



ATGC NEWSLETTER

A publication of the Asian Textiles and Garments Council (ATGC)

November 2011, Vol. 1 (Maiden Issue)

Message from the ATGC Chairperson



The Asian Textiles and Garments Council (ATGC) of the Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) takes pride in coming out with the maiden issue of its Newsletter.

The ATGC was established during the 68th CACCI Council Meeting held in Phnom Penh, Cambodia in May 2004, with the primary objective of providing a venue for CACCI members to get actively involved in promoting the development and growth of the textiles and garments sector in the Asia-Pacific region.

As the current ATGC Chairman, it is my ardent hope that this inaugural issue of the ATGC Newsletter and the future ones will serve as an effective platform for an exchange of ideas and information not only among ATGC members but also among other textile and garment industry players in the CACCI region as a whole.

In this maiden issue, we include a report on the breakout session held by the ATGC on March 3, 2011 in Istanbul, Turkey in conjunction with the 25th CACCI Conference, as well as articles contributed by our Primary Members on the state of the textile and garments industry in their respective countries.

Taking this opportunity, I would like to invite all members to contribute articles (with accompanying photos if possible) for the next issues of our Newsletter. Kindly send your materials to the CACCI Secretariat through our Fax No. (886 2) 2725 5665, or our e-mail address at cacci@cacci.org.tw. May we look forward to hearing from you?

Thank you for your continued support of the ATGC and may you have enough successes to adequately face the challenges in the year ahead.

Dawood Usman Jakhura
Chairperson, ATGC

Asian Textiles and Garments Council Holds Special Breakout Session in Istanbul, Turkey

Members of the Asian Textiles and Garments Council (ATGC) of CACCI gathered together on March 7, 2011 in Istanbul, Turkey for a special breakout session held in conjunction with the 25th CACCI Conference. The session aimed at providing the participants the opportunity to discuss current trends in the textile and garment industry in the region and explore possible areas of cooperation among CACCI members engaged in the industry.

Mr. Harin Malwatte, Secretary-General and CEO of Ceylon Chamber of Commerce, chaired the breakout session of the Asian Textiles and Garments Council. Two presentations were made during the session – one by Mr. Malwatte himself on the state of the textile and apparel industry in Sri Lanka, and the other by Mr. Bülent Başer, member of the Textile Industry Sector Assembly of Turkey, on the country's textile and apparel industry.

Textile and Apparel Industry in Sri Lanka

In his report, Mr. Malwatte said that the apparel sector in Sri Lanka was predicted by many experts to face drastic decline in exports after the MFA phase out. However, the country proved these expert views to be wrong and effectively faced competition by becoming more innovative and by moving up the value chain and getting away from the highly competitive mass market. Despite many setbacks faced globally and locally, the apparel sector still manages to record a positive growth each year. The apparel exports account slightly over 40 percent of exports of the country.

Mr. Malwatte noted that the Sri Lanka apparel industry is one of the world's leading proponents of 'Ethical Business and Manufacturing Practices' for the Global Fashion and Apparel Sourcing Business, and Sri Lanka itself is renowned as the world's first ethical apparel sourcing destination. The industry has endeavoured to ensure that the best in class business practices go hand in hand with social responsibilities to create world class apparel solutions for the choicest global brands.



Mr. Malwatte further reported that "Sri Lanka Apparel - Garments without Guilt," which is the ethos of the Sri Lanka apparel industry, epitomizes the synergy between ethical brands and apparel made in Sri Lanka. The country's ethical sourcing and sustainable development practices aim to empower women and support their communities through poverty alleviation and offering opportunities for education and personal growth. With the development of sustainable eco-friendly solutions to apparel manufacturing, Sri Lanka has endeavoured to make the 'Made in Sri Lanka' label synonymous with quality, reliability and social and environmental accountability. Mr. Malwatte said that Sri Lanka is proud to be the only outsourced manufacturing country in Asia which has ratified 39 ILO Conventions.

Mr. Malwatte cited some of the international recognitions bestowed on the Sri Lankan apparel industry, as follows:

a. The Hirdaramani Group was awarded the "Gold Flame" at the recently concluded "Sri Lanka National Energy Efficiency Awards". The Award recognizes the Group's success in reducing its carbon footprint via a series of measures to reduce energy consumption with a strong focus on environmental responsibility woven into their corporate culture wastage.

b. The United Nations Industrial Development Organization (UNIDO) has recommended the Brandix Group's 'green apparel factory' as a model of sustainable production



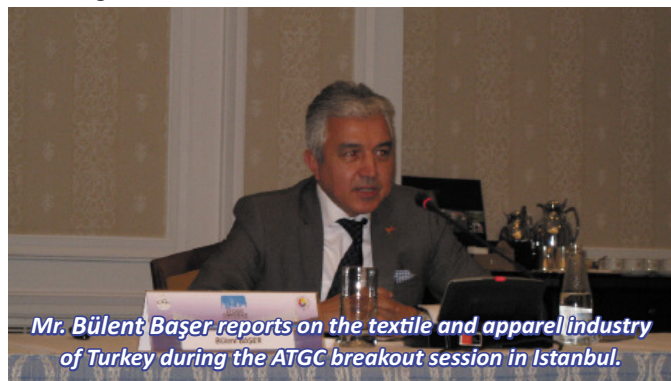
to manufacturers around the world. The endorsement of the facility at Seeduwa was made by UNIDO director general Dr Yumkella, during a visit on 11th June 2010. The 130,000 square-foot Brandix Eco Centre is the Group's lead manufacturing plant for Marks & Spencer, and has been rated Platinum under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System of the US Green Building Council (USGBC). The flagship facility is one of 27 business units operated by Brandix in Sri Lanka, India and Bangladesh, supplying brands such as Gap, Marks & Spencer, Victoria's Secret, and many others.

c. MAS Intimates, the eco-manufacturing facility of MAS Holdings won, the coveted Globe Award for Sustainability Innovation for 2010 at a ceremony held on April 29 in Stockholm. Globe Award is a non-for-profit organisation working on sustainable development and the Globe Awards are presented to encourage sustainability. For 2010, the Globe Award jury, consisting of a group of eminent global personalities selected MAS Intimates Thurulie as an example of innovation that combines sustainable development with successful business ethics.

