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CG-MTL/Reports/2017
8th May, 2017

Subject: **<u>Canada Textiles: Industry, Market and Resources – Market Intelligence Report</u>**

Please find enclosed Market Intelligence Report on the textile industry and market of Canada titled 'Canada Textiles: Industry, Market and Resources' for information and further necessary action.

M. A. 8.5.17

(Muhammad Aamer)
Consul General

Mr. Aamir Nazir Gondal,
Joint Secretary (FT-III),
Ministry of Commerce,
Islamabad.

Copy to:

1. Mr. Tariq Azim Khan, High Commissioner, High Commission for Pakistan, Ottawa.
2. The Chief Executive, TDAP, Karachi.
3. Mr. Shuja Alam, DG (Americas), Ministry of Foreign Affairs, Islamabad.

CANADA TEXTILES:
INDUSTRY, MARKET AND RESOURCES

Consulate General of Pakistan, Montreal

May 2017

PREFACE

This report aims to provide the reader with a brief overview of the textile industry of Canada, including its manufacturing industry, outsourcing and retail market. It also provides insight into the trade relations of Pakistan's main textile competitors in Canada like China, Bangladesh, and India and their home policies to increase their exports world over.

2. The last section is a resource base for the exporters to inform them about the Regulation and Standards applicable in Canada for doing textile business. It also points towards the areas from where they can get information about textile importers and get into contact with them.

EXECUTIVE SUMMARY

The Canadian Textile Industry, established in the 19th century, is mainly located in Quebec and Ontario and performs all functions from yarn spinning to finishing and coating of fabrics. The number of establishments has decreased appreciably to less than 1000 now, giving way to outsourcing. However, technical textiles are still being manufactured in Canada.

2. Around $200 billion were outsourced from developing countries by the West to reduce cost of textiles. China, Bangladesh, Vietnam, Cambodia, Pakistan are the main beneficiaries of outsourcing. Rising labour costs in China has offered comparative advantage to Pakistan whose exports to Canada are almost stable despite a slow down of the textile imports on 2016. Generally, import duties of 17-18% are levied on Pakistani textiles in Canada.

3. Bangladesh has been confirmed as a priority country for five-year trade facilitation program by Canada besides getting duty-free facility until December 2023. Similarly, Cambodia is also getting the same treatment being an LDC from Canada, US, EU and Japan.

4. Canada's textile retail market is expansive. Mark's has the largest number of stores (380), whereas Wal-Mart is the leading apparel retailer in Canada. E-Commerce is on the rise and around 42% clothing is sold online.

5. There are a number of textile Regulations and Standards for importing into Canada. Most of the textile exporters to Canada need to have some certification to meet higher environmental, social compliance, health and safety standards like ISO, WRAP etc.

6. China has made substantial progress in its 12th Five-Year Plan by creating distinctive textile industry clusters. India in its Union Budget 2017-2018 has planned to invest in labour, industry etc. Bangladesh is also increasing its power generation to overcome power outages, has offered Tax Holiday and almost doubled the minimum monthly wage for workers in the garment industry.

7. There are a lot of resources for the exporters which could be used to find Canadian importers, verifying their history, doing credit checks etc. Besides Canadian Textile Associations, there are a couple of textile trade shows that are held every year in Canada to get directly in contact with the importers.

ACRONYMS

CAGR	Compound Annual Growth Rate
CGSB	Canadian General Standards Board
EMS	Environmental Management System
EXCOL	Export Controls On-Line
GPT	General Preferential Tariff
GSP	Generalized System of Preferences
HS	Harmonized System
ICL	Import Control List
ILO	International Labour Organization
ISO	International Organization for Standardization
MAI	Market Access Initiative
MFN	Most Favoured Nation
NSC	National Standards of Canada
PCA	Post-Certification Audit
SCC	Standards Council of Canada
SITP	Scheme for Integrated Textile Parks
US	United States
WRAP	Worldwide Responsible Accredited Production
WTO	World Trade Organization

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CHAPTER 1

CANADIAN TEXTILE INDUSTRY

Established over 150 years ago, in small, urban communities that offered a stable labour supply and rivers ideally suited for water-generated power and dyeing/finishing processes, the Canadian textile industry started with the manufacture of yarns and fabrics from natural fibres. Currently, the industry is located mainly in Quebec and Ontario, is heavily capital-intensive, uses natural, artificial and manmade fibres and filaments, and supplies a wide range of value-added products to over 150 consumer, household and industrial customers in Canada and worldwide.[1]

1.1 Profile of the textile industry

The textile industry is one of the oldest industry sectors in Canada, and the most widespread industry in the world. Textiles can be found in a wide range of forms—in the clothing industry, naturally, but also in sectors such as transportation, health (medical), agriculture, civil engineering, packaging, protection (individual, environmental), and building.

Textile companies perform three main types of activity, namely:

Yarn spinning

- Spinning of staple fibres into industrial and commercial yarns
- Texturing or throwing of chemical-based filament yarns (artificial and synthetic)
- Manufacturing of thread for crafts, embroidery, sewing and more

Fabric manufacturing

- Woven fabric
- Nonwoven fabric
- Knit fabric

Finishing or dressing, and coating of fabrics and textiles

- Textile ennobling
- Coating of fabrics (laminating, coating, bonding, etc.).

