

## Issues and Challenges in Textile Industry in Pakistan

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### **Abstract**

*This research investigates the issues of textile industry in Pakistan. Data were collected 100 textile mills, in the form of unstructured questionnaire from the textile industry of Pakistan. The main respondents of the questionnaire were senior to middle level management located in Karachi, Hyderabad, Kotri, Nooriabad, Faisalabad and Lahore. For the purpose of this study yellow pages were used for identification and address of the respondents and web site of APTMA. From the 100 e-mail addresses, 10 were bounced and returned as either address unknown or not active anymore. Out of the remaining 90 respondents 48 agreed for the qualitative interviews in which respondents were met face to face in textile mills located in different cities of Pakistan. Response rate was 90% during this survey. It was revealed that textile industry is facing problems like electricity, cotton chipping and processing.*

### **Introduction**

#### ***The Textile Industry of Pakistan***

The Textile Industry of Pakistan is the major player in the development of Pakistan's economy. It is considered to be one of the world's leading cotton producers. Till 1997, Pakistan was the world's largest exporter of yarn followed by India. Pakistan was the second largest exporter of textile made-ups, with Pakistan's bed wear exports having acquired a 6 per cent share in the global trade of textile made-ups in 1999 (Kazmi, 2003). Globally, the bed wear and linens sub sectors were the second largest in terms of production and exports, with 28 per cent share of the total textile made-ups market in 1999 (SMEDA, 2002). Pakistan was the second largest exporter, after China, of bed wear and linen with a 20.89 per cent share of this sub sector in 1999, up from 13.65 per cent in 1995 (Fatima M., Ahmed E., 2006).

In 1999-00 there were about 443 textile units, 8,477,000 spindles, 149,780 rotors and 9944 looms. In 2003-04 the number of units increased to about 456, Spindles to 9,590,000 rotors to 146,640 and looms to 10,646. In 2005-06 again an increase in textile units 461, spindles 10,437,000, rotors 155,104 and looms 8747. Furthermore, in 2006-07 there were 567 units, 1198000 spindles, 11,809,000 rotors and 9000 looms (Mirza R. B., 2009). Furthermore, the table 2.1 below describes the contribution of textile industry in Pakistan's economy.

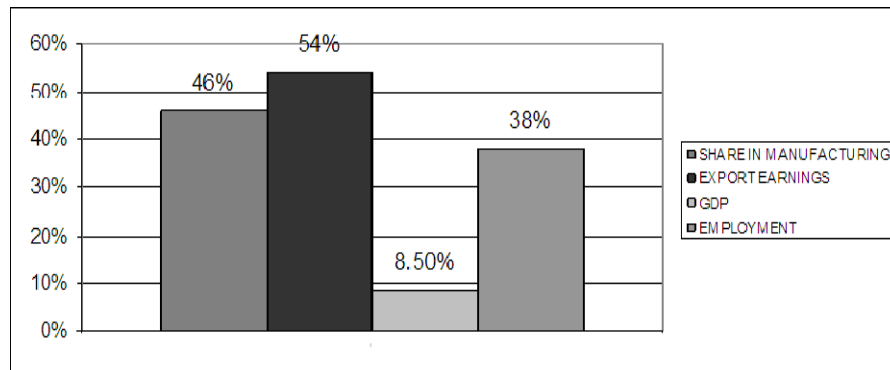


Figure 1 Contribution of Textile Industry in Pakistan Economy<sup>1</sup>

Textile industry of Pakistan is comprised of Ginning, Spinning, Weaving, Knitting, Printing, Processing, Dyeing, Hosiery, Made-ups and Garments. There are also some fully integrated composite units which are the combination of all the process and production under one roof. In Pakistan these sectors are mainly situated in Karachi, Lahore, Faisalabad, Hyderabad, Kotri and Nooriabad. For conducting research the above sectors were lumped together into four major sectors for compiling the qualitative data sectors shown in the textile value chain diagram.