Mr. Malwatte concluded by saying that price, quality and markets are no longer the only important factors for success. Ethical business practices, environmental standards and social corporate responsibility are emerging factors that will give a competitive edge in the future.

Textiles and Apparel Industry of Turkey

Mr. Bülent Başer reported that Turkey had invested over 100 billion USD from 1990-2009 in the textile and apparel industry and that had contributed for Turkey to develop rapidly and become a major player in the sector. Investments were in HR, product development, design and development of technology. He also noted that Turkey moved to the high-end market as that was the area that the country had the advantage.



The discussions that followed Mr. Baser's presentations noted and reached consensus on the following trends and observations:

- Countries are protecting internal markets due to high importance of protecting the high labour intensity sector.
- FTAs are on the increase between countries but there are many non-tariff barriers that block entry to markets.
- Future factors that will influence growth: price

factor (14%), quality considerations (35%), delivery (27%), design (14%) and social responsibility standards (9%).

d. The social responsibility considerations will be on the increase.

e. Buyers are looking at "Full Package Providers"

f. Buyers are expecting 6-8 weeks delivery and therefore "Full Package Providers" stand to gain in the future. "Full Package Provider" preference in more applicable for high-end products in the sectors.

g. The thinking that there would be shift to cheaper garments with the global financial crisis in not quite right. The demand for cheaper garments has not increased as expected.

h. There will be a demand for cheaper garments in the sector pyramid at the bottom. The shape of the pyramid will change from country to country. The cheaper garments given low margins and countries may remain catering for local demands.

i. There is a need for local and regional brands as well. Experience show that local and regional brands have done well.

j. Less developed countries like Bangladesh will have growth prospects due to concessions they receive in exports but they should move up to high value products and not concentrate too much on the cheaper garments.

k. India and China will have demands on the local market and may slow down exports.

Following the breakout session, Mr. Malwatte presented a summary report of the discussions to the 79th CACCI Council Meeting held later that day.



Dawood Usman Jakhura Named New ATGC Chairman



Mr. Dawood Usman Jakhura, Proprietor of M/S D. J. Corporation in Pakistan, has been nominated by Mr. Tariq Sayeed, CACCI Vice President and Former President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), to be the new Chairman of the Asian Textiles and Garments Council (ATGC). He takes over the position previously held by Mr. Chandi Raj Dhakal from Nepal.

Mr. Jakhura is concurrently Senior Vice Chairman of the Landhi Association of Trade and Industry, Vice Chairman of FPCCI, and Member of the Managing Committee of Karachi Chamber of Commerce and Industry. He served as Chairman of the Pakistan Ready-Made Garment Manufacturers and Exporters Association for two terms, from 2004 to 2006, and from 2006 to 2009. He is a Life Member of The Arts Council of Pakistan.

Pakistan Textiles and Clothing Industry: Challenges, Prospects and Strategies

By

Dawood Usman Jakhura
Vice-President

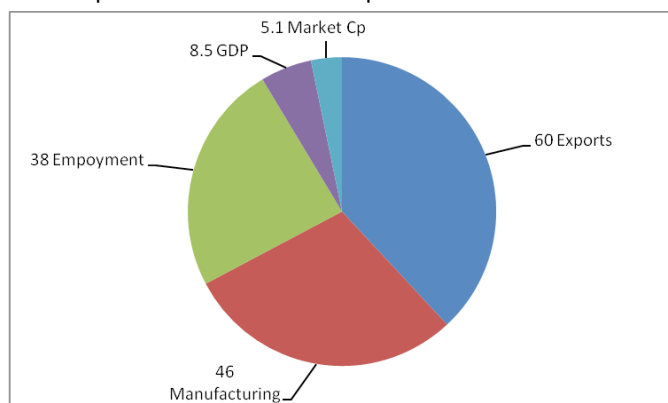
The Federation of Pakistan Chamber of Commerce and Industry (FPCCI)
Chairman

The Asian Textiles and Garments Council (ATGC)



INTRODUCTION

The textile industry is the backbone of Pakistan's economy with a status of the largest industry and with a comparative advantage of resource utilization. This sector is providing livelihood to more than 10 million farming families. It also accounts for 40% of the industrial employment. It contributes around 8.5 percent to GDP. Despite the recent downturn in the global demand, the textile and garments exports accounted for more than 55 per cent of merchandise exports. The variety of products ranges from cotton yarn to knitwear. The garment made-ups and bed wear are the most important export products with an export value of US \$ 1276.7 Million, and US \$1557.0 Million hosiery knitwear US \$ 1726.1 Million , and cotton yarn US \$ 2185.491 Million also have important shares in total exports.



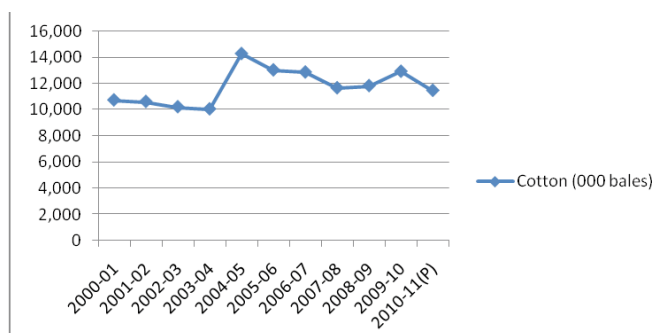
Source: Economic Survey

Historically, Pakistan textile industry is not as much older as compared to its competitors. There was no textile mill in Pakistan at the time of independence. But now, the textile industry of Pakistan is providing textile clothing and made-ups for \$173 Million people of Pakistan and exporting \$11 Million textile made-ups to the world. Pakistan is the 4th largest producer of cotton and 3rd largest user of cotton. Presently, one bale of cotton is converting into \$1000 in Pakistan whereas other countries in the region are converting into \$4,000. Analysts consider China, India and Pakistan as forerunners and market leaders in WTO arena.