Companies are part of a textile network structured on four levels. The sector's upstream activities include producers of natural and synthetic fibres, associated with the chemical, agricultural, livestock production and mineral industries. Downstream,

[1] ic.gc.ca

the industry is linked with companies associated with clothing, upholstered furniture, household items, floor coverings and industrial applications (both simple and complex). Finally, the industry is indirectly connected to wholesalers, retailers and consumers.[2]

The textile manufacturing industry in Canada comprises of establishments primarily engaged in manufacturing goods and products for traditional and non-traditional textile markets. Traditional textile markets are destined to apparel and accessories; households; furnishings; and floor coverings. Non-traditional markets are defined as technical textiles and "other valued-added textiles". Examples of markets for technical textiles are: filtration; transportation; medical; packaging; protection; reinforcement; sporting goods; agriculture; construction; civil engineering; and environmental industries. The "other value-added textiles" concept refers to traditional textile products to which advanced technological characteristics have been added. Examples are: advanced sports and leisure apparel; antimicrobial textiles; special protective textiles; easy-care textiles; intelligent textiles; and ultra-comfortable textiles.

The apparel manufacturing industry exhibited negative growth in GDP and shipments between 2011 and 2015, even though domestic demand for apparel goods has increased. Shipments decreased at an average annual rate of 4.0% or by $427 million since 2011. GDP decreased at an annual average rate of 4.8% or by $238 million since 2011. The total value of apparel made in Canada continues to decrease while apparel imports continue to increase. Since 2011, apparel imports have increased by $3.4 billion or 8.3% annually (average) to total $12.5 billion in 2016.

The textile manufacturing industry exhibited limited growth in output between 2011 and 2016. GDP expanded at an average annual rate of 0.6% between 2011 and 2016, increasing by approximately $30 million over the entire six-year period. Shipments grew at a similar rate, increasing by an average annual rate of 0.6%. In 2015, total shipments amounted to approximately $3.9 billion. The apparent domestic market for textile goods and products increased by $1.4 billion between 2011 and 2015; however, the domestic market share for Canadian manufacturers contracted by approximately 6% periods during this period. Total imports and exports both expanded at a steady pace increasing by 7.0% and 2.4% respectively. High growth of imports has resulted in a growing trade deficit, which stood at $4.3 billion in 2015. Moderate growth in the industry has been accompanied by a contraction in both employment and establishments. Between 2011 and 2014, the total number of establishments contracted by approximately 16% or 191 establishments, and total employment for the industry declined by an average annual rate of 1.9%. In 2015, approximately 17,600 individuals were employed in

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[2] Technology Roadmap for the Canadian Industry

the textile manufacturing sector and the industry consisted of approximately 1,035 establishments in 2014.[3]

Canadian manufacturing of commodity textiles, such as for household items like bed linens, towels, and curtain, and textiles used in the manufacture of apparel, has largely moved to lower labour cost countries, however the business case to manufacture these items still exists in cases of niche demand (e.g., high quality, a particular performance characteristic, quick response to customer aesthetic preferences, rapid inventory replenishment, and if they are heavy or inefficient to transport as is the case in carpets and pillows). Textiles have many uses though in addition to those commonly thought of, such as woven carbon fiber used in composite structures, non-porous coated geosynthetic fabrics used to line tailing ponds, para-aramid fabrics (e.g. Kevlar) in bullet-proof vests, washable and antibacterial mattress and pillow covers in health care facilities, webbings for seatbelts or slings, and fiberglass used to make a range of molded products including boat hulls, bathroom tubs, spas, and automobile parts. Canada`s textile companies manufacture for a wide variety of technical and niche applications and are integral to the supply chains of the many major industries in Canada.

In Canada, technical textile is evolving in a business environment supported by academic research and strong industrial knowledge which is conducive to even further growth of this sector. Advances in the global textile industry have resulted in textiles increasingly competing with other materials such as metals, wood, and plastics for applications that have traditionally been held by these other materials. Composites are a prime example of such substitution. Further, novel textiles, such as 'intelligent' textiles or those that conduct electricity, are increasingly seen in applications making it to market.

Some large firms that have off-shored their apparel production to control costs are also operating short run and replenishment facilities in Canada to respond to fast changing trends in the retail industry (fast fashion), and to produce high-end apparel. Non-manufacturing, high value-added activities such as design, R&D, branding, merchandising, marketing, logistics, and distribution are generally still located in Canada. Lack of skilled labor is a key concern for Canadian apparel manufacturers.[4]

To remain competitive on the global market, leading Canadian apparel manufacturers are adopting new technologies and automation throughout the supply chain. Digital technology adoption is increasing in the sector, which includes the development of an omnichannel or multichannel approach to sales. While still underdeveloped in Canada, Canadian apparel e-commerce sales are increasing.

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[3] https://www.ic.gc.ca/eic/site/textiles-textiles.nsf/eng/h_tx03222.html
[4] https://www.ic.gc.ca/eic/site/026.nsf/eng/h_00070.html

CHAPTER 2

IMPORTING TEXTILES

According to the newly released World Trade Statistical Review 2016 by the World Trade Organization (WTO), the current dollar value of world textiles (SITC 65) and apparel (SITC 84) exports totaled $291 billion and $445 billion respectively in 2015 (US$736 billion) , but decreased by 7.2% and 8% from a year earlier. This is the first time since the 2009 financial crisis that the value of world textiles and apparel exports grew negatively.[5]

2.1 Outsourcing Textiles

From a western perspective, it makes eminent economic sense to outsource garment manufacturing to countries with 1/20th of its minimum wage rates. The cost reduces dramatically and profits go through the roof. Last year, the West spent $200 billion on sourcing cheap garments from the developing world. The same were retailed for $1.0 trillion back home. This forms the very basis for global apparel trade.

