

## Readymade industry facing traditional competitors in the region

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At present Pakistan is fast losing its share in the global garment market because of high cost of production. Garments exports from Pakistan's traditional competitors in the region - Bangladesh, Sri Lanka, China and India - have picked up dramatically because the exporters of those countries are getting hidden subsidies from their respective governments. Export of readymade garments from Pakistan decreased from 42 million dozens worth US \$ 1.59 billion in 2007-08 to only 30 million dozens worth US \$ 1.23 billion in 2008-09, thus showing decline of 23% in term of value.

The apparel segment is the highest value added link in the entire textile value chain. The global trade in the sector accounts for 53% of the total value of global textiles trade and is consistently growing since the last two decades.

Pakistan has been a major Asian player in the garment export market especially during 1990s and early 2000. Total apparel exports from Pakistan were to the tune of US\$ 1.38 billion in 2006-07. The importance of the apparel sector in the overall economic perspective is two fold. On the one hand the sector has the potential to be the engine of Pakistan textile export growth, while on the other the sector is the largest source of creating low cost employment in the country at all levels.

USA and the European Union remain to be the largest markets for garments and other apparel products with a combined share of 73% in total global clothing trade.

At present the major thrust of garments exports from Pakistan is on the USA market. The European Union is the second largest market for garment manufacturers from Pakistan. Major markets that Pakistani manufactures have so far not been able to explore are the Japanese market, the United Arab Emirates and some new markets in the European Union. These markets demand high product standards and in return offer higher per unit price.

On the other hand Bangladesh gets duty-free access to the neighboring countries in the US, reporting textile exports worth \$US15 - \$20 billion over the next two years. At present Bangladesh has earned \$US 12.35 billion in the fiscal year to June 2009 by exporting ready-made garments. Garments accounted for three-quarters of the country's total export income. Garment exports, including readymade garments, primary textiles and knitwear, account for more than 80% of national export income, and in the 12 months to June, 2009 rose from \$10.7 billion in the previous financial year. Despite a decline in garment exports in the second quarter of current fiscal year, exporters are still trying to attract orders from traditional buyers in Europe, the United States and Japan. BGMEA represents 5,000 garment factories that employ about three million people, mostly women. Bangladesh is in the process to get duty-free export of garments to Russia, Malaysia, India, Pakistan and the member countries of the Association of South-East Asian Nations.

Pakistan produces apparel of various patterns and styles, of the latest fashions

and quality. The industry is adequately equipped to produce latest fashions to suit tastes and needs in any part of the world.

Leading Pakistani designers, garment manufacturers and exporters regularly display their designs and products round the world at international fairs and exhibitions and in trade centres like Paris-London, New York, Tokyo and Berlin.

The readymade garment industry in Pakistan generally operates on a small, medium and large scale units most of them having 50 machines and below. Large units are presently coming up in the organized sector of the industry. According to an estimate about 75% of its units are in the unorganized sector and are established in small shops, flats and houses.

These units also do not have modern machines like over locking, creasing, collar pressing, buttoning and cutting etc. These units are mostly equipped with 4-10 sewing machines and 1-2 electric irons. These items are usually made/assembled in Pakistan and give satisfactory service. The useful life of a sewing machine is stated to be about eight to ten years, whereas an electric iron is expected to last one to two years only.

During the last five years more than \$3.2 billion have been invested in the value-added sectors including in sewing machines, stitching, knitting, finishing and knitting processing. Pakistan imported large numbers of sewing machines from China, Japan and Singapore. Import of various sewing machines into Pakistan decreased from 175,158 numbers valued Rs. 2.05 billion in 2006-07 to only 44,582 numbers valued Rs. 0.85 billion, thus showing decline of 58% in terms of value. At present industry enjoys the facilities of duty free import of machinery and income tax exemption. Import of sewing machines into Pakistan is given in Table-1.

The industry mostly produces cotton and cotton blended shirts, T-shirts, Bush-Shirts, Pants, Children's suits, school uniforms, skirts, blouses and maxis. Among these men's shirts and children garments are widely manufactured for local markets. These are mostly made of cotton blended cloth. In cotton articles, the non-mill made cotton cloth is largely used as against mill-made cloth. The unorganized sector of the industry largely uses non-mill made cotton cloth even when it manufacturers garments for exports.

**Table 1: Import of sewing machines**

Quantity: Numbers  
Value: Rs. 000

Machines	2008-09		2007-08		2006-07	
	Quantity	Value	Quantity	Value	Quantity	Value
Sewing machines (household)	1,427	2,395	19,052	27,803	17,534	23,871
Other sewing machines (household)	21,434	38,236	46,197	54,675	29,222	35,121
Automatic sewing machines	288	33,841	744	65,186	647	47,100
Other sewing machines industrial	40,433	780,766	69,115	1,228,587	127,755	1,942,306
Total	44,582	855,238	135,108	1,376,251	175,158	2,048,398

Source: Federal Bureau of Statistics, Government of Pakistan.

Production of garments by units depends on export orders directly or indirectly. These orders have somewhat risen in terms of value, but they have fluctuated widely in terms of quantity. Export of readymade garments from Pakistan is given in Table-2.

