Competitive analysis of textile industry in Pakistan

Mehreeen Aneel[1], Gábor Gyarmati[2]

[1] Óbuda University Keleti Károly Faculty of Business and Management, mehreenmichael1@gmail.com,

[2] Óbuda University Keleti Károly Faculty of Business and Management, gyarmati.gabor@uni-obuda.hu

Abstract: The primary goal of this essay is to research and evaluate the textile manufacturing companies in Pakistan's private sector in terms of their operational competitiveness. The subject research field will be examined using databases on global manufacturing techniques to cross-reference and compare Pakistani Private Sector (PPS)—Textile Manufacturing Enterprises (TME) with international Textile Manufacturing companies. The findings indicated that "quality" is the case of PPS-top TME's competitive priority, and they also suggested that the prospector group might have some competitive advantages. Due to the current weak and ineffective organizational management structure and practices, it will, however, take a considerable amount of time for Pakistani Private Sector—Textile Manufacturing Enterprises to regain their prior level of global recognition and then further improve their operational competitiveness.

Keywords: textile industry; competitiveness; Pakistan; export-import, sustainability

1 Introduction

The findings revealed that "quality" is the competitive priority of PPS-top TMEs, and they also suggested that the prospector group may have certain competitive advantages. However, due to the existing poor and ineffective organizational management structure and practices, it would take some time for Pakistani Private Sector—Textile Manufacturing Enterprises to restore their earlier degree of worldwide reputation and subsequently enhance their operational competitiveness.

Pakistan's textile sector contributes significantly to the country's economy. Unlike in other regions of the world, its textile sector is based on cotton production and harvesting rather than sheep and wool. Pakistan is the world's fourth-largest grower of cotton, making it one of the most proficient textile-producing countries in Asia.

Pakistan, in particular, has around 440 mills that are used by over 2,500 textile-producing firms.

The birth of Pakistan's textile industry is linked to the birth of the country itself. The first textile factories were established shortly after the state earned independence from the British Raj in 1954. The textile sector began to play an increasingly important part in the national economy in the 1970s and 1980s. Throughout the second part of the twentieth century, the sector steadily progressed from a cottage industry to an industrialized, worldwide business, putting Pakistan in a favorable position in the global economy.

Because of the importance of the textile sector, as well as the growth of some foreign economic cotton textile challenges (particularly textiles made in China, Bangladesh, and India), the Pakistani government has intervened directly. It has made significant investments in research and technology to increase textile mill output and procedures.

However, developments in the textile business have brought with them a number of important difficulties. While the government has taken certain steps to assist its textile manufacturers, it has also turned a blind eye to some of these enterprises' harmful conduct. Textile firms, for example, habitually disregard safety and quality regulations. Among the violations include poor working conditions and insufficient supervision of labor procedures. Several foreign organizations have vowed to punish Pakistani textiles unless the government forces enterprises to change their protocols and policies.

Pakistan's textile industry is the country's largest manufacturing industry. It has traditionally been the only industry that has employed both skilled and unskilled employees, and it remains Pakistan's second-largest job-creating sector. Pakistan is Asia's eighth-largest textile exporter.

This industry contributes 9.5% to the GDP and employs around 15 million people or almost 30% of the country's 49 million workers. Pakistan is the world's fourth largest cotton grower, with the third highest spinning capacity in Asia behind China and India, accounting for 5% of worldwide spinning capacity. There are now 1,221 ginning units, 442 spinning units, 124 big spinning units, and 425 small units that manufacture textile goods.

The textile industry is mostly centered in Punjab (primarily in Faisalabad and Lahore), with Sindh coming in second (mostly Karachi). Textile exports increased at a very respectable 16% rate in 2006. Textile exports totaled $10.62 billion between July 2007 and June 2008.

Textile exports in Pakistan fell from 67% in 1997 to 55% in 2008, as exports from other textile industries increased. The main reasons for the reduction in textile exports in Pakistan include government policies and energy deprivation, deteriorating security, and a decreasing compliance rate with labor regulations and international labor standards. The Pakistani government is seriously contemplating

it. The Pakistani government is seriously evaluating its competitiveness in the global market, and to that end, it has ratified a number of global and United Nations Conventions. As a result, the European Union has awarded the government GSP-plus (Generalized System of Preferences) designation (EU).

