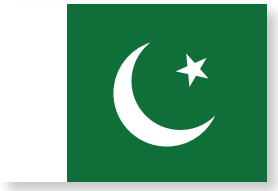
Stitches to Riches?

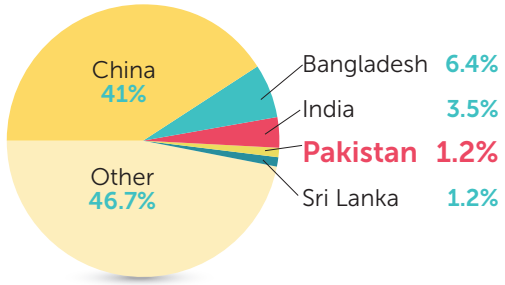
Pakistan



Current Status

Market share:

Pakistan ranks fourth in terms of apparel export value ($4.2 billion) with the same global market share as Sri Lanka (see chart), although apparel's share of total country exports is lower at 19 percent.



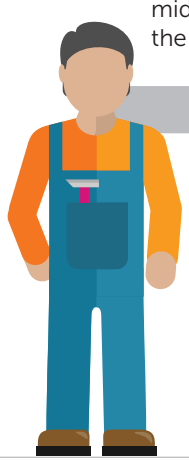
Foreign direct investment (FDI) has not played an important role in the apparel sector, with the share of foreign-owned firms estimated to be less than 2 percent, and only slightly higher in the textile sector. Pakistan is considered a "growth supplier" (like Bangladesh) – rather than a "stable supplier" (like India and Sri Lanka) – in that it has increased export value and global market share since the early 1990s.

Product diversity:

Pakistan specializes in basic woven cotton apparel, including:

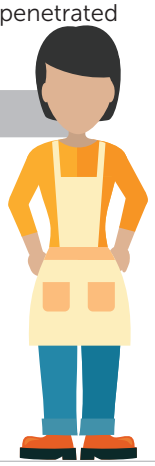
- woven denim and chino trousers
- low-priced knitwear (such as polo shirts and t-shirts)
- fleece sweatshirts

Firms mostly specialize in high volume and low- to mid-range unit value products and have not penetrated the high-end apparel market.



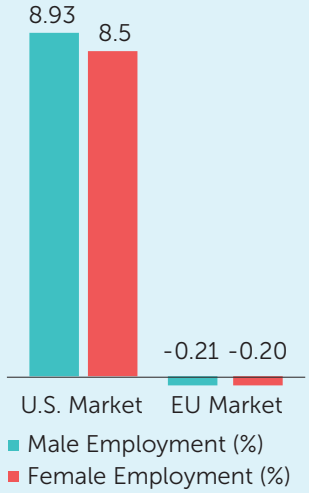
Working conditions:

Wages and working conditions are better in the formal industry than in the large cottage sector, but short term or temporary contracts are widely used, particularly for women. The September 2012 factory fire in Karachi recently highlighted poor safety standards in the country.



Job Potential

Link Between More Exports and Employment Demand (elasticity of jobs to prices)

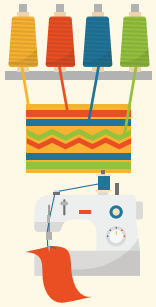


How would Pakistan fare if Chinese prices/wages rose by 10 percent under current policies? For the U.S. market, apparel employment would *rise* (thanks to higher labor demand and the anticipated increase in apparel exports), but for the EU market, apparel employment would *drop* (see chart).

How would this affect women's participation in the labor force? As firms demand more labor, apparel wages are likely to increase.

A 1 percent increase in expected wages would raise the probability of women entering the labor force by 16.3 percent.

Top Policy Areas



Factors buyers care about (cost and non-cost): Production costs and quality have always been important and have become even more so given the stepped-up competition after the end of the Multifibre Arrangement (MFA) and the global economic crisis. *Stitches to Riches?* highlights the following findings: Pakistan offers low prices in most product categories, but it lags behind competitors in reliability and political stability.

Pakistan could benefit from the following policies:

- **Increase product diversity** by reducing barriers on imports so as to ease access to manmade fibers (such as duty and tax remission for exports, and export processing zones).
- **Attract FDI by adopting policies** to reduce red tape and increase transparency to close the gap with South Asian countries whose textile and apparel industries are located primarily on the coast.
- **Diversify markets** by taking advantage of access to emerging markets.
- **Shorten lead times** by improving road infrastructure to facilitate access to ports for exporting firms and by clustering strategies to provide key infrastructure and common facilities.
- **Enhance perceptions of stability** as many buyers will not travel to Pakistan, which makes sourcing complicated.

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