Bangladesh earned $21 billion of revenues last year by exporting garments to the West. Pakistan earned $2.6 billion. This brought 90% of Bangladesh's foreign exchange earnings. The industry currently employs 13 million people. That's almost 10% of its population and 20% of its labour force. What's even more impressive is Bangladesh's continuous growth. In 2002, Pakistan and Bangladesh had identical export earnings from garments at $2.5 billion each. A 2011 Deloitte-Touche study predicts that Bangladesh's garment industry shall rise to $40 billion by 2018. Few doubt this number. Even industrial disasters – such as Rana Plaza's collapse in April 2013 that killed more than 1,200 workers or the fire at Tazreen shirt factory in November 2012 that killed 112 – appear but small bumps on its road to growth.[6]

Out of the $200 billion West spent on sourcing cheap garments, China holds $80 billion share while the next two contenders Turkey and Bangladesh hold $30 and $21 billion apiece while India, Vietnam, Indonesia, Philippines, Sri Lanka and Pakistan jointly account for another $50 billion. China's wage rates have crossed $1/hour and are climbing. Consequently, manufacturing garments at this wage rate is untenable.

The only countries that can pitch a matching labour capacity are India, Bangladesh and Pakistan. They have millions of uneducated, unskilled and out of

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[5] https://shenglufashion.wordpress.com/2016/07/27/wto-reports-world-textile-and-apparel-trade-in-2015/
[6] https://www.siasat.pk/forum/showthread.php?259110-Good-governanace-Last-year-Bangladesh-earned-21-billion-while-we-Pakistan-earned-2-6-billion-from-textile-exports

work labour force. Surprisingly, this industry thrives on them. With mundane tasks like pressing, folding or packing taking days to master and more skilled task like operating sewing machines a few weeks; the uneducated and unskilled workforce becomes productive quickly. Not so for the Indians, their labour laws have always had a socialist bent and have favoured unionized labour. To circumvent labour unions, Indian garment factories, keep their sizes small; making them less attractive for garment manufacturing. This leaves Bangladesh and Pakistan the only places that can absorb the giant capacity China is shedding.

Can Pakistan tap this $80 billion export boom? The security situation has kept most western visitors out of Pakistan in the past. Without their prolonged stay and intense interactions with Pakistan's factories to develop fashion products each season, there is very less hope that we would touch anything beyond a couple of billion dollars. Security remains the single most important factor for stalling our apparel industry. Tragically, on all other factors of production, Pakistan hold a clear competitive advantage over Bangladesh.

With Pakistan's improved security, declining wanton killings and kidnappings for ransom for westerners and stemming the tide of religious militancy, most Chinese spoils might slow down going to Bangladesh. However, escalating wages, industrial accidents and politics of confrontation notwithstanding; might help Bangladesh to keep growing its share of the global apparel market.

2.2 Pakistan exports to Canada

Textile is the largest export product of Pakistan to Canada with a share of 58.5%. Textile exports of Pakistan to Canada increased by 0.6% over 2015 to reach mark of US$160.6 million. Apparel, bedlinen and Hosiery are the biggest sectors and are exported in almost equal value terms. Breakup of exports of the sub-sectors is at Annex-A.

Hosiery (HS:61) is the biggest imported textile sector in Canada with value of $4.5 billion, followed by apparel (HS:62) at $4.23 billion, Fabrics and other materials at $2.96 billion and bedware at $809 million. Details of exported textiles to Canada by Pakistan is at Annex-B.

The global imports of textiles to Canada declined by 2.4% and were US$12.5 billion in 2016 however Pakistan's share in Canada textile imports is just 1.28%. Pakistan ranks 12th amongst the textile exporting countries to Canada, one position down from 2015 rankings. List of major textile exporting countries to Canada is at Annex-C.

Provinces of Ontario, Quebec and British Columbia are the biggest Pakistani textile destinations in Canada (Annex-D).[7]

Tariff applicable on Pakistan's major textile exports on their import in Canada is mostly in the range of 17-18%[8] and is thus at a huge disadvantage as compared to LDC countries like Bangladesh and Cambodia. Details of tariff may be seen at Annex-E.

[7] ic.gc.ca

[8] Canada Customs Tariff 2016

CHAPTER 3

CANADA TRADE RELATIONS WITH OUR COMPETITORS

3.1 Bangladesh

Canada's commercial relationship with Bangladesh has grown dramatically over the last ten years. The value of bilateral merchandise trade has more than tripled going from $478 million in 2003 to nearly $1.8 billion in 2016. During this period, Canadian merchandise exports to Bangladesh have more than quadrupled and Bangladesh has become the second largest source of Canadian merchandise imports from South Asia, after India. Canadian merchandise exports to Bangladesh were $582 million in 2016, down from $707 million in 2015.

Canada's main merchandise imports from Bangladesh include knit apparel, woven apparel, miscellaneous textile articles, headgear, fish and seafood, and footwear. Canada is a bright spot for Bangladeshi apparel, with garments and textile products making-up the bulk of Canada's merchandise imports from Bangladesh. Bangladesh has enjoyed duty-free market access since 2003. Potential trading opportunities to explore include expanding Canadian imports of ready-made garments, porcelain, jute and quality jute good, ceramic tableware and kitchenware.

