



ISSUES OF TEXTILE EXPORTERS IN THE CONTEXT OF PAK-INDIA TRADE

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Abstract

This research investigates the issues of Textile exporters in the context of PAK-India trade relation. Data were collected from 100 exporters by using simple random technique. Data were analyzed by using SPSS-20 version, A structural questionnaire was developed for the reliability and validity of the data. It was revealed that that respondents regard governmental regulations, customs procedure and licensing, technical standards and health regulations, sanitary and phytosanitary measures and certification as the major barriers to export. The anti-dumping and tariff barrier are not the major barriers but tends to be the major ones. The tariff barrier may be low due to several rounds of GATT and WTO. It was further revealed that the respondents regard the market access problems and labeling and packaging as the major barriers to export. Although not the major barriers but cultural one, the currency exchange rate and informational barrier tend to be the major barriers to export. The Legal and Political barriers, Languages and Customs, demand of the product, working structure / schedule of the targeting country, business environment are not regarded as barriers to export.

Key Words-ISSUES, PAK-INDIA, TRADE.

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1. Introduction:

Textile industry of Pakistan is broadly divided into many sectors that are Ginning, Spinning, Weaving, Knitting, Towel, Dying, Printing, Processing, Hosiery, Made-ups and Garments. As the first objective is concerned with understanding the current status of textile industry; in this connection a survey of the entire textile industry will be conducted. A total of 48 companies were selected for conducting the research in Hyderabad, Kotri, Karachi, Faisalabad and Lahore region including the key integrated textile units to ensure full representation of all sectors. Further the above sectors of textile industry were lumped together into four major sectors as Spinning, Weaving (including Knitting, Dying & Printing (including Processing and Bleaching), and Garments (including Made-ups, towel, Hosiery and other manufactured items) for compiling the qualitative information.. Therefore the starting 14 years from 1980 to 1994 are considered as the time period with quotas, whereas the last 14 years from 1995 to 2009 are considered as the quota free era. In the third objective developing countries like China, India, Srilanka and Bangladesh are taken into account to analyze the effects of WTO on them. Here the information collected through the above mentioned secondary sources regarding the benefits of becoming the member of WTO and the problems associated with its implementation are highlighted.

The Textile Industry of Pakistan

One of the major economic indicators for the development of Pakistan economy is textile Industry. Textile Industry is an important source of the overall and major export of the country. In fact, Pakistan is ranked in top most leading cotton producing countries of the world. Statistically, till 1997 Pakistan was named as world's largest exporter of yarn. In 1999, it was ranked on the second position in the largest exporter of textile made-ups list. In textile made-ups sources, the second largest sources were the bed wear and linens sub sectors. These both shared about 28 per cent share of total textile made-ups in 1999 (SMEDA, 2002). In addition, Pakistan became second largest exporter of bed wear and linen globally during that period.

Further statistics shows that during the period of 1999-00 Pakistan had about 443 textile units, 8,477,000 spindles, 149,780 rotors and 9944 looms. Then a satisfactorily increase was found in all these elements from 2000-06 as the textile units increased to 461, spindles to 10,437,000, rotors to 155,104 and looms to 8747. Furthermore, in 2006-07 there were 567 units, 1198000 spindles, 11,809,000 rotors and 9000 looms (Mirza R. B., 2009). The table 2.1 below describes the contribution of textile industry in Pakistan's economy.

Anderson and van Wincoop (2004); and Feenstra, Markusen, and Rose (2001). considered do not modify the basic relation between countries' masses and their trade flows.¹² Given the relative small size of South Asian countries in the world markets such an assumption appears not to be problematic for the scenarios considered here. In summary, the general equilibrium approach offers the possibility of answering a richer set of questions but demands data not readily accessible for some of the countries we are interested in.¹³ Although the evaluation of the benefits and limitations of each methodology is beyond the scope of this paper it can be argued that they are complementary rather than substitutes. This paper uses a gravity equation approach and builds on Srinivasan (1994). In particular, it allows the response to trade barriers to differ by source of the goods; treats independently imports and exports of each country pair; and includes all seven members of SAFTA in the analysis. As Bandara and Yu (2003) and Gilbert, Scollay, and Bora (2001) show, welfare and trade volume do not necessarily follow a monotonic relationship and interpreting gravity equation results as describing desirability or welfare can be misleading.¹⁵ Nevertheless, by providing three different criteria—trade flows, trade balance and customs revenue—the paper provides information on the relative merits of alternative arrangements.