### Identified National Issues

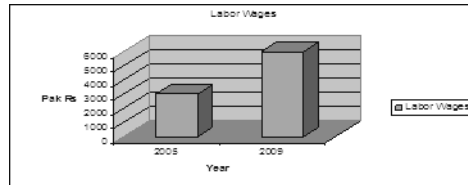
- **High Cost of Production**

In Pakistan the cost of production has climbed very high which has also affected the textile industry. Some of the textile units have been shifted to other countries like Bangladesh & Sri Lanka to

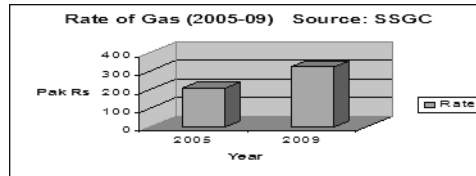
<sup>1</sup> [www.apmta.com.pk](http://www.apmta.com.pk)

avail the low cost benefit. The change in the prices of different factors and utilities used in the production is shown graphically below:

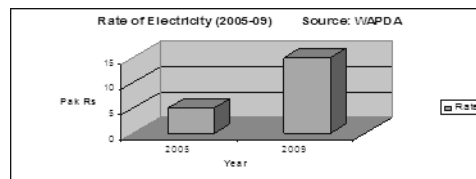
### *High wage rates*



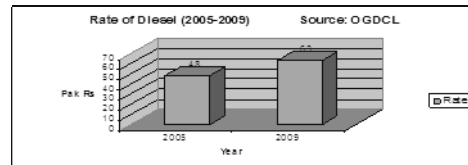
### *High gas charges*



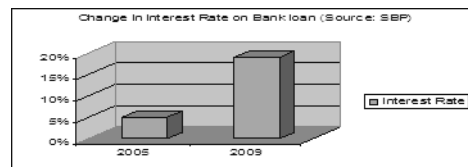
### *High electricity charges*



### *High oil prices*



### *High interest rate*



- ***Industrialists are highly risk averse***  
Industrialists of Pakistan are unwilling to take the risk of value addition. As there are several stages in the textile chain and in every stage there are plenty of problems. So the owners of spinning & weaving units are satisfied from whatever they get by only exporting yarn and fabric. They find their earnings enough rather than taking the risks of going through complete textile chain even the revenues from exporting finished product are four times higher.
- ***R&D facility of 6% has been withdrawn***  
R&D is the most valuable instrument to provide awareness about the international brands and we can also introduce new brands that should be parallel and equivalent to the international brands.
- ***Changing name from EPB to TDAP is not the solution***  
Solutions may not depend on changing the name from EPB. (Export Promotion Bureau) to TDA (Trade Development Authority), because the faces are same only the designations have changed. The main story is about the innovative policies that have been prepared since very long but still unimplemented.
- ***Industrialist shifting business to other countries***  
The major issue is the current situation of the country, as the industrialists always have a tension and stress that anything unusual may occur unexpectedly. Furthermore, due to the economic instability the investors are unwilling to invest in our country. Therefore most of the investors have shifted to other countries.
- ***Labors shifting to other countries***  
There is a high inflation in Pakistan and the wages of labour are very limited. Furthermore, the skilled labors are disheartened due to the frequent closure of many textile units in Pakistan. The textile units which are trying to survive have reduced the number of labors as well as started hiring people on low wage rates.

Therefore, most of the skilled labors have moved to other countries i.e. Saudi & UAE.

- ***There is a huge paper work which takes a great time***

If a factory is willing to export, it has to go through a lengthy procedure that requires a huge paperwork. It takes a great time to complete the documentations. Due to such delays the orders are cancelled.

### **Identified Global Issues**

- ***Removal of Quota***

Removal of quota is the major issue that has affected the textile exports. Before the quota free regime each country was assigned a quota that they were easy to fulfill. Removal of quotas provided an open competition; the race in which only those were able to win that prepared themselves according to the rules and regulations of WTO.