RAW MATERIAL

Cotton is the major raw material for Pakistan's textile industry. Cotton scenario in Pakistan is showing declining trend. During 2010-11, the crop was cultivated on an area of 2689 thousand hectares, 13.4 percent less than last year (3106 thousand hectares). The production is estimated at 11.5 million bales, lower by 11.3 percent over the last year's production of 12.9 million bales and 17.9 percent less than the target of 14 million bales. Textile industry in Pakistan is facing a persistent decline in cotton production for the past more than four years while consumption of cotton products is on a rise. Pakistan imports cotton from other countries including India. Pakistan's estimated consumption is 15 million bales while its production target was 14 million bales in 2010-11. The decrease in cultivated area and production is attributed to loss in area under cultivation due to floods.

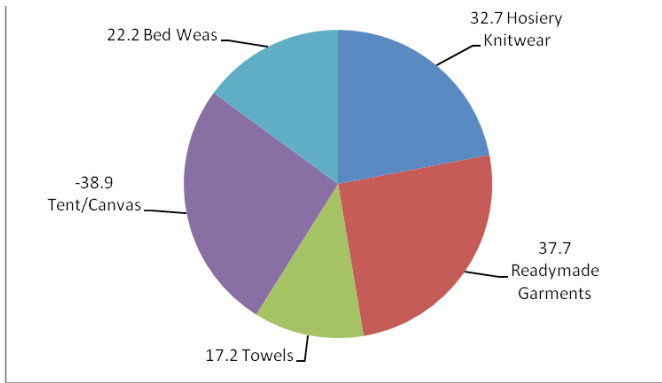
Cotton Production (000 bales)



Source: Economic Survey

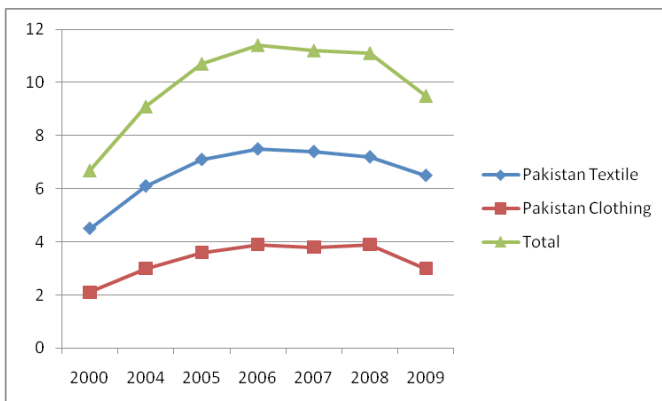
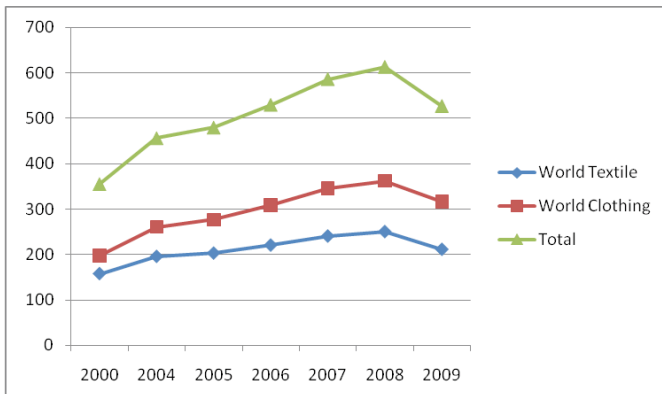
TEXTILE MADE-UP SECTOR

Textile made-up sector is the most dynamic segment of textile industry and major products include; towels, tents & canvas, cotton bags, bed-wear, hosiery & knitwear and readymade garments including fashion apparels. Export performance of readymade garments showing increasing trend, the exports grew by 37.8 percent in value terms. Bed Wear increased by 22.2 percent, Towels grew by 17.2 percent, Hosiery increased by 32.7 percent while tents/canvas showed declining trend and decreased by 39.9 percent and other made-up grew by 30 percent during 2010-11.



Source: Economic Survey

The textile and clothing trade has increased from US\$ 355 billion in 2000 to \$613 billion in 2008, but it shrank to \$527 billion in 2009 due to global financial meltdown. Moreover, the clothing trade is growing at a faster rate than other textiles as world clothing export grew from \$197 billion in 2000 to \$316 billion in 2009. On the other hand world textile export expanded from \$157 billion in 2000 to \$211 billion in 2009. The global financial crisis since late 2007 adversely impacted the trade in textiles. The weaker demand in the developed economies limited the expansion of global trade, however, following series of economic stimulus packages, world trade started to pick-up again since March 2009 but world merchandise trade dropped by 23 per cent in 2009 (in nominal terms) which is the highest ever decline in more than 50 years. The recovery in world trade is currently

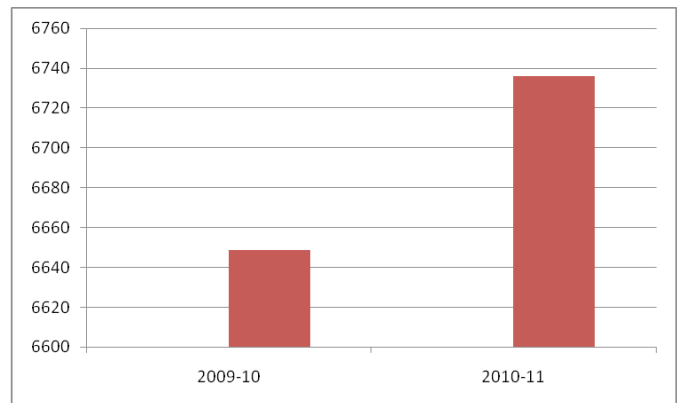


increasing confidence for trade prospects for Pakistan. Pakistan exported textiles worth \$ 6.5 billion and clothing worth \$3 billion in 2009 as compared to textiles worth \$7.4 billion and clothing worth \$3.9 billion in 2008.