Pak-India Trade Model

Aggregated Regions

GTAP Region

1. Pakistan (PK) Pakistan
2. India (IND) India
3. Rest of South Asia

Sri Lanka
Bangladesh
Bhutan
Maldives
Nepal

4. Rest of the World (ROW)

all other Countries

SHAIKH (2013)



Pak-India Trade Project

Table-1.Comparative Real GDP-Growth Rate (%)

Region/Country	2009	2010	2011	2012	2013	2014 (P)
World GDP	-0.6	5.2	4.0	3.2	3.3	4.0
Euro Area	-4.4	2.0	1.4	-0.6	-0.3	1.1
United States	-3.1	2.4	1.8	2.2	1.9	3.0
Japan	-5.5	4.7	-0.6	2.0	1.6	1.4
Germany	-5.1	4.0	3.1	0.9	0.6	1.5
Canada	-2.8	3.2	2.6	1.8	1.5	2.4
Developing Countries	6.9	9.9	8.1	6.6	7.1	7.3
China	9.2	10.4	9.3	7.8	8.0	8.2
Hong Kong SAR	-2.5	6.8	4.9	1.4	3.0	4.4
Korea	0.3	6.3	3.6	2.0	2.8	3.9
Singapore	-0.8	14.8	5.2	1.3	2.0	5.1
Vietnam	5.3	6.8	5.9	5.0	5.2	5.2
ASEAN						
Indonesia	4.6	6.2	6.5	6.2	6.3	6.4
Malaysia	-1.5	7.2	5.1	5.6	5.1	5.2
Thailand	-2.3	7.8	0.1	6.4	5.9	4.2
Philippines	1.1	7.6	3.9	6.6	6.0	5.5
South Asia						
India	5.0	11.2	7.7	4.0	5.7	6.2
Bangladesh	5.9	6.4	6.5	6.1	6.0	6.4
Sri Lanka	3.5	8.0	8.2	6.4	6.3	6.7
Pakistan	0.4	2.6	3.7	4.4	3.6	4.4

Source: Economic Survey of Pakistan-2012-13

Table-2-Growth rate Percentage

Sectors/Sub-Sectors	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-2013(P)
1. Agriculture	3.4	1.8	3.5	0.2	2.0	3.5	3.3
Crops	4.4	-1.0	5.2	-4.2	1.0	2.9	3.2
Important Crops	6.5	-4.1	8.4	-3.7	1.5	7.4	2.3
Other Crops	2.1	6.0	0.5	-7.2	2.3	-7.7	6.7
Cotton Ginning	-0.8	-7.0	1.3	7.3	-8.5	13.8	-2.9
-Livestock	2.8	3.6	2.2	3.8	3.4	3.9	3.7
-Forestry	2.7	8.9	2.6	-0.1	4.8	1.7	0.1
-Fishing	0.4	8.5	2.6	1.4	-15.2	3.8	0.7
Industrial Sector	7.7	8.5	-5.2	3.4	4.7	2.7	3.5
2. Mining & Quarrying	7.3	3.2	-2.5	2.8	-4.4	4.6	7.6
3. Manufacturing	9.0	6.1	-4.2	1.4	2.5	2.1	3.5
-Large Scale	9.6	6.1	-6	0.4	1.7	1.2	2.8
-Small Scale	8.3	8.3	8.6	8.5	8.5	8.4	8.2
-Slaughtering	3.2	3.3	3.8	3.2	3.7	3.6	3.5
Electricity Generation & Distribution & Gas Distribution	-12.8	37.2	-12.1	16.7	66.4	42.7	-3.2
4. Construction	12.9	15.4	-9.9	8.3	-8.6	3.2	5.2
Commodity Producing Sector	5.5	5.1	-0.9	1.8	3.3	3.1	3.4
Services Sector	5.6	4.9	1.3	3.2	3.9	5.3	3.7
7. Wholesale & Retail Trade	5.8	5.7	-3.0	1.8	2.1	1.7	2.5
6.Transport, Storage and	6.9	5.5	5.0	3.0	2.4	8.9	3.4
8. Finance & Insurance	9.1	6.3	-9.6	-3.3	-4.2	1.0	6.6
Housing Services (Ownership of)	4.0	4.0	4.0	4.0	4.0	4.0	4.0
General Government Services	2.7	0.2	5.6	8.0	14.1	11.1	15.6
Other Private Services	4.6	5.4	6.5	5.8	6.6	6.3	4.0
GDP (fc)	5.5	5.0	0.4	2.6	3.7	4.4	3.6