- ***Awareness about the trade liberalization***

For most of the local industrialists trade liberalization seemed to be a confused and disastrous era. They were able to cope up with the situation if they were properly educated in advance.

- ***Worse image of Pakistan internationally***

Country's international image is very important for international trade. But Pakistan's international image has worsened resulting in reduction of export orders. Foreign buyers are unwilling to come to Pakistan. They have found other potential markets such as Bangladesh, Sri Lanka, India and China thus the number of orders for Pakistani textile mills have declined.

- ***Restriction of EU to buy raw material from them***

During the post quota era the textile industry used to procure raw material from china or other countries where it was cheap, but now the EU has restricted through some quality issues to buy the raw material from him. Therefore, we have shifted from Chinese &

other underdeveloped countries raw materials to EU expensive raw materials otherwise we are threatened that our orders will be cancelled. This has again increased the cost of production (these raw materials were colours & dyes).

- ***Lack of ETP (Effluent Water Treatment Plant)***

Internationally the export of processed cloth from a factory without ETP is not acceptable internationally in the era of trade liberalization. In Pakistan most of the factories do not have ETP. Those who are using found it very much expensive and that still it is not equivalent to the international standards. Only about 2 to 4 per cent of the mills may have the ETP which are according to the international standards.

- ***Delay in delivery***

Foreign buyers have become more time conscious. Nowadays due to a delay in delivery they may cancel the order. Sometimes penalties are also paid on delay. Sometimes the shipments are sent back because of delay.

- ***Lack of diversification in the direction of trade***

Most of the exports from Pakistan are reserved for EU and US, after the presentation of policies by WTO our exports have declined. The reason is much better quality products from the competitors. Therefore the textile industry of Pakistan should change the direction of trade by finding out the other potential markets rather than depending on the two traditional markets of EU and US.

- ***Quality Issues***

In terms of international standard major issue is faced by our Garments industry because they are supposed to send every item used in the finished product i.e. Zip, Button, Thread, and Labels etc. to the International Quality & Standard verifying companies abroad to confirm that it does not carry any substance harmful to human skin which is a very expensive process.

- ***Labor-intensive production***

In the post quota regime exports from Pakistan are also subject to restrictions due to the highly labour-intensive production.

- ***Imposition of antidumping duties***

EU imposed a punitive import duty on Pakistani bed-linen in 2004; it accused exporters of dumping bed-linen below cost prices at the European market. This move was believed to be the retaliation of EU to Pakistan for upgrading its commercial air fleet with US-American Boeings rather than with European Airbuses. Furthermore, here was an imposition of 13.10 per cent anti-dumping duty by EU in 2005 and again an imposition of 5.7 per cent anti-dumping duty in 2007-08. Here the most noticeable thing is that no other country pays the antidumping duty only Pakistan pays due to lack of political influence because of weak political system. There is no one available to talk internationally

### **Summary**

The chapter presents the identified issues that are summarized from the results of qualitative interviews conducted in the textile industry of Pakistan. The aim is to discover the troubles faced by the textile industry of Pakistan after the implementation of WTO. The identified issues are divided into two categories of internal, general as well as global issues.

The identified national issues are; high cost of production, industrialists are highly risk averse, lack of training programs, R&D facility of 6% has been withdrawn, no collective method for solving the industrial problems, changing name from EPB to TDAP is not the solution, textile / garments city project can be a powerful tool, industrialist shifting business to other countries, lack of funds, labors shifting to other countries, there is a huge paper work which takes a great time, lack of interaction between industry & academia, constraints for the Industry. Finally, the identified global issues are; removal of quota, awareness about the trade liberalization, worse image of Pakistan internationally, restriction of EU to buy raw material from them, lack of ETP, evaluation of factory, delay in delivery, lack of diversification in the direction of trade, Only

developing country to sign the ILO conventions completely, millions of dollars spent to destroy Pakistan's image internationally, quality issues, labor-intensive production, Increase in the foreign buyers' check, Imposition of antidumping duties, preferential treatment to the competitors, competitors are much storage.

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