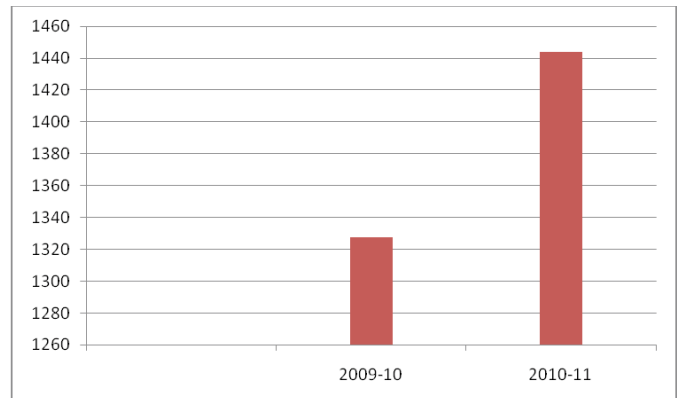
CLOTH SECTOR

There are three different sub-sectors in weaving viz, integrated, independent weaving units, and power loom units. There is substantial investment in the shuttle-less looms both in integrated and independent weaving sector. The power loom sector have modernized and registered a phenomenal growth over the last two decades.

Production of Cloth Sector (M.Sq.Mtrs.)



Export of Cloth Sector (M.Sq.Mtrs.)



COTTON SPINNING SECTOR

The spinning sector is the most important segment in the hierarchy of textile production. At present, it is comprised of 521 textile units (50 composite units and 471 spinning units) with 10.1 million spindles and 114 thousand rotors in operation with capacity utilization of 89 percent and 60 percent respectively, during, 2010-11. The cotton spinning sector has performed slightly better than other sub-sectors.

SYNTHETIC FIBER

This sector has made progress in line with demand of

the textile industry. Presently, there are five polyester fibre units with production capacity of 640,000 tons per annum. Viscose fibre is supported by import of Man Made fibre.

FILAMENT YARN MANUFACTURING INDUSTRY

The Synthetic filament yarn manufacturing industry picked up when private sector encouraged to participate and invest in this sector. Presently industry is manufacturing three kinds of filament yarn locally: Acetate Rayon Yarn, Polyester Filament Yarn, and Nylon Filament Yarn.

ART SILK AND SYNTHETIC WEAVING INDUSTRY

Art silk and synthetic weaving industry has developed on cottage based power looms units comprising of 08-10 looms spread all over the country. There are approximately 90,000 looms in operation. Of this 30,000 looms are working on blended yarn and 60,000 looms on filament yarn. Besides, there are some mobile looms which become operational on market demand. Major concentration is in Karachi, Faisalabad, Gujranwala, and Jalalpur Jattan.

WOOLEN INDUSTRY

The main products manufactured by the woollen industry are woollen yarn, acrylic yarn, fabrics, shawls, blanket, and carpets. The exports of carpets and rugs decreased by 7.7 percent in value terms while increased by 9.7 percent in quantum terms, reflecting impact of fall in unit value.

CHALLENGES, PROSPECTS AND STRATEGIES

• Concentration of Export in Few Markets:

Pakistan's textile and clothing exports heavily depends upon few international export markets specifically EU and USA. Heavy dependence on these markets is a major concern in textiles and clothing industries.

• Concentration in Few Products

Pakistan's textile export concentrates in few products. Composition of the textiles and garments exports showed a marginal change over the past 2 decades. Garments exports accounted for around half per cent of total textiles exports. Textiles, other than made up articles and yarn emerged as export items in early 1990's and increased their shares. Pakistan textile sector has low coverage of product category, particularly casual ware for men and women. Insufficient product diversification is another problem in the industry.

• Fashion Design

Fashion designing in textile production is recognized as a global industry. Fashion affects all areas of design today it significantly affects clothing sector, and particularly women's clothing. Fashion is a highly visual, image-based industry; it is promoted via 'look' especially in the mass market where fashion is being consumed rapidly. Fashion also provides a

context for how cultural based practices might offer a way forward in socially responsible and sustainable design.

This industry has not yet reached at its potential level in the Pakistan textiles arena. Although Pakistan export clothing and garment products considerably but these products do not attract profitable price in the international markets. There are huge opportunities for export earnings from textile if the industry also focuses on fashion design.

• Brand Development

One of the basic purposes of marketer is to keep the brand name in the sub conscious of the consumer so that it can develop relation with your product. A good-looking brand is more than just another pretty face. Today consumers have more access to information and more choices than ever before. The result is higher expectations, and the brand's message must fascinate the consumer immediately.

Lack of brand development is another major issue concerning to the textile and clothing industry of Pakistan. Brand development is such an exercise, which cannot be done by a company due to the fact it requires huge resources and expertise and support of the government. In present trade policy incentive was provided for brand development but due uncertainty in the business environment firms are seems to be less interested at present.

• Shortage of Raw Material

Lack of a solid raw material base is considered as one of the major factors weakening Pakistan's competitive strength among its major competitors in Asia. Textiles and garments industry of Pakistan depends heavily on imported raw material and accessories. The production of cotton bales, basic raw material for this sector, is estimated at 11.5 million bales, lower by 11.3 percent over the last year's production of 12.9 million bales and 17.9 percent less than the target of 14 million bales. Textile industry in Pakistan is facing a persistent decline in cotton production for the past more than four years while consumption of cotton products is on a rise. Pakistan imports cotton from other countries including India. Pakistan's estimated consumption is 15 million bales while its production target was 14 million bales in 2010-11, shortfall of one million bales was to be met through import.