Garments and textile products accounted for approximate 96% of Canada's merchandise imports from Bangladesh in 2016.[9] Canada has offered Bangladesh a wider package support for maximizing trade opportunities out of the already-granted free market access to the North American country. Official sources said the market-access facility to Bangladesh has been further extended by including more features in the trade-support programme to help augment the volume of its export to Canada.

Bangladesh has been confirmed as a priority country for a five-year trade-facilitation programme. Under the trade-facilitation programme, Bangladesh will receive web-based Canadian market-access services, matchmaking with Canadian importers for Bangladeshi exporters, and outreach and promotion activities for trade representatives based in Ottawa, Montreal, Toronto and Vancouver. Besides, Bangladesh will also receive market-entry studies for priority country exporters, a responsive trade-development facility to provide technical assistance related to Canadian market access, and training programme for new trade representatives based in Canada.[10]

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[9] ic.gc.ca

[10] http://www.canadainternational.gc.ca/bangladesh/bilateral_relations_bilaterales/index.aspx?lang=eng

Bangladesh as an LDC will also receive services like awareness-raising seminars under Canada's duty-free LDC market-access initiative, and biennial trade show in Canada for garment exporters. The government of Canada has already confirmed Bangladesh's continuation of enjoying General Preferential Tariff (GPT) for the period from January 2014 to December 2023. Under this arrangement, the North American country offers duty-free facility to LDC and developing nations. Bangladesh's merchandise export to Canada has been enjoying duty-free market access since 2003.[11]

Less appreciated, however, is that the rise of Bangladeshi garment factories is something that Canada has encouraged. Canada made a significant policy change a decade ago, eliminating all tariffs and quotas on imports from the poorest countries. While the average tariff on all goods exported to Canada was less than 1%, roughly 70% of textile and clothing products subject to tariffs had tariffs greater than 15%. The 49 poorest countries were not exempt.

The policy change was unveiled as part of a G8 Africa initiative. But, while most of the world's poorest countries are indeed in Africa, they export very little. By contrast, poor South Asian nations, such as Bangladesh and Cambodia, as well as the Caribbean nation of Haiti, had some capacity to take advantage of the duty-free access to Canada.

Yet, as history has shown, the textile sector serves as the first rung on the ladder to development and economic prosperity. And, according to some commentaries such as this one, it has fueled a social revolution in Bangladesh. As they did in Europe and North America, garment factories offer workers a chance to enter the better-paying formal sector of the economy. Better wages raise living standards and lower poverty, particularly in cities and towns. Garment production represents a rare chance for many of the women employed in these industries to earn independent income. Their alternatives are usually subsistence farming in the villages they come from. Textile and clothing exports also contribute to greater overall economic stability. This is because they come from an economic sector that is more stable and has a relatively higher value-added component than the agricultural sector, on which most of these countries depend for their exports. The textile and clothing sector also creates entrepreneurial opportunities and managerial jobs for members of the middle class who might otherwise emigrate.

In other words, Canada's decision to encourage more imports from these economies encourages exactly the type of activity that promotes development, sexual equality, and poverty reduction in the poorest countries. Canada's recent

[11] http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/ldct-tpmd-eng.html

decision to eliminate tariff preferences for more developed economies such as China will now make it even more attractive to import from Bangladesh.[12]

3.2 Cambodia

An undeniable strength is the preferential market access Cambodia is granted to the U.S., the EU, Canada and Japan through trade agreements. Most Favoured Nation status, the Generalized System of Preferences (GSP) and the lesser developed country categorization all guarantee low tariffs and considerable market access.

In addition to an abundant supply of cheap labour and government recognition of the industry's importance, Cambodia is the only country in the world where the International Labour Organization (ILO) independently monitors and reports on working conditions in clothing factories according to national and international standards. This is a major incentive for leading brands such as Levi's, Gap, Sears, Wal-Mart and Disney to keep buying from the country.

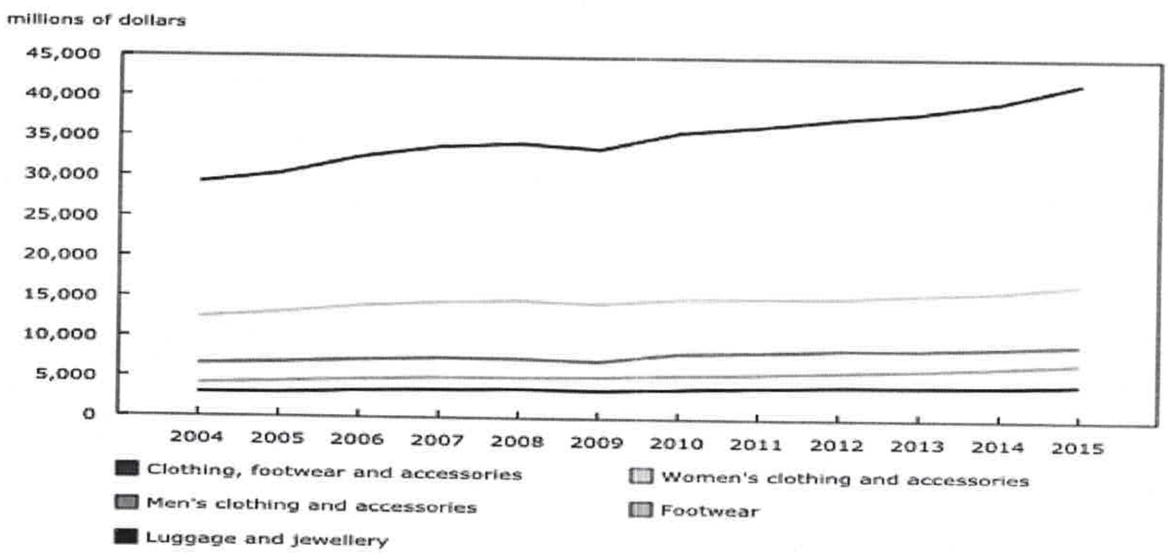
[12] http://www.conferenceboard.ca/economics/hot_eco_topics/default/13-05-03/how_canada_welcomed_bangladeshi_clothing_imports.aspx