6.1. Exporters' perception of barriers during export / Nature of problem faced by Pakistani exporters during export to the INDIA

Research Methodology

Data were collected from 100 exporters by using simple random technique. Data were analyzed by using SPSS-20 version, A structural questionnaire was developed for the reliability and validity of the data

One-sample t-test

Table 2. One-sample t-test

Barrier	N	Mean	Std. deviatio	t-value	Sig. (2-tailed)	Sig. at .05
Tariff barrier	100	3.0667	1.19131	7.196	.000	Yes
governmental regulations	100	3.4667	1.25505	9.299	.000	Yes
Price of the commodity	100	2.5833	1.12433	4.294	.000	Yes
Market access problem	100	3.5000	1.44386	8.262	.000	Yes
informational barrier	100	3.0667	1.26044	6.801	.000	Yes
legal and Political barriers	100	2.4000	1.06086	3.213	.002	Yes
Custom procedure and licensing.	100	3.5000	1.30838	9.117	.000	Yes
Technical standards and health	100	4.1000	1.18893	13.942	.000	Yes
anti-dumping	100	3.1000	1.50367	5.873	.000	Yes
languages and customs	100	3.0167	.96536	8.479	.000	Yes
Culture	100	2.8500	1.32544	5.201	.000	Yes
labeling and packaging requirement	100	4.0333	1.05713	15.192	.000	Yes
Sanitary and phytosanitary (SPS)	100	3.9500	1.06445	14.481	.000	Yes
import quotas of destination country	100	2.4333	1.14042	3.215	.002	Yes
Demand of the product	100	2.7000	1.19745	4.787	.000	Yes
Competition from firms in foreign	100	2.5833	1.23908	3.897	.000	Yes
Lack of capital to finance expansion into foreign markets	100	2.9667	1.22082	6.387	.000	Yes
business environment of the targeting	100	2.6000	1.06086	4.673	.000	Yes
industrial property rights and	100	2.7333	1.27381	4.703	.000	Yes
Corruption	100	2.6167	1.27680	3.984	.000	Yes
Currency exchange rate	100	3.2667	1.19131	8.496	.000	Yes
Climatic conditions of destination	100	2.0500	1.01556	.686	.495	No
Transportation cost and duration	100	2.7833	1.23634	5.158	.000	Yes
Certification	100	3.3167	1.26881	8.282	.000	Yes
Working structure / schedule of the targeting country	100	1.6667	.83700	-2.715	.009	Yes

Table-7.1 shows that Pakistani exporters have significant feelings for all the barriers except the climatic conditions of the destination country, which are regarded by them as a Internal factor.

6.2 Percentage analysis

Percentage analysis has been done to check the strength of each significant barrier. These barriers are divided into two parts – common barriers to export and hidden barriers. Common barriers are those that exist due to governmental regulations and policies and which global organizations such as WTO find a solution, and they can solve through the agreements. Hidden barriers are those that exist naturally, and government bodies cannot really make solutions on them, but these hidden barriers can affect export negatively.

Common barrier

Table 3. Percentage analysis of Pakistani exporters' perception of common barriers

No.	Common barriers	No t	No barrier (2)	Not seen as barrier (3)	barrier (4)	Very serious barrier (5)
1.	Tariff	5%	37%	20%	23%	15%
2.	Governmental regulations	10%	15%	13%	42%	20%
3.	Customs procedure and licensing	7%	22%	17%	25%	30%
4.	Anti-dumping	17%	25%	12%	20%	27%
5.	Technical standards and health	5%	10%	8%	30%	47%
6.	Sanitary and phytosanitary measures	2%	13%	8%	42%	35%
7.	import quota of destination	23%	33%	25%	13%	5%
8.	industrial property rights and copyrights	20%	27%	23%	20%	10%
9.	Certification	10%	20%	17%	35%	18%
10.	Price of the commodity	20%	27%	33%	15%	5%

Not an issue at all (1)
No barrier (2)
barrier (3)

barrier (4)

Very serious barrier (5)