• Lack of Skilled Labour

The industry faces many problems in developing and maintaining the required manpower. Estimated cadre requirement shows that the industry find it difficult to recruit sufficient employees, particularly, in operational sector. Even in the managerial cadre, significant number of the vacancies is unfilled due to lack of suitable persons.

• World Standard & Technical Regulations

World Standard and Technical regulations under WTO agreements of SPS (Sanitary and Phyto-sanitary Measures) and TBT (Technical Barriers to Trade) has resulted in

increasing conditions on Pakistani products particularly textile and clothing. These issues include polluting of dyes, handling of consignment that is free from risk of carrying any harmful germs in the products. The international buyers demand certification from international accredited labs which causing extra cost to the producer.

• Labour productivity

Productivity of labour 4.4 % of GDP per person employed is considered very low in comparison with competitors. The unfavorable business environment couple with law and order situation has significantly reduced the labour productivity of Pakistan. Some of the factors responsible for low productivity are lack of properly trained labour, rigidities in labour legislation, poor working conditions. Another major concern is the large number of strikes each year, religious, and social obligations. All these factors contribute low productivity in labour while reducing the number of effective working hours per year.

• Energy Crises

The acute shortage of electricity and gas in the country is also major constraint for the value-added textile sector. High cost of furnace oil in the international market is affecting the local power producers that imports huge amount of oil. Electricity generation from furnace oil has significant portion in the national grid. Long hours load shedding couple with distribution losses interrupt the continuous supply of electricity to the industrial sector.

• Risk in Order Delivery Time

Due to fragile nature of economic environment in Pakistan, the international buyers have lost confidence in Pakistani exporters. Order delivery in time has become one of the principal factors considered by international importers. In order to respond to fashion trends and meet competition, importers are now looking for delivery services within few weeks after placing an order. Shorter delivery time makes production and marketing process more efficient providing opportunities for quicker responses to changing demand.

Pakistan textile and clothing exports are expected to gain momentum near in future. EU has granted limited market access to textile exports from Pakistan. Pakistan will also receive Generalize System of Preference GSP+ from 2014 as diplomatic missions of both countries have coordinated on this issue. Higher share of textile in EU and USA market has to be achieved by increasing value addition through efficient and effective management. Products diversification and creating competitive advantage in the industrial sector would ensure market access in developed countries. New venturing, reduction in cost of production and sustainable government policies are prerequisites for exports expansion. Skill and trained labour with improve infrastructure and investment is the key for exports enhancement of textile products. ❀

Indian Textile Scenario

The following article is a joint paper submitted by Ms. Manjari Desai, Senior Manager Corporate Communications and Mr. Anant Sardeshmukh, Executive Director General, Maharashtra Chamber of Commerce and Industries and Agriculture.



Overview:

After agriculture, textile is the most important sector in terms of employment, output and foreign exchange earnings. India is the second largest producer of cotton and cotton yarn. The textile industry contributes around 4% to the GDP and as of now 12% to the export earnings. This sector provides direct employment to more than 35 million people in the country.

Textile sector is globally well placed in terms of installed capacity of spinning machinery. It ranks second after China, while in weaving it ranks first in plain handlooms and fourth in shuttle looms.

Structure of Textile Industry:

The Indian industry is primarily made up of two components -- the organized (i.e. textile mills) and the unorganized or the decentralized sector. The organized sector consists of the spinning and composite mills and the unorganized sector consists of handlooms, power looms and khadi units.

The demand for cloth depends on several factors, such as population, per capita income, tastes and exports. As the durability of the cloth has risen, the overall domestic demand has tended to stagnate or increase at a slow pace. Initially there was a good demand of cotton based cloth which later changed to tere-cotton, etc. After liberalization the export sector has emerged as an important component of demand.

The recent global economic downturn has impacted the textile exports, but the domestic demand to some extent has compensated the fall in exports.

The structure of the textile sector is influenced by the government policies. For instance the power loom sector vis-à-vis the mill composite sector has to pay much lower excise duties. The power loom sector is unorganized and as such pays lower wages as compared to the mill sector and is thus able to out-compete the mills. The handloom sector which is a Gandhian legacy includes handicrafts, Khadi and Village Industry are protected by the Government of India.



The major problems faced by the textile industry that affect their competitiveness in the international market are:

- Power and electricity duties are higher in India as compared to competing countries
- Composite mills have collapsed as they could not withstand competition from the unorganized and the decentralized sector
- Post liberalization cotton prices have become very competitive
- India pays higher wages in the spinning and weaving sector as compared to competing countries
- The mill sector has been almost taken over by the power looms
- The emergence of power looms and collapse of the mill sector has adversely affected the Research and Development (R&D) activities leading to deterioration or stagnation in the quality of fabrics
- Indian textiles suffer from the highest incidence of sickness
- The plant, machinery and technology in a number of units are obsolete
- The cotton yield per hectare of land, but for the recent up-string due to Bt cotton is very low in India
- Besides neighbouring countries, India faces severe competition from other countries like Taiwan, South Korea, China and Japan
- Other problems like power cuts, infrastructural bottlenecks, lack of finance, exorbitant rise in raw material prices and production costs add to the woes of the textile industry

Impact of Recession:

The fortunes of textile industry of late have to some extent depended upon export earnings. The Indian textile industry being export intensive in nature, exports about one third of its production in some form or the other. Its 50% exports consist of readymade garments and its accessories.

This is followed by handicrafts, silk products, woollen textile, jute and coir. The global economic downturn as mentioned above has its impact on the Indian textile sector as well. The result was a direct decline in the exports; impacting the employment scenario in the country.