However, the continuation of GSP-Plus status is heavily reliant on favorable performance on 27 UN Conventions, eight of which are ILO core conventions. The Netherlands is a significant purchaser of Pakistani textile and garment items. Pakistani textile exports to the Netherlands were over USD 300 million in 2013. The Government of the kingdom of Netherlands enhances trade with mutual understanding under the motto of enhancing 'Trade and no aid'. However, in view of the increasing sensitivity of European buyers to social and environmental standards, it is imperative for Pakistan's textile industries to understand and implement these standards in letter and spirit to become eligible for long-term export to Europe. To remove these issues and problems, Govt of Pakistan and the Royal Netherlands Embassy in Islamabad on 24TH May 2014 by ILO through the roundtable discussion "The Pakistani Textile Sector in International Arena."

Significance:

The textile sector of Pakistan is the heart and soul of this nation since Independence. It is the largest Manufacturing industry in Pakistan. Export of $3.5 billion (6.5% of total exported cotton in the world) in 2017-2018. Pakistan is the eighth largest exporter of textile Products in Asia. It contributes to the economy is equal to approx. 8.5% of total GDP. The textile sector employs 45% of the total labor force in the country. In the year 2017-2018, the export of the textile grew by $4.4 billion. Pakistan is also the third largest consumer of cotton in the world. Total Textile mills are 464 in Pakistan out of which 5% are on the PSX. Textile has a total processing capacity of 5.2 billion square meters. International brands working in Pakistan with local textile mills are namely; H & M, Levis's, Nike, Adidas, Puma, Target, etc. Textile businesses are concentrated in Karachi with a share of 38% and 28% in Faisalabad.

Punjab and Sindh each have 116 textile units out of 464 total. Since the governments of these nations provide more support to their textile industries than Pakistan's government does, they are the key regional rivals that pose a danger to Pakistan's exports. For the Export Development Fund to advance the textile industry, Pakistan has granted 185 million rupees. In Pakistan, the bank credit goes to the textile industry to the tune of 40%.

Shortly after South Asia's independence from British control in the 1950s, textile production began to take center stage in Pakistan's industrialization. Pakistan's government created the Cotton Export Corporation of Pakistan in 1974. (CEC). Private manufacturers were prevented from taking part in foreign commerce by the CEC.

However, the CEC's influence began to wane in the late 1980s, and by 1988–1989, private manufacturers were able to purchase cotton from ginners and sell it in both domestic and international markets. In Pakistan, there were six hundred textile factories in 2000 compared to three in 1947. Spindles climbed from 177,000 to 805 million throughout the same time span.

Although there are numerous organized or unorganized textile setups in Lahore, Karachi, Sialkot, and other major cities, Faisalabad is Pakistan's textile center and is even referred to as the Manchester of Asia. The biggest textile market in Pakistan is Liberty Mills, which started out small but has grown to become one of Karachi's largest textile processing and production facilities.

2 Production Types

In Pakistan, there are six main industries that produce textiles:

- Spinning,
- Weaving,
- Processing,
- Printing,
- Garment Manufacturing,
- Manufacturing of Filament Yarn

The majority of textiles are made from cotton. In addition, synthetic fiber, filament yarn, art silk, wool, and jute are manufactured.

• Cotton: With 521 installed and active units, cotton spinning is arguably the most significant sector in Pakistan's textile industry.

• Synthetic fibers: The most popular synthetic fibers on the market include nylon, polyester, acrylic, and polyolefin. Pakistan now has five main synthetic fiber manufacturers, with a combined annual production capacity of 636,000 tons.

• Filament yarn: Pakistan produces three different types of filament yarn. These are filament yarns made of nylon, polyester, and rayon acetate. Currently, the nation has roughly six units.

