 2007-08, depicting a decline of \$91 million.

Pakistan's textile sector has been confronted with innumerable problems, including high cost of production and energy shortage; other players in the South Asia region have succeeded in creating a niche in the international markets by exporting quality products, augmenting textile exports and earning rich dividends due to surge in the export of their cotton products.

Over 60 countries had been exporting garments to the West. After expiry of the quota regime on January 1st, 2005, the exports of several dozen of them had been witnessing a decline as the trade and manufacturing consolidated in nations that excelled in skills, machinery, marketing techniques and also displayed the ability to cater to the rapidly changing global trends and fashions.

China came out on top with a spread over \$353 billion textile industry due to the high quality of its garments, good managerial skills, state-of-the-art factories and rapid strides in communication. China's garment industry, which stood at \$50 billion in December 2005, annually produced over 40 billion finished garments, roughly four pieces of clothing for every person on Earth.

However, lately, China's garment industry has been losing orders due to high prices and worldwide demand for cheap clothing. Meanwhile, Bangladesh and India have been striving hard to boost their textile exports. India has set a target of jacking-up its exports from \$11 billion in 2005 to \$50 billion by 2010.

As regards Bangladesh, the recent global economic turmoil has proved to be a boon for its garment industry, which is growing rapidly despite recession in some other countries with a massive diversion of orders from China.

Bangladesh's garment sector has been more than compensated for the initial setback, which impelled the country's 5,000 apparel makers to seek government help when US and European buyers postponed and cut orders in the wake of the global financial crisis, but, a massive diversion of orders from China – the world's largest producer of apparel, has compensated Bangladesh for the earlier losses.

Bangladesh has already emerged as the world's second largest producer of apparel according to the IMF (International Monetary Fund), and it might continue to dominate in the basic apparel sector if it scales up investment in new factors. According to the UNDP (United Nations Development Program), Pakistan fared badly in Asia-Pacific region's textile exports compared to non-cotton producing Bangladesh.

Pakistan's exports, dominated by textiles, are likely to go down sharply in the second half of the current fiscal year due to rapid spread of protectionism in importing countries in the wake of global recession.

Garment exports were already under pressure even before the onset of global recession. These exporters have been booted out of the market by Bangladesh, Vietnam and even Cambodia. China has become a threat as quota for different categories has been lifted by the European Union and the US.

In bedwear, Pakistan is strong in certain varieties but market interest shifted rapidly to Chinese and Bangladeshi products when the European Union imposed anti-dumping duties on Pakistani bedlinen. Local towel manufacturers are also losing market to competing countries which provide cheaper products.

Last year, Pakistan exported textiles worth \$10.5 billion, but this year textile exports have been 3% to 5% less than last year and are expected to fall further. The target for textile exports may be missed by a substantial margin, which would mean an overall decline in exports. ♦