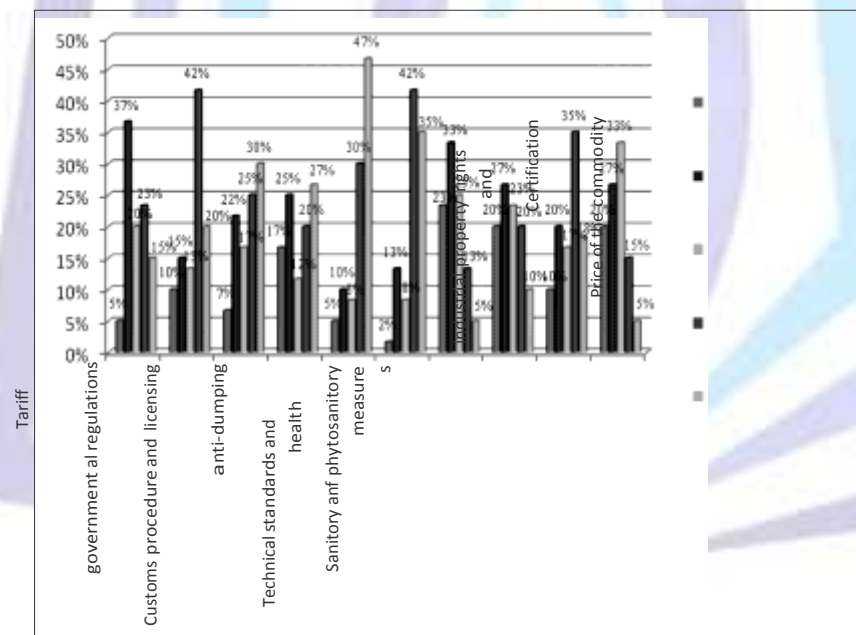


Fig. 2. Percentage analysis of Pakistani exporters' perception of common barriers



Table 3 and Fig. 2 show that respondents regard governmental regulations, customs procedure and licensing, technical standards and health regulations, sanitary and phytosanitary measures and certification as the major barriers to export. The anti-dumping and tariff barrier are not the major barriers but tends to be the major ones. The tariff barrier may be low due to several rounds of GATT and WTO. The import quota of the destination country and the Price of the commodity are not regarded as barriers, either.

Hidden barriers

Table 4. Percentage analysis of Pakistani exporters' perception of hidden barriers

No	Hidden barriers	Not an issue at all (1)	No barrier (2)	Not seen as a barrier (3)	barrier (4)	Very serious barrier (5)
1.	Market access problem	13%	17%	10%	27%	28%
2.	informational barrier	13%	23%	18%	33%	17%
3.	legal and political barriers	25%	27%	33%	13%	2%
4.	languages and customs	5%	23%	43%	22%	7%
5.	Culture	17%	32%	15%	23%	13%
6.	Demand of the product	20%	22%	35%	15%	8%
7.	Competition from the firms in the foreign market	25%	23%	27%	18%	7%
8.	Lack of capital to finance expansion into foreign	15%	18%	33%	22%	12%
9.	business environment of the targeting country	18%	25%	38%	15%	3%
10.	Corruption	23%	30%	15%	25%	7%
11.	Currency exchange rate	8%	20%	23%	33%	15%
13.	Transportation cost and	17%	30%	20%	25%	8%
14.	Working structure / schedule of the targeting	55%	25%	18%	2%	0%
15.	labeling and packaging	3%	7%	13%	37%	40%

Table 4 and Fig. 3 show that the respondents regard the market access problems and labeling and packaging as the major barriers to export. Although not the major barriers but cultural one, the currency exchange rate and informational barrier tend to be the major barriers to export. The Legal and Political barriers, Languages and Customs, demand of the product, working structure / schedule of the targeting country, business environment are not regarded as barriers to export.

When exporters were asked about the other barriers they face than the above- mentioned common and hidden barriers, most of the respondents said that coordination is another barrier they face mostly during export.