CHAPTER 4

CANADA'S TEXTILE RETAIL MARKET

Canada's national statistics agency, Statistics Canada, found that the domestic market size of apparel manufacturing grew by more than C$2 billion between 2010 and 2014. Retail sales of clothing and clothing accessories stores also saw a positive trend during this time, exceeding C$29 billion in 2015.

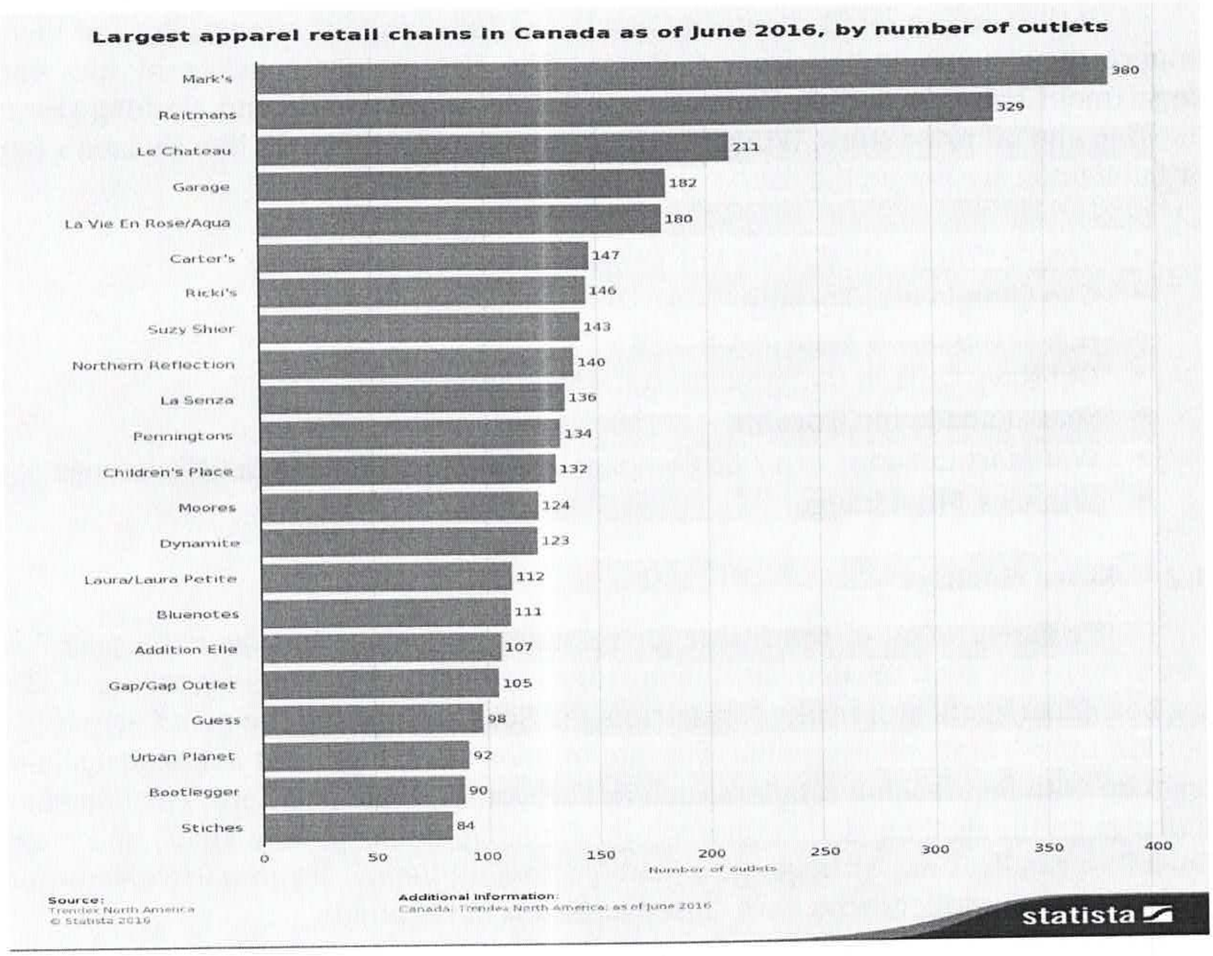
As well as its own apparel manufacturing industry, Canada also imports textiles and apparel from its close neighbour, the United States. In 2014, the value of textile and apparel exports from the U.S. to Canada reached $5.6 billion. Canada's apparel manufacturing exports were on a much smaller scale for the same year – US$1.1 billion as of December 2014.