According to the 11th five year plan the industrial output and employment in the textile sector was expected to give jobs to 55 million people. However as the world recession severely affected the exports, these expectations seemed to be doomed. All the export oriented firms are labour intensive in nature and massive labour force had to be laid off.

Textile Exports Statistics – Table 1

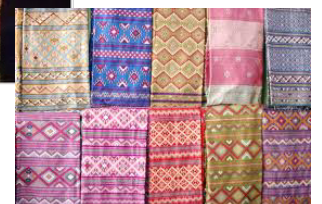
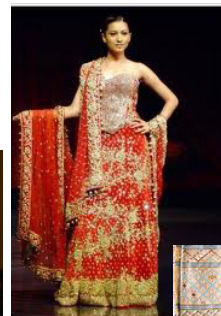
Financial Year	Textile Export US\$ Millions	Total Exports US\$ Millions	Percentage of Textile Exports
2004-05	14026.72	83535.95	16.79%
2005-06	17520.07	103090.53	16.99%
2006-07	19146.04	126262.68	15.16%
2007-08	19558.53	143567.86	13.62%
2008-09	18519.96	153018.22	12.10%
2009-10	22418.00	178751.43	12.54%

Source : Department of Commerce NIC & DGCI & S, Kolkata

It is seen from the table that since 2006-07 the share of textiles in the total export has tended to decline sharply. The year 2008-09 for the first time in recent years witnessed a fall in absolute terms. Fortunately there seems to be a marked revival in 2009-10 in absolute and in terms of percentage shares.

Concluding Remarks:

To reiterate Indian textiles industry faces stiff competition from its neighbours. There is a need to form a union of South Asians Textile sector, so that cut-throat competition is avoided and wages and well being of huge mass of workforce are protected. Also, official policy support to overcome the difficulties listed above is the need of the hour, particularly there is dire need to give boost to the R&D activity so that the Indian textile industry ultimately competes on the basis of quality rather than cost cutting. ❀



COTTON

PAKISTAN ECONOMY'S BACKBONE

The following article was contributed by Mr. Mian Waqas Masud, Director, Fazal Industries (Pvt) Ltd. of Pakistan



Pakistan is the fourth largest producer of cotton, after China, the US and India. There are pools of success, and cotton is one example. Pakistan produces about 12 million 170 kg bales of cotton a year, mainly from Sindh and Punjab.

Pakistan's economy relies heavily on its cotton and textile sectors. The cotton-processing and textile industries make up almost half of the country's manufacturing base, while cotton is Pakistan's principal industrial crop, supplying critical income to rural households. Altogether, the cotton-textile sectors account for 11 percent of GDP and 60 percent of export receipts.

The future of this vital component of the national economy is uncertain, however. These industries face the challenges of unstable world prices and increased competition resulting from global liberalization of the multilateral textile and clothing trade.

At the same time, Pakistan's macroeconomic situation is volatile. Given such challenges and volatility, this study investigates what the future might hold for Pakistan's cotton and textile industries and its implications for rural and urban poverty reduction in the country. Cotton occupies a unique position in Pakistan's agrarian economy.



PAKISTAN: ITS POTENTIAL AND DRAW BACKS

With the country having the potential to become a key player in global cotton and textile markets, the government has been giving priority to research and development programs focusing on quantitative and qualitative

improvements in cotton. Despite a notable increase in cotton production over the years, however, unsuitable picking methods, adulteration of seed cotton with water and foreign matter, mixed seed and mixed grades have reduced the quality of seed cotton. These factors, coupled with inappropriate ginning techniques, have downgraded the lint quality. According to one estimate, the country has been losing some 10-15 percent of the commercial value of its cotton.

The core of the problem facing the country's cotton industry has been the absence of a recognized and scientifically devised standardization system. The marketing and pricing system had been based on cotton varieties and weight, which resulted in a variety of grades and staples. The government therefore decided to introduce standardization and a pricing system based on premiums/discounts to bring Pakistan cotton on a par with internationally accepted standards and to ensure better returns for cotton growers, ginners, spinners and the national economy. And now the government has launched Cotton Vision 2015: a drive to boost production to 20 million bales in the next four years.



Pakistan's cotton edict is good news for its farmers, because cotton is 'white gold'. They may live on one meal a day, and have no mobile phones or television, but cotton gives them a route to global markets. Ikea, for example, uses 100,000 tons of cotton a year, much of it from Pakistan.

COMPARISON WITH OTHER DEVELOPING COUNTRIES

The small share of Pakistan's textile exports in the world total is the result of increasing world competition. Their performance is in sharp contrast to that of other Asian exporters particularly in Southeast Asia and advanced textile exporters like, China, South Korea and Hong Kong. What is remarkable for these countries is the increase in their world market share in the presence of institutional restraints like MFA (multi-fiber arrangements).

It can be seen that from 1980 to 1997, Pakistan's share in world textile trade has increased by 1.1 percent. By comparison, the shares of countries like Hong Kong, China, and South Korea have increased quite substantially, by 5.6, 3.5, and 3.8 percent respectively. At the same time, a noticeable feature is the decreasing share of Japan, U.S.A, France, U.K., Netherlands and Germany.



PAKISTAN ACHIEVES BEST EVER ECONOMIC RESULTS 2010-2011

Pakistan’s textile exports have continued to grow in the first nine months of the current fiscal year 2010-2011. According to the Federal Bureau of Statistics (FBS) and the Trade Development Authority of Pakistan (TDAP), textile exports grew by 30.38% from July 2010 to March 2011. While some of this increase can be attributed to the rise in the price of cotton and other inputs, Pakistan’s exports have increased significantly in terms of quantity as well. This reflects on the increased demand for Pakistani textile goods in Europe and the US, where buyers are not only willing to pay higher prices for Pakistani textiles but also buying more of them. This is a very good sign for Pakistani textile industry.