Artificial silk is a material that mimics silk but is less expensive to make. Around 90,000 looms may be found throughout the nation, most of which are concentrated in Karachi, Faisalabad, Gujranwala, and Jalapur Jattan. A few are also found in the FATA.

- Wool is mostly used to make garments, woolen yarn, acrylic yarn, shawls, blankets, and carpets.

- Jute: Agricultural items like grain and rice are typically packaged in jute bags and hessian fabric. About 100,000 tons of jute goods were produced in 2009–2010.

The global value chain (GVC), which is driven and coordinated by buyers—retailers, buying houses, and brand-name companies—includes Pakistan's apparel industry. The clothing value chain needs to be viewed in terms of the nature of lead firms (generally recognized as US and European brands and local and foreign buying houses) and the type of contractual relationship the lead firms have with local production networks in order to comprehend the participation of manufacturers in a buyer-driven global network practically. The lead firm, which might be a brand marketer like Polo Ralph Lauren or Tommy Hilfiger, a mass or specialty retailer like Walmart, Target, or Mango, or a brand manufacturer like Zara and the Benetton Group, sits at the top of the global value chain.

Top brands including American Eagle, H&M, Zara, Benetton, Abercrombie & Fitch, Hollister, Nike, Quicksilver, Kohl's, Sears, Gap, and Old Navy are just a few of the American and European ones that Pakistani companies provide. Through domestic or foreign buying houses, these brands establish direct or indirect contractual contact with the regional manufacturing networks.

In Pakistan, there are two different kinds of buying houses: domestic and international. As commission agents, local buying houses. Local buying houses' primary responsibilities include maintaining client interactions and overseeing quality controls. While managing client relations and overseeing quality standards, overseas buying houses and importers like Li and Fung help businesses with the planning, organization, and supervision of the job performance of garment makers.

Trade in clothing has remained Western-centric with a North-South orientation for the past three decades as major corporations in developed nations (the USA, EU, and Japan) have handled buyer-driven value chains and production networks. South Asian nations are among their top trade partners, and the US and Europe continue to be the two largest export markets. Our survey's results are consistent with similar worldwide trends: more than 70% of Pakistani businesses had agreements with buying organizations that deliver orders to the United States, while more than 20% of all orders were processed for Europe.

Many businesses serve both the US and European markets. While middle-income nations continue to gradually increase their import percentages, South Asia will continue to be a prospective market for sourcing from the US, EU, and Japan. The following categories—full package providers, original design manufacturers (ODMs), or original brand manufacturers—can be used to describe the capacity of local manufacturing enterprises to carry out multiple activities (from production to design) (OBMs).

In buyer-driven chains, design, marketing, and product innovation provide the greatest entry hurdles. Unsurprisingly, with only a few ODMs and very few OBMs,

the bulk of Pakistani manufacturers are designated as full package providers. Full package production necessitates the development of the capacity to interpret designs, make samples, source the necessary inputs, monitor product quality, and ensure on-time delivery, in contrast to local manufacturers operating as assemblers in which foreign companies assume the responsibility of supplying all the components to manufacturers.

The complete package companies are free to delegate part of the cut-make-trim (CMT) tasks to second-tier vendors at the bottom of the value chain. An original design manufacturer is a step up from full package providers (ODM). An ODM company creates its own designs, which increases the product's value. Some ODMs are able to advance and become producers of their own brands (OBM).

The majority of businesses in emerging nations, including Pakistan, began as second-tier assemblers, providing a small number of complete package businesses. However, several businesses in Pakistan moved on to become complete package suppliers whereas the bulk of businesses did not climb the corporate ladder to become ODMs. A few of businesses in Bangladesh, China, and Turkey advanced to the level of ODMs, while a few businesses in China and Turkey attained the status of OBMs.

For businesses in nations like Pakistan, climbing the ladder to become OBMs and developing their own global value chain is incredibly difficult, but it appears to be the only way out of the low value-added trap. The survey findings, which show that the majority of businesses, both in the knitwear and woven sectors, are functioning as contracting firms, confirm the claim that garment industry enterprises in Pakistan are producing for lead firms.