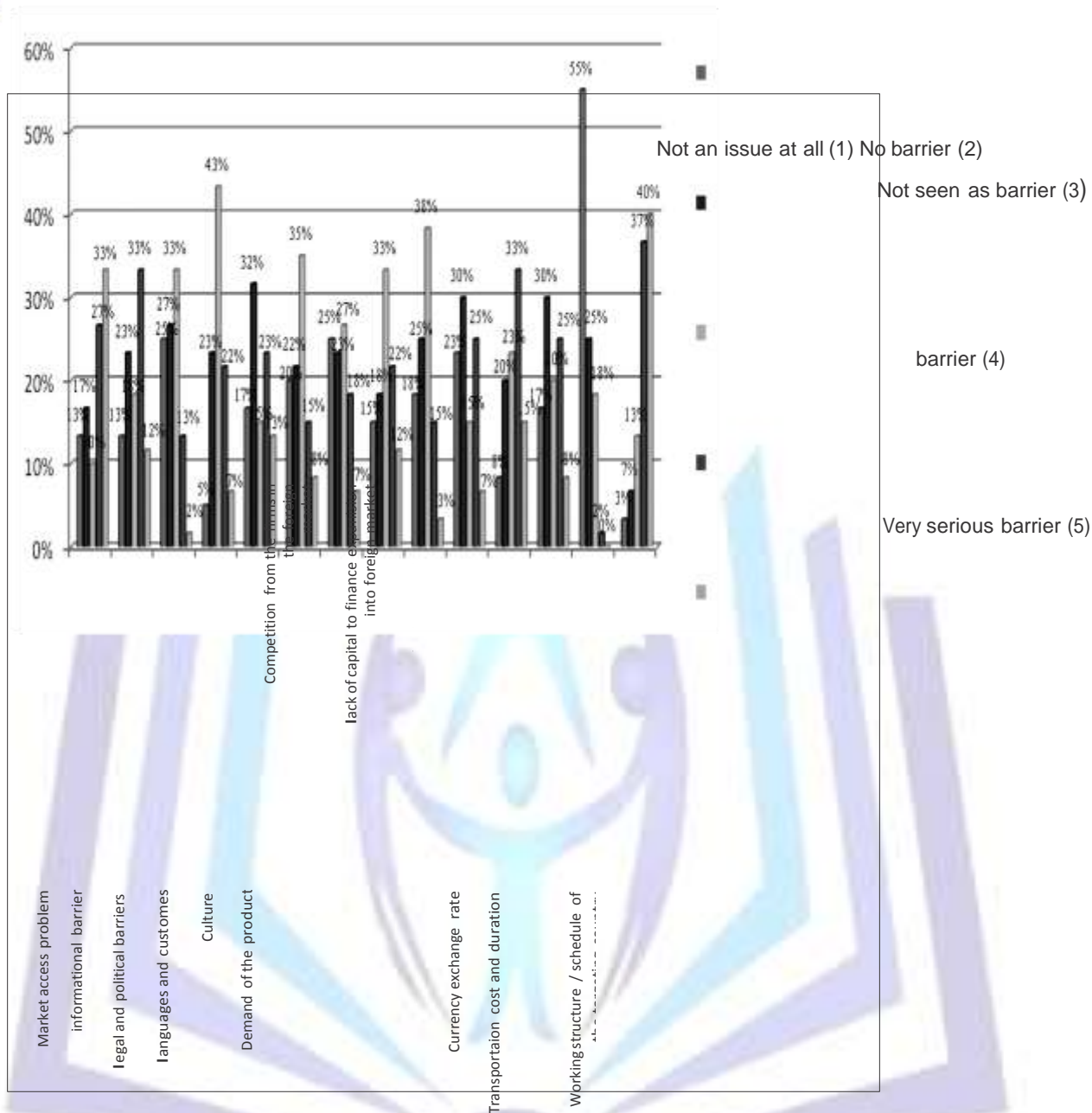


Fig 3. Percentage analysis of Pakistani exporters' perception of hidden barriers
2. Exporters' attitude after decreasing the strength of barriers

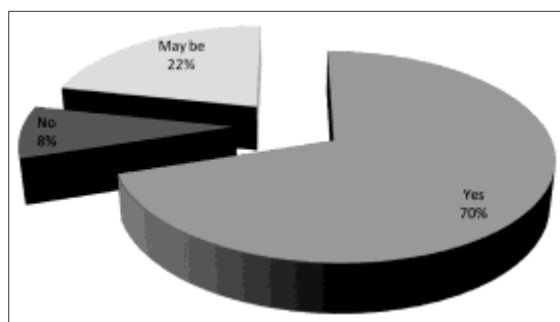


Fig. 4. Exporters' opinion on export after decreasing the strength of barriers



Exporters have been asked if they are ready to export more to the INDIA after these barriers will be less, and 70% of the exporters said yes, 22% said maybe, and 8% said no. Thus, exporters are positive regarding export to the INDIA. India's export to the INDIA can be increased if these barriers get less or are removed.

Conclusions

This research focused on the issues and prospectus of Pak_India trade relations. According to results respondents regard governmental regulations, customs procedure and licensing, technical standards and health regulations, sanitary and phytosanitary measures and certification as the major barriers to export. The anti-dumping and tariff barrier are not the major barriers but tends to be the major ones. The tariff barrier may be low due to several rounds of GATT and WTO. It was further revealed that the respondents regard the market access problems and labeling and packaging as the major barriers to export. Although not the major barriers but cultural one, the currency exchange rate and informational barrier tend to be the major barriers to export

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