Textile exports had a share of 55% in the country’s total exports of \$17.79 billion during July-March 2010-2011. This share used to be more than 66% in the past. This reflects on the increased exports of other sectors such as agro food besides textiles. The State Bank of Pakistan’s report predicts that the current trend of textile exports would help the country to have record exports in current fiscal year. The major segments which contributed to the textile exports growth include cotton yarn, cotton cloth, knitwear, bed wear and readymade garments.

Despite the gloomy outlook for the industry this turnaround is indeed welcome news. All textile categories have shown increase in exports except tents and canvas. High value added sectors of ready made garments and knitwear both reflected high growth in terms of quantity as well as value. Readymade garments exports grew by 25% in terms of quantity and 38% in terms of value. Knitwear increased by 28% in quantity and 32% in value.

CHANGE IN MARKET DEMAND 2011/12

Weak demand and higher output have depressed world cotton prices and will cost Pakistan more than \$1 billion in key textile exports for the fiscal year 2011/12, despite an expected bumper crop, industry officials said on Wednesday.

Textiles and cotton account for nearly 60 percent of Pakistan’s exports and are a major source of foreign exchange for its fragile economy, kept afloat by an \$11 billion International Monetary Fund loan secured in 2008.

This year’s textile exports will be between \$12.0 billion and \$12.5 billion, because of the fall in world cotton prices.

Despite severe losses to the cotton crop by 2010’s floods, the value of Pakistan’s textile exports in 2010/11 rose 35 percent to \$13.80 billion from \$10.22 billion the previous year, mainly because of globally high cotton prices, analysts say.

Pakistani manufacturers of ready-made garments, valued at \$1.77 billion in exports last year, fear exports will drop further, citing a significant fall in Christmas demand because of cotton price volatility and Pakistan’s chronic energy crisis making foreign buyers reluctant to place orders.

The International Cotton Advisory Committee said recently that world cotton production would rise 8 percent to 26.9 million tonnes for the year. The extra production is expected to drive down prices.

Cotton prices, which doubled and peaked at \$2.27 per pound in the first quarter of 2011 on tight supplies and robust demand, have since fallen to less than half that level, where they remain.

Economic turmoil triggered by the downgrade of the United States by Standard & Poor’s could further dampen world cotton demand.

The key December US cotton contract on ICE Futures US dropped 1.92 cents, or almost 2 percent, to end at 95.80 cents per pound on Tuesday, near a 10-month low.

Analysts, who expect the country’s textile exports to total between \$12.8 billion and \$13.0 billion in 2011/12, say the impact of the turmoil from the US downgrade on Pakistani textile exports would not be much.

Pakistan is expecting a bumper crop of more than 15 million bales.

** Source of information TDAP & Federal Bureau of Statistics*



Georgian Textile Industry Revival

The following article is reproduced from the October 2011 issue of "Invest in Georgia," a newsletter of the Georgian National Investment Agency. It features an interview with Ketii Bochorishvili, Director, Georgian National Investment Agency.



Business Round Table Meeting with the participation of leading Turkish apparel manufacturers.

Q. Georgian National Investment Agency is actively involved in the development of the Apparel industry. Why have you decided to work in this direction?

A. One of decisive factors for picking up apparel sector development is that this is a labor intensive industry and companies involved are in need of young labor force. An average size would require a production with between 200 and 300 employees. Having in mind this factor we saw that Georgia more than satisfies this request across the entire country, and in particular in certain regions where the unemployment rate is higher.

According to 2010 data the active population of Georgia was estimated to be around 2 million out of 4.4 million people with 16.3% unemployment rate. In addition, in Georgia, 27.5% of the unemployed population (86,625 people) is aged between 20 –34, therefore there is high percentage of young labor availability especially in the Guria region which is also strategically positioned to serve the local market as well as the nearby Turkish market. Besides the availability of the skilled and competitive labor force the country has long traditions in Apparel industry dating back to soviet times. During those times, textile and apparel manufacturing was far developed compared to other Soviet Republics.

Q. What is the current situation on the Georgian Apparel market? Which famous brands do place orders for local apparel manufacturers?

A. Nowadays there are more than 200 apparel

manufacturing companies in Georgia, about 95% of which are micro-enterprises. Five of these are Turkish investments based in Adjara and one is a significant Georgian investment in Kutaisi. The rest of companies are mainly located in Tbilisi. Combined, these Georgian Textile Industry Revival Interview with KETI BOCHORISHVILI Director, Georgian National Investment Agency firms employ approximately 5,000 workers, 85% of whom are women. Annual apparel and textile production has boosted since 2004, from about GEL 8 million in 2004 to around GEL 40 million in 2010.

The success of Georgian apparel manufacturers is proved by the fact that many of the local companies have orders from renowned brands as Mexx, Zara, Marks & Spencer, Puma, Lotto, Lebek, Hawes & Curtis, Per una etc. The range of the clothes produced in Georgia is wide and includes: T-shirts, sportswear, shirts, blouses, blue jeans, coats, trousers, jackets, sweaters and uniforms for the Georgian police, Ministry of Defense, Ministry of Finance, Ministry of Environment, and many other government organizations. In addition to the Government tenders, Georgian apparel companies supply uniforms to the private sector via custom orders. The main buyers are hotels, restaurants, banks, fuel stations, and other companies.

Q. There are significant Turkish investments in Ajara region, why is Turkey so interested in Georgia and do Turkish apparel companies consider opening new factories in our country?

A. Although Turkey is a world leader in the textile

and apparel industry it still looks for the new investment opportunities and considers Georgia as a potential location for expansion of the production and opening new plants. Looking at Ajara region you will see that all five large apparel producers are Turkish investments. Turkish firms, in this context, view Georgia not only as a low-cost producer, but also as an export base that can provide it with access to consumer markets such as CIS, the US, and the EU. About 95% of Georgian apparel manufacturers' production is exported to their parent companies in Turkey, and then from Turkey to the EU markets. As already mentioned the end buyers are Marks & Spencer, Puma, Zara, Lotto, and others.