When asked if they export their own brand, businesses across both industries responded that they do not sell branded goods in huge numbers. There are, however, just a few companies that produce brands, and an additional study of the data indicates that these companies exclusively serve local markets.

The study results show the prevalence of complete package suppliers in Pakistan's production network and the lack of ODMs and OBMs—nearly 54% of the enterprises interact with buying houses, while only 7% supply MNCs directly

Companies that provide brands directly have a high likelihood of being ODMs. However, very few businesses have been successful in moving up the value chain to become a global OBM.

The average export price of a product may be used to gauge its level of value addition and place within the global value chain. The research of trade data revealed that Bangladeshi and Turkish exports of goods often fetch higher prices than do Pakistani garment exports. Our firm-level statistics for the Pakistani clothing industry at the macro level support this.

The data demonstrate unequivocally that Pakistan's garment industry occupies a lower position in the global value chain, producing largely inexpensive goods with high value added. The average export price of the products exported is less than $10. When the average export price is broken down by size in the woven industry, it is found that approximately the same amount of small and medium businesses (40%) set their prices between $1 and $5 and $5 and $10.

In contrast, 80% of significant businesses export their goods for between $5 and $10 on average. Few companies sell products for more than $10. Compared to the woven industry, a greater share of small and medium-sized knitwear enterprises (62%) had an average export price between $1 and $5, indicating that the knitwear industry mostly exports low-priced items.

However, for major businesses, the woven and knitwear industries see the same volatility in export pricing. Between low-cost, high-value products and branded goods, there is often a $20 to $25 price gap. With an average export price of $5 to $10, Karachi has more than 80% of the woven sector's businesses, followed by Lahore (65%) and Faisalabad (60%).

Only Sialkot has more than 40% of businesses with average selling prices over $10, indicating that these businesses are engaged in the production of semi-technical clothing, such as uniforms and sportswear. Similar to this, the bulk of businesses in knitwear throughout several clusters are focused at a low average export price ($1 to $5), with the exception of Sialkot ($5 to $10).

The absence of value addition in the apparel industry is also shown by information on business strategy that was retrieved from the survey data. The poll specifically asked about the tactics used by businesses to increase sales. Unsurprisingly, the majority of businesses cited improved product quality, better marketing, and cheaper costs as their primary tactics for boosting sales through domestic and international buying houses.

Buying houses have significant market strength (oligopsony) within the key product categories as a result of the garment industry's position on the Global Value Chain, requiring suppliers to compete on both price and product quality. There are intriguing differences in strategy depending on business size; smaller organizations rely more on lower pricing to generate sales than bigger enterprises, for example.

On the other side, larger businesses prioritize stronger marketing and enhancements to product quality. Knitwear depends more on price-based rivalry than woven does across industries. The latter relies more on marketing as a sales-boosting tactic. Few businesses, regardless of size or industry, suggested product diversity and advancements in technology as a way to boost sales.

This bolsters the argument that Pakistan's garment sector is stymied at a lower level of the Global Value Chain, where competition is centered on product quality and price within a constrained range of low-value-added commodities. The strategies

that could aid businesses in progressing in the Global Value Chain are not seen as realistic choices.

Based on the nature of their capacity and transaction costs, the US- and European-brand lead businesses work through distinct contractual partnerships (as does Global Value Chain) with local manufacturers. The value chain for clothes in Pakistan has a complex governance structure, with enterprises falling under captive, relational, and modular types. Given the nature of the survey data we collected, it is difficult to determine the precise scope and degree of one governance structure's dominance over the other.

However, the bulk of Pakistani businesses come under relational and modular forms of the value chain, according to our research and focus group talks. In the woven and knitwear industries, more than 90% of our studied companies work as contract manufacturers for national or international brands. With worldwide brands, the contractual arrangement is either relational or modular in character.

The major brand manufacturers, such as Levis, Gap, and others, create long-term relational value chains, according to the results of our focus group discussion with the clothing makers. Strong reputations, trust, and asset-specific investments are the foundation of relational value chains, which are frequently in contact with local producers.