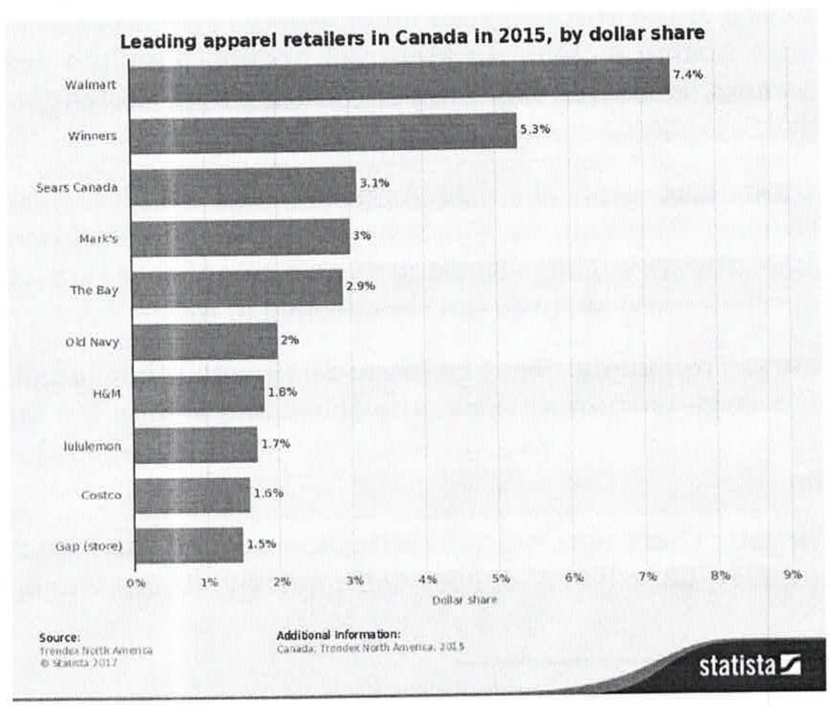
4.1 Largest Stores and Retailers

As of June 2016, Canada's largest apparel retailer in terms of number of outlets was Mark's with 380 stores. Mark's is an apparel and footwear retailer specializing in casual and industrial wear, followed by Rietman (329 stores), Le Chateau (182 stores) etc.[13]

[13] https://www.statista.com/statistics/432237/largest-apparel-retail-chains-canada/



This statistic shows the leading apparel retailers in Canada in 2015, by dollar share. Sales of apparel from Walmart Canada stores accounted for around 7.4% of the apparel market in Canada in 2015.



Of the leading retail chains in Canada, the following list shows which of them import their merchandise from Pakistan. The list mainly consists of low end department stores including Walmart and Costco, some middle end clothing stores like Gap and off price store, Winners. High end department stores like Hudson's Bay or Lululemon are not on the list.

- Costco Wholesale Canada Ltd, Ottawa
- Gap Canada Inc., Toronto
- H & M Hennes & Mauritz GBC AB
- Old Navy Canada Inc., Albuquerque, New Mexico
- Sears Canada Inc, Toronto
- Wal-Mart Canada Corp / La Compagnie Wal-Mart Du Canada, Mississauga
- Winners, Mississauga

4.2 Store closings

It's the survival of the fittest for retailers in Canada and over the past few years, there has seen the demise of many international and Canadian retailers. While big box department stores like Nordstrom and Saks are making the mood across the border, other retailers are pulling out due to poor sales, high rent and a struggle to keep up with fast-fashion retailers such as Forever 21, H&M and Zara. The Canadian dollar is on the decline (1 US dollar = 1.36 Canadian dollar in May 2017) and many Canadian retailers are struggling to keep customers happy. In no particular order, here is a list of retailers who have closed locations in Canada:[14]

Hudsons Bay: The iconic Canadian department store opened its first outlet location in 2013 at the Toronto premium outlets. The outlet store instantly became a success and a second location in Montreal opened later the next year. After two years of business, Hudson's Bay announced that both stores would close and be replaced with Saks Fifth Avenue's outlet.

Guess: Last year, the Los Angeles-based retailer closed 50 of their 488 North American Guess stores. The year prior, the retailer closed 19 locations. The closures came after struggling sales and as an attempt to create a true omnichannel shopping experience and adapt to the new normal of retail.

Sears: Trouble for Sears began in 2013 when they announced they would be laying off a large portion of their employees and selling the leases to 8 of their locations across Canada. They've since sold 27 store leases in Quebec and sales continue to slip.

Target: There was tons of excitement around the launch of Target Canada in 2013 however, Canadian shoppers were quickly disappointed. Complaints about the lack