I would point out that quite recently at the invitation of the Georgian National Investment Agency (GNIA) and the USAID funded Economic Prosperity Initiative (EPI) program, the CEOs of several leading Turkish companies in the apparel industry visited Georgia from October 13-16. The visit was led by Mr. Cem Negrin, the chairman of the Turkish Clothing Manufacturers Association (TGSD). For us cooperation with TGSD is crucial as it has approximately 400 members, all of which are leaders in the Turkish apparel industry and even if part of the companies are interested in starting business in Georgia it will create hundreds of additional jobs in our regions combined with inflow of new technologies and opening of factories. In frames of the business trip of Turkish apparel manufacturers some site visits were conducted to the regions of Georgia. Turkish delegation members visited the BTM Textile factory in the city of Batumi and were also given an opportunity to explore potential investment locations in the Guria region of Georgia.

Q. Could you name few of Turkish companies visiting Georgia and if they already have some operations in our country? Except for Turkey which are the other countries targeted by Georgian apparel manufacturers?

A. The renowned Turkish companies visiting Georgia included Koton, Seleksiyon Tekstil, Negreti Tekstil, Ogretmen Corap (PENTI), and Istanbul. These are the companies who manufacture clothing for such well-known brands like CAVALLI, SCERVINO, Zara, Mango, GAP, H & M. The production of the above-listed manufacturers exceeds over a million units of clothing per month. Koton for instance already has two brand shops in Tbilisi and manufactures some part of its production at Georgian apparel company "ELSELEMA".

I should also note that this year the representatives of also renowned apparel company Kardem paid several visits to Georgia and placed orders for several local apparel manufacturers. In a view of diversified markets Georgian apparel sector mostly serves UK, German and Ukrainian markets.

Q. What is the role of GNIA in the further advancement of Apparel sector?

A. The GNIA actively works on exploring and promoting the development potential of the apparel industry in Georgia.

Concrete investment projects are on offer to investors in line with sector specific studies. The Georgian companies are assisted in terms of establishing new business contacts and advancing export opportunities. Georgian National Investment Agency assists local apparel manufacturers to increase the production efficiency and volume. Moreover in nearest future GNIA is launchin www.apparel.ge web portal with all relevant information needed for apparel manufacturers and establishing business contacts.

Q. Could you briefly summarize those main factors why Georgia has a favourable business climate for apparel manufacturers?

A. The competitive advantages that Georgia offers to investors are rather attractive. Just to name a few the country offers skilled workforce and highly competitive labor costs. What is very important in terms of production is that there are low energy costs and good transportation links to CIS countries, Europe and Asia.

Existence of Free Trade Agreement with Turkey and CIS countries (Inc. Russia) is another factor attracting many foreign companies in line with favorable taxes especially at Free Industrial Zone. Moreover developed infrastructure plays a certain role when foreign companies visit Georgia and consider business expansion opportunities here.

In the end I would like to point out that Government of Georgia is considering to offer interested apparel manufacturers some incentives. Government of Georgia will provide a land in the various areas throughout the whole Georgia, mostly in the Guria region (western Georgia). The sole condition of the Accessible Land incentive will be the purpose of developing the textile business only on the proposed land for the next 7 years. Above that GoG will ensure full access to the nearest infrastructure network, including roads, electricity, water supply and natural gas. Water wells will be available on some land plots which is expected to decrease the project operational costs by decreasing the cost of the water by 10%. GoG will reimburse onside labor training costs on the lump sum bases at the end of the first year.



Leading Turkish apparel manufacturers attending Georgia Fashion Week.

ABOUT CACCI

The Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) is a regional grouping of apex national chambers of commerce and industry, business associations and business enterprises in Asia and the Western Pacific.



Conferences and various training programs which CACCI regularly conducts either on its own or in cooperation with other international organizations and member chambers.

It is a non-governmental organization serving as a forum for promoting the vital role of businessmen in the region, increasing regional business interaction, and enhancing regional economic growth. Since its establishment in 1966, CACCI has grown into a network of national chambers of commerce with a total now of 29 Primary Members from 27 Asian countries. It cuts across national boundaries to link businessmen and promote economic growth throughout the Asia-Pacific region. CACCI is a non-governmental organization (NGO) granted consultative status, Roster category, under the United Nations. It is a member of the Conference on NGOs (CoNGO), an association of NGOs with UN consultative status.

Among the benefits of membership in CACCI are the following:

1. Policy Advocacy - CACCI aims to play a strong policy advocacy role in order to establish a business environment conducive to creating better opportunities for CACCI members.

2. Wide scope for networking - Participation in the various projects of CACCI will provide members the opportunity to expand their reach in Asia-Pacific by establishing contacts with the business communities of the region.

3. Participation in CACCI Annual Conferences and Training Programs - Members are invited to participate in the annual

4. Interaction in Product and Service Councils - Membership in CACCI allows participation in the activities of the various Product and Service Councils (PSCs) of the organization. PSCs are business groupings organized along product or service lines with a primary objective of promoting business cooperation, personal contacts, and technology transfer.

5. Access to CACCI publications – CACCI publishes the CACCI Profile, its monthly newsletter, and the CACCI Journal of Commerce and Industry, a bi-annual publication which features papers, speeches, and other articles pertaining to issues affecting the regional economy.

For more information, please visit www.cacci.org.tw



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Dr. Webster Kiang - Director-General
Amador R. Honrado, Jr. – Editor; Wendy Yang / Mark Ko – Contributing Editors; Julia Hsu – Assistant Editor
14/F, No. 11, Songgao Road, Taipei 11073, Taiwan
Tel: (886 2) 2725-5663/4; Fax: (886 2) 2725-5665; Email: cacci@cacci.org.tw
Website: www.cacci.org.tw*