In contrast to modular value chains, these partnerships have extremely high entry barriers. The modular value chain is mostly driven by local and international buying houses that work as middlemen on behalf of brands to assure producer compliance, in contrast to the relational value chain, which is likely to be driven by brand marketplaces and brand manufacturers.

It also observed that traders who are dealing with Textile materials exported to other countries organized this business in their houses and hide the actual situation of the textile due to tax and heavy-duty charges.

Moreover, these companies export raw materials to other Asian countries, and they further use them to make final goods for export to other developed countries such as Europe and America.

Small textile industries which are operated in the home lack knowledge and technology as compared to the large textile companies. The buying house divides the production order among several enterprises, taking into consideration the size of local businesses. For instance, multinational buying house Synergies Worldwide works with 80 distinct manufacturing companies in Pakistan while representing 35 brands from the US and Europe. The variability in value chains is explained by variations in the capacity of clothing manufacturers and in the number of transactions, codification, and collaboration necessary. According to the Global Value Chain of the garment sector, a sizable majority of companies have upgraded from a captive contractual connection to a relational and modular one with top brand

marketers in developed nations as a result of considerable improvements in firms' capabilities.

Additionally, this shift has corresponded with the development of both domestic and international buying houses in nations that export clothing, such as Bangladesh, China, India, and Pakistan, as well as the expanding use of information technology in the industry. By lowering transaction costs via the interchange of information on design, processing, and assembly, the emergence of foreign purchasing houses and regular interactions with international buyers have made sourcing from local enterprises simpler. It has also promoted a protracted partnership with the regional production networks. According to survey results, the majority of companies in the apparel industry are full-service suppliers who work with worldwide brands or lead companies through both domestic and foreign buying agencies.

There is little internal design work done, and there is little branding of items for the global market. As a result, the sector is at the bottom of the Global Value Chain, generating goods that are exported for a low price even if they have a high value-added. This is clear from the data on export prices provided by businesses across clusters in the woven and knitwear industries, as well as from the study of trade statistics.

Last but not least, it can be deduced from the firm data and focus group sessions that businesses in Pakistan's garment sector often come under both the relational and modular forms of the value chain. As was previously indicated, Pakistan's clothing industry is stymied in a low equilibrium in a high-value-added area, producing low-cost goods for mass sellers. The industry has to continuously invest in cutting-edge technology, skilled staff, and agglomeration economies or intra-cluster spillovers to escape this trap and advance up the garment value chain.

For the apparel industry to advance up the value chain, supporting government policies that enhance the business climate, infrastructure, and trade facilitation are also crucial. By analyzing the firm-level data gathered during the survey, the following section makes an effort to explain why Pakistan's clothing industry is positioned so poorly in the GVC.

Further, this business is also impacted by friends and family influence, who have their own brothers, family friends, and sisters, who promoted them in the textile business who don’t have any knowledge and skills in this industry. The industries that are controlled by exporting companies are open to competition as well as the latest technological advancements. Exporting companies develop their knowledge of "doing things better," "making things better," and "improving via functional upgrading," or entering a stage with a greater value-added, more quickly than non-exporting companies over time. There is rich literature on how firms in developing countries learn and innovate upon becoming part of a global value chain.

With the introduction of microelectronics at every level of garment manufacture in the 1980s, the clothing industry saw a significant technological transformation. The

most major technological advancements occurred in designing, cutting, sewing, and other related areas, giving rise to computer-aided design (CAD), computer numerical control (CNC) cutting, and computer-aided manufacturing (CAM).

It is essential for businesses to use these technical breakthroughs if they want to advance the global value chain of the apparel sector. However, businesses must develop the capability to absorb these new technologies if they want to advance from full-package suppliers to ODMs and then to OBMs. The amount of education and competence of the labor force is directly related to this ability to absorb.

As a result, even while technology is a must to advance up the value chain, it cannot be deployed successfully without trained labor. The use of computer-aided design (CAD), computer numerical control (CNC) cutting and computer-aided manufacturing has just recently become more widespread in Pakistan's garment industry.