[14] http://www.huffingtonpost.ca/news/retail-canada/

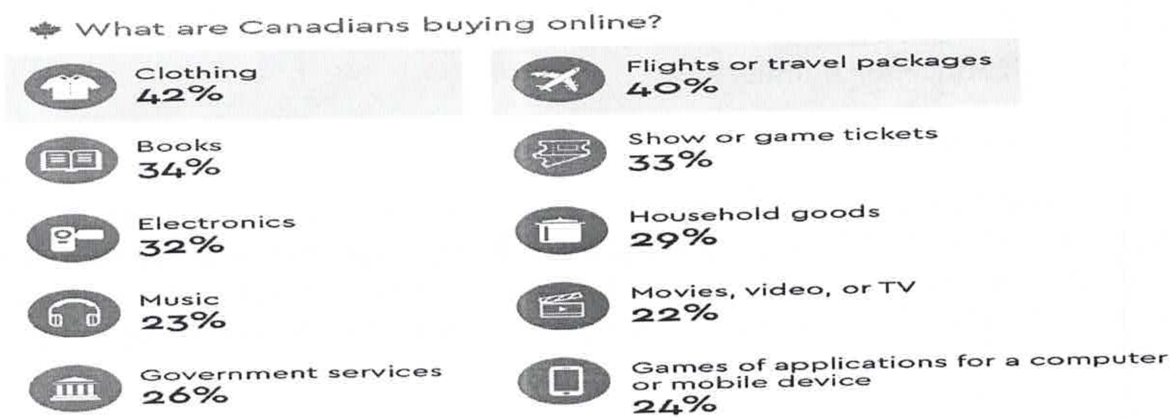
of products in-store, poor customer service, and high prices led Target to their demise in early 2015.

Gap: The once-popular retailer Gap is struggling to keep up with fast-fashion retailers and the decline of mid-priced brands. Gap Inc. announced they would be closing 175 North American locations by the end of 2016.

4.3 Canadian retailers' E-Commerce

The retail sector in Canada is undergoing a transformation. While e-commerce continues to grow, it would be overly simplistic to assume this is happening at the expense of traditional retail. In many cases e-commerce has been added to the traditional retail experience – creating new digitally-enabled shopping experiences. E spending averaged $11.5 billion and represented 2.2% of total retail sales.

Canadians have embraced electronic commerce and plan to continue to spend dollars online. Forester research has predicted that Canadians will spend $39 billion online by 2019, representing 9.5% of all retail purchases in Canada. Statistics Canada's data reports that Canadian companies sold more than $136 billion in goods and services online in 2013, up from $122 billion a year earlier.[15]



[15] https://cira.ca/sites/default/files/public/Ecommerce-Factbook-March-2016.pdf

CHAPTER 5

TEXTILE REGULATIONS AND STANDARDS

This section provides information about the regulations and standards for the textile sector in Canada and about the Certifications which the importers generally expect from the exporter to be compliant with international regulations.

5.1 Nanomaterials and their Applications in Textiles—Standards [17]

The document focuses on standards presently in place in Canada that are specific to the use of nanotechnologies in the textile industry. Canadian textile firms considering utilizing nanotechnologies must be knowledgeable about the state of standardization of nanotechnologies related to textiles.[16]

5.2 Competition Bureau

Competition Bureau, Innovation, Science and Economic Development Canada, provides advice on mandatory labeling requirements and voluntary guidelines for the marketing of consumer products.

- Textile Labelling Act[17]
- CA Identification number[18]

5.3 Health Canada

In partnership with provincial and territorial governments, provides national leadership to develop health policy, enforce health regulations, promote disease prevention and enhance healthy living for all Canadians. Health Canada also works closely with other federal departments, agencies and health stakeholders to reduce health and safety risks to Canadians.

- Flammability [20]

5.4 The Canadian General Standards Board (CGSB)

Provides standards development and conformity assessment services, including programs for certification of products and services, registration of quality and environmental management systems, and related services. These services are provided in support of economic, regulatory, procurement, health, safety and environmental interests.

- Protective Clothing[19]

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[16] http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/h_01436.html
http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/h_02575.html
[17] http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/h_02940.html
[18] http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/h_02575.html

- Medical Gloves [20]
- Carpets and Underlay [21]

5.5 Importing to Canada

Canada has a range of goods over which it imposes import controls. These goods are listed in the Import Control List (ICL) of the Export and Import Permits Act.

An International Import Certificate is meant to allow a foreign supplier to obtain the approvals it needs from its own government to allow the export of goods or technology to Canada. An International Import Certificate does not authorize the import of goods into Canada.[22]

The International Import Certificate is an end-use assurance document that formally recognizes that the Government of Canada is aware of, and has no immediate objections to, the proposed import of specific goods to Canada by the stated importer, for the stated end-use and end-user. A Canadian-issued International Import Certificate may be required by an exporting country prior to that country authorizing an export permit/license. Canadian International Import Certificates are issued to Canadian applicants, who in turn provide a copy to their foreign suppliers, who use the International Import Certificates to obtain a foreign export permit. The International Import Certificate is used by the export control authorities of the exporting state in their export permit/license issuance process. Once approved, the International Import Certificate is valid for use only if presented to the authorities of the exporting state within six months of its issuance by Canada.

5.5.1 How to apply for an International Import Certificate

Applications for International Import Certificates may be submitted online using Export Controls On-Line (EXCOL). Paper application forms are also available at on Foreign Affairs, Trade and Development Canada website. An application for an International Import Certificate must present an accurate and complete reflection of the proposed transaction. The International Import Certificate is a stand-alone document, meaning that the issued document will not be supplemented by attachments, invoices, statements, or letters at the time of issuance. The application should include the following information:

- Description: Name of the goods, including, where possible, models, brand names, part numbers, serial numbers, and so on. Each type of product should

[19] https://www.tpsgc-pwgsc.gc.ca/ongc-cgsb/programme-program/certification/prog/protection-protective-eng.html
[20] https://www.tpsgc-pwgsc.gc.ca/ongc-cgsb/programme-program/certification/prog/gants-medical-eng.html
[21] https://www.tpsgc-pwgsc.gc.ca/ongc-cgsb/programme-program/certification/prog/tapis-carpets-eng.html
[22] http://www.international.gc.ca/controls-controles/about-a_propos/impor/IIC.aspx?lang=eng

be entered on a separate line on the application. The Import Certificate Regulations require that item descriptions must "describe the goods concerned in sufficient detail as to disclose their identity and, in so doing, avoid the use of trade names, technical names or general terms that do not adequately describe the goods".