Pakistan exports garments to a number of countries. Major buyers of readymade garments during 2008-2009 were USA, Germany, UK, Italy, France, Netherlands and Spain. Country-wise exports of readymade garments are given in Table-3.

### Pakistan joins International Apparel Federation

Recently Pakistan Readymade Garments Manufacturer and Exporters Association (PRGMEA) have joined the International Apparel Federation (IAF), making Pakistan 44<sup>th</sup> country to join the federation. Membership of the IAF would help the Pakistani apparel industry and exporters develop direct business contacts with the business communities of 43 members of the IAF globally.

IAF is a world-wide knowledge network that collects and disseminates information about statistics, benchmarking, developments in apparel designing, distribution sourcing, and trade and technology.

**Table 2: Exports of Readymade Garments from Pakistan**

Year	Quantity (Million Doz)	Value (US \$ Million)
1990-91	21	497
1991-92	27	613
1992-93	26	617
1993-94	27	612
1994-95	27	642
1995-96	26	649
1996-97	29	736
1997-98	27	746
1998-99	28	651
1999-00	31	772
2000-01	36	827
2001-02	41	875
2002-03	61	1,093
2003-04	28	993
2004-05	34	1,088
2005-06	37	1,310
2006-07	41	1,385
2007-08	42	1,592
2008-09	30	1,230

Source: Trade Development Authority of Pakistan.

PRGMEA would soon launch its web-site, enabling its members and SMEs develop direct business contacts with the IAF members, which will not only save time and money but also reduce chances of business travelling. PRGMEA had focused its special attention on developing close liaison with the member countries for setting up joint ventures, business collaborations and industrial up-gradation of technical institutes. PRGMEA would also try to strengthen bilateral trade agreements with the IAF member countries, and that adequate efforts would also be made for resolving the tariff and non-tariff trade barriers from this forum, with the member countries.

### Global exports

Global readymade garments exports have experienced extraordinarily high rates of growth, and global export of textiles and readymade garment (RMG) exceeds US \$ 500 billion per year, well over one-third of which is accounted for by developing countries. Growth was particularly dramatic in China with exports increasing several times over previous years, for Mexico and Turkey, for Mauritius and Jamaica, as well as East and South-East Asia.

China emerged as a leading exporter in the second half of the 1980s and today occupies the number one position in the world.

Several developing countries such as India, Thailand, Bangladesh, Indonesia, Sri Lanka, Pakistan, Turkey and East European countries are all becoming sizeable producers of ready made garments.

According to the Pakistan Textile Exporters Association (PTEA), the domestic textile industry is confronted with surging competition from other low-cost countries in Asia, namely Bangladesh, India, China and Vietnam.

The image of Pakistan as supplier of quality products can be promoted through regular participation in international product exhibitions and trade fairs. Single-country fairs, road-shows and exhibitions should also be arranged to promote Pakistani products.

To capture a greater share in the rapidly expanding global market for higher value-added textile products, the textile industry must move up the value chain and increase the share of high value-added garments and made-ups.

**Table 3: Country wise export of Readymade Garments (Value in 000 \$)**

Country	2008-09	2007-08	2006-07
Germany	174,501	207,649	181,053
Spain	68,120	95,550	83,146
France	67,994	78,088	71,282
The Netherlands	41,786	58,344	56,983
U.A.E	38,684	47,746	44,238
Turkey	25,513	22,771	13,675
Sweden	20,017	15,786	15,488
Australia	9,551	8,792	8,607
Greece	7,715	6,688	7,873
Norway	9,097	5,990	3,387
Benin	3,782	4,706	3,348
Denmark	13,730	4,036	3,875
Brazil	3,081	2,688	1,246
Hong Kong	554	1,692	1,238
Poland	1,817	1,510	969
Japan	1,508	1,344	636
U.S.A	403,580	531,794	651,114
UK	136,027	156,570	174,806
Italy	53,353	68,826	73,953
Belgium	66,875	54,473	60,567
Canada	16,165	17,110	19,760
Saudi Arabia	22,939	14,906	17,109
Ireland	6,998	8,210	9,085
Finland	3,107	3,681	4,761
South Africa	1,649	2,469	4,096
Portugal	1,166	1,457	2,164
Singapore	967	921	1,516
Other Countries	29,743	168,583	31,370
<b>Total</b>	<b>1,230,019</b>	<b>1,592,380</b>	<b>1,547,345</b>

Source: Trade Development Authority of Pakistan.

The value chain analysis shows starting from cotton picking and storage, contamination is introduced in cotton due to non-standardized methods. The low count yarn produced by the spinning industry and fabric produced on power looms by low-skilled machine operators are the other causes of low quality. According to the recommendations, the apparel industry needs to improve quality, move up in the value chain, lay technological foundation, and strengthen global business operations to generate more employment opportunities as well as becoming a global player. Emphasis should be placed on the promotion of value added products, especially in new designs and products.

It believed that the apparel sector would benefit more than other segments of the textile industry from foreign investment. Joint ventures with foreign apparel manufacturers would put the industry in the international supply chain, being the new technology and even help in introducing Pakistani brands in the global markets. ♦