The discussion that follows focuses on how survey respondents who work for clothing manufacturers rate their technological aptitude. The study results, which reveal that 75% of the enterprises desire to upgrade to a higher level of technology while 23.9% are pleased with the current level, confirm the claim that our technological development has been constrained.

The majority of businesses want to update their technology, regardless of their size or location, and across the woven and knitwear industries. It's interesting to note that smaller businesses are, across all of these categories, the most willing to invest in new technology. This suggests that smaller businesses are fully aware of the challenges they face due to low levels of mechanization as well as the benefits that new technology could provide.

Technology is going to be one of the most serious obstacles to the industry's capacity for development, competitiveness, and value creation. Relying solely on labor-intensive production techniques may impede this sector's success, particularly its worldwide growth potential. As a result, it is critical that the garment industry enhance its technical infrastructure in order to boost competitiveness and efficiency while also being able to respond to the ever-changing changing needs and expectations of worldwide merchants.

Manufacturers, in particular, are increasingly under pressure to meet tighter deadlines, necessitating more flexibility and faster turnaround times for orders and reorders (GLC, 1986). This increases cost pressure, and only enterprises that use the necessary technologies to respond to these needs profit from shorter manufacturing runs (Gibs, 1987).

The fact that the fabric business is competing in the global market despite seeming comment thread technology points to the potential that technology advancement may provide. Furthermore, the fact that the majority of enterprises desire to upgrade their technology shows that they are well aware of this new opportunity. Costs and impediments to updating technology Although the majority of the companies polled

wish to modernize their technology, the large expenses involved are a big impediment, particularly for smaller enterprises.

When the data is broken down by firm size, the majority of firms consider the costs of technology upgrades to be more than Rs 50 million. This is true for both sectors—in both woven (45.5%) and knitwear (44.4%), the smaller firms face the highest percentage of costs exceeding Rs 50 million. This pattern is repeated across multiple clusters. Given that many enterprises already operate at a somewhat primitive or low technology level, the higher perceived cost of technical up-gradation is to be expected.

Evaluating the key barriers across industries indicates that financing is seen as the most significant limitation in updating technology by more than 80% of small and medium-sized businesses in both sectors.

In comparison, a lower proportion of large enterprises (60%) across both sectors regarded money as the key impediment to technological advancement. This clearly demonstrates that small and medium-sized businesses, as opposed to large businesses, have limited access to credit markets due to high interest rates and collateral requirements.

Pakistan's garment industry is one of the most labor-intensive industries in the country. One of the most important variables influencing the growth and success of any business is the availability of skilled workers. Indeed, the availability of abundant and inexpensive labor has contributed to the garment sector's worldwide competitiveness, allowing the country to remain a vital component of the global textile value chain.

For an excessively decades, the garments industry has been perceived as a low-tech, unskilled labor-intensive enterprise that relies on migrant labor. Low wages, on the other hand, will be less important in the future, with skills and technological capabilities in clustered networks, investment in modern production facilities, development of training institutes, and the quality of infrastructure facilities determining which countries remain active partners in the global value chain and eventually increase their share in value-added products through design and brand development.

The lack of research and development (R&D) in Pakistan's cotton sector has resulted in inferior cotton quality compared to the rest of Asia. Farmers are migrating to other cash crops, such as sugar cane, due to the following low profitability of cotton crops. This situation has resulted from a lack of appropriate R&D. They also accuse cartels, particularly those in the pesticide industry, of impeding adequate R&D. Because better yield cotton is more pesticide resistant, the pesticide industry stands to profit by stifling domestic R&D.

Furthermore, opponents claim that the textile sector uses antiquated technology and equipment. The inability to upgrade equipment and machinery on schedule has resulted in a loss in Pakistani textile competitiveness. The cost of production in

Pakistan is greater than in other nations such as India, Bangladesh, and China due to antiquated technology.

The All-Pakistan Textile Mills Association (APTMA) has stated that the government's actions do not match its statements about the textile sector. Referring to Prime Minister Yusuf Raza Gilani's address at the inauguration ceremony of the Infrastructure Development of the Pakistan Textile City at Port Qasim Industrial Area, where the Prime Minister emphasized the importance of the textile sector to the country's economy. The reinstatement of a minimum tax on domestic sales would create an inescapable liquidity crisis, which has already reached catastrophic proportions.

Pakistan's textile sector is suffering from low productivity as a result of antiquated textile machinery. To solve this difficulty and compete, the Pakistan Textile Industry would require significant expenditures. For many years, there has been a consistent trend of investment in spinning. Pakistan's textile sector estimates that roughly Rs1,400 billion (US$32 billion) of investment is needed till 2010 to meet the government's export objective." Pakistan is confronting foreign as well as domestic difficulties that limit new investment. The volatile internal situation in Pakistan resulted in a sharp drop in foreign investment, affecting all industries but particularly the textile industry.

The United States cancels more than half of Pakistan's textile orders. The United States also imposes substantial tariffs on Pakistani textile imports, negatively impacting exports. The United States and the European Union are the two largest importers of Pakistani textiles, which makes a significant impact in Pakistani textile exports after putting import restrictions on Pakistani textile items.

According to current data, the Pakistan textile sector accounts for more than 60% of the country's overall exports, which total around 5.2 billion US dollars. The industry accounts for around 46% of the overall output in the country. In Asia, Pakistan is the 8th largest exporter of textile products.

This industry contributes 8.5% of the overall GDP. It employs 38% of the labor force in the country, or over 15 million people. However, the share of skilled labor is far lower than that of unskilled work.

China was the world's leading textile exporter in 2020, with a total value of roughly 154 billion US dollars. Textiles can refer to both the raw materials used in clothing manufacturing and the final clothes. The European Union placed second, with an export value of almost 64 billion US dollars, approximately half that of China. China's export results represent around 43.5 percent of the global textile export market.

Other Specific Recommendations are as follows:

• Remedy via Foreign Direct Investment (FDI) • Image Building of Pakistan to Attract Foreign Direct Investment (FDI) • Value Addition Focus • Technology Upgradation & Capacity Building

• Reducing the cost of doing business in Pakistan • Improving Textile Production • Productivity Improvement • Awareness of International Quality Standards • Introducing the concept of on-the-job training • Introducing efficient management practices

• Interest rates should be kept low in order to thrive in this business; • Electricity and gas tariffs should be eliminated. • New export markets should be explored.

3 Data and Methodology

The methodological basis of the study is the index of manifest comparative advantage defined by Balassa Balassa,]. The index is based on the theory of trade based on Ricardo's theory of comparative advantage. The original index is calculated using the following formula:

$$B_{ij} = RCA_{ij} = \left(\frac{X_{ij}}{X_{it}} \right) \Big/ \left(\frac{X_{nj}}{X_{nt}} \right),$$

Figure 1

Balassa index

where X is the export, i is the country, j is the product, t is the group of products, and n is the reference country. i.e. the index compares the share of the product under consideration in the exports of a country with the share of the same product in the exports of the reference country. In the present analysis, the product (j) is selected from among the textile product groups and the product group (t) is all products for both the country and the reference country. The latter can be all countries in the world, and in the case of a specific analysis of the results is Pakistan. The Balassa index is calculated for Pakistan and the world total.

Where only some data were missing, they were filled in by linear extrapolation (but it was not necessary). The source of the trade data used to calculate the Balassa Index was the World Bank's WITS (World Integrated Trade Solution) database (World Bank (2022). The data were downloaded at HS-2 (Harmonized Commodity Description and Coding System) level for Textile products (chapters 5-63) for the period 2010-2021.

4 Results

We can calculate the following data in the Figure 2.

Years	Silk	Wool,	Cotton	Vegetable textile fibres;	Textile fabrics; impregnated,	Fabrics; knitted or crocheted	Apparel and clothing accessories; knitted or crocheted	Apparel and clothing accessories; not knitted or crocheted	Textiles, made up articles; sets; rags	TextCloth
2010	0,18	0,66	52,60	0,8	0,31	2,38	8,35	6,46	47,58	13,34
2011	0,08	0,50	53,95	0,7	0,29	1,30	8,01	6,63	44,81	13,19
2012	0,16	0,62	58,81	1,0	0,39	0,91	7,21	6,61	41,63	13,03
2013	0,43	0,82	57,60	0,4	0,36	0,76	6,98	6,77	42,62	12,95
2014	0,35	0,74	57,64	0,2	0,29	0,82	8,35	6,99	43,79	13,12
2015	0,55	0,52	54,53	0,5	0,27	0,95	8,07	7,24	43,78	12,43
2016	0,55	0,41	51,41	0,7	0,20	0,86	9,22	8,76	47,61	13,32
2017	0,41	0,28	48,57	0,7	0,15	0,61	9,93	9,57	50,82	13,92
2018	0,24	0,33	46,63	0,5	0,19	0,57	10,88	9,76	49,84	13,96
2019	0,15	0,17	45,08	0,9	0,29	0,79	11,11	10,37	48,75	13,86
2020	0,22	0,20	43,24	1,3	0,46	0,87	12,56	10,90	27,23	13,74
2021	0,10	0,22	43,35	1,4	0,19	1,09	14,69	12,65	46,52	15,96

Figure 2

Pakistan textile competitiveness

Pakistan has a comparative advantage in the following products, so it makes sense to continue producing and exporting. Apparel and clothing accessories; knitted or crocheted. Apparel and clothing accessories; not knitted or crocheted.Textiles, made up articles; sets; worn clothing and worn textile articles; rags clothes in general. Pakistan had a comparative advantage in some years, but it is not a stable. Fabrics; knitted or crocheted Pakistan has a comparative disadvantage in the following products, so it does not make sense to continue producing but importing. Silk, Wool, fine or coarse animal hair; horsehair yarn and woven fabric. Vegetable textile fibres; paper yarn and woven fabrics of paper yarn

Conclusions

Pakistan's garment business is on the bottom rung of the global value chain, with the majority of manufacturers offering low-cost products to retailers, brand marketers, and brand producers. A few companies have succeeded in becoming their own design producers. The majority of organizations have relational or modular Global Value Chain governance structures, with only a few examples of captive value chains. The key reasons for Pakistan's unique place in the international market span from firm-level capabilities to transaction costs. While the garment industry has seen significant reductions in transaction and information costs, there are still persistent issues with firm capabilities. One of the primary aspects influencing corporate competence is technology. According to the study results, the majority of enterprises of all sizes and clusters wish to enhance their technology.

However, the expense of modernizing technology prevents many businesses, particularly small businesses, from doing so. According to the poll, the most significant barrier stopping enterprises from updating technology is access to institutional sources of capital. At its present low level of equilibrium, Pakistan's garment industry faces no shortage of semi-skilled labor.

To continue development, rise up the value chain, and produce technical spillovers, they would also need to consistently innovate and invest in machinery and IT hardware/software. These spillovers may encourage other activities that take advantage of garment industry advances.

References

[1] Balassa, B. (1964). The purchasing-power parity doctrine: a reappraisal. Journal of political Economy, 72(6), 584-596.

[2] Hussain, S. T., Malik, K., Khan, M. U., Faheem, A., Nabi, I., & Hamid, N. (2013). A comparative analysis of the garments sector of Pakistan. Available at SSRN 3117709.

[3] Khan, A. A., & Khan, M. (2010). Pakistan textile industry facing new challenges. *Research journal of international studies*, *14*(14), 21-29.

[4] Mazharul Islam Kiron (2022): Best Textile Companies

[5] Tugba Subanal Top textile exporting countries worldwide 2020 Sep. 19, 2022

[6] Yang, Y., & Shafi, M. (2020). How does customer and supplier cooperation in micro-enterprises affect innovation? Evidence from Pakistani handicraft micro-enterprises. Asian Business & Management, 19(5), 530-559.Anonymous (2007) F2F Fiber 2 Fashion