- Quantity: for each line item, state the number of units. Where quantity is given as a weight or volume, the unit of measure must be stated in the Description field.
- Value: for each line item, state the value of the total quantity of units imported. Currency used for value must be indicated on the application (e.g. CAD, USD, EUR, GBP, or YEN).
- End-User: applicants must state the End-Use and End-User of the goods in Canada. Goods imported under an International Import Certificate and incorporated into final goods for re-export may be subject to export controls.

5.6 Tariffs

Pakistan is classified under the Most Favoured Nation (MFN) and General Preferential Tariff (GPT). An exporter must prove that their product originated from the specific country to enjoy these specialized tariffs. For more technical information regarding the forms and guidelines, refer to Memorandum D11-4-4.[23]

Pakistan comes under the GPT Tariff. China and India are no longer under the GPT tariff and come under MNF. Tariff on major textile products is at Annex-E.

5.7 International Organization for Standardization

5.7.1 Standards Development

As an active participant in the National Standards System of Canada, the CGSB offers a wide range of standards development services, including development of National Standards of Canada (NSC), CGSB standards, and Government of Canada (GC) Standards, and support to the development of International (ISO) Standards.[24] Standards Development services are used to:

- support stakeholders' economic, regulatory, health, safety and environmental interests;
- facilitate the purchase of goods and services,
- harmonize diverse standards;
- provide a sound quality base for products and services;
- help Canadians compete internationally; and
- support the CGSB and other conformity assessment programs.

[23] http://www.cbsa-asfc.gc.ca/publications/dm-md/d11/d11-4-4-eng.html
[24] https://www.tpsgc-pwgsc.gc.ca/ongc-cgsb/index-eng.html

5.7.2 Standards Services

Standards are developed and maintained by committees of volunteers working according to the CGSB process. These volunteers are experts in their field and represent a balance of interested parties, and public and private sector stakeholders. CGSB currently has approximately 350 standards in English and in French including Protective clothing and Textiles.

5.7.3 Notification of Standardization Activities

Are you looking for timely notification of new, current and completed standards development activities, and reporting on status changes? The CGSB Notification of Standardization Activities allows interested persons or organizations an opportunity for public review and to provide comments on standards under development.

The CGSB also publishes a World Trade Organization (WTO) Work Program identifying standards in preparation, their development stage, and standards published since the previous report. This Work Program is available at Technical Work Program Report (WTO).

ISO is an independent, non-governmental international organization with a membership of 163 national standards bodies.[25] Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges. Certification can be a useful tool to add credibility, by demonstrating that your product or service meets the expectations of your customers. For some industries, certification is a legal or contractual requirement. ISO does not perform certification.

5.8 Third-Party Certification

In addition to complying with Canadian regulation requirements, exporters may wish to pursue additional voluntary certifications that can increase consumer confidence in their product and its claims. When seeking out environmentally and socially-responsible products, 33% of Canadians check for third-party certification. The following list provides a summary of the most common certifications used in Canada.

5.8.1 The Fairtrade movement is well-known internationally for providing certification for products that meet higher environmental and social standards on health and safety of workers, living wage and the environment. Fair Trade is a way for all of us to identify products that meet our values so we can make choices that have a positive impact on the world.

[25] https://www.iso.org/about-us.html

5.8.2 The Standards Council of Canada (SCC) is recognized throughout Canada and is even mandatory in certain regulated areas. Certification bodies from around the world seek SCC accreditation as proof that their work is in line with the most up-to-date national and international standards and regulations. SCC accreditation demonstrates an organization's competence to manage and perform activities defined by its specific program scope of accreditation.

SCC is Canada's national accreditation body. SCC accredits conformity assessment bodies, such as testing laboratories and product certification bodies, to internationally recognized standards. Conformity assessment is the practice of determining whether a product, service or system meets the requirements of a particular standard. SCC is a member of a number of organizations that have mutual recognition agreements in place to assist with international acceptance of conformity assessment results. These agreements are part of greater efforts to form a global accreditation system, consistent with the goal of "one standard, one test — accepted everywhere."

5.9 ISO family

The ISO 9000 family addresses various aspects of quality management and contains some of ISO's best known standards. The standards provide guidance and tools for companies and organizations who want to ensure that their products and services consistently meet customer's requirements, and that quality is consistently improved.

ISO 9001:2015 sets out the criteria for a quality management system and is the only standard in the family that can be certified to (although this is not a requirement). It can be used by any organization, large or small, regardless of its field of activity. In fact, there are over one million companies and organizations in over 170 countries certified to ISO 9001. This standard is based on several quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement. Using ISO 9001:2015 helps ensure that customers get consistent, good quality products and services, which in turn brings many business benefits.

ISO 14000 is a series of environmental management standards developed and published by the International Organization for Standardization (ISO) for organizations. The ISO 14000 standards provide a guideline or framework for organizations that need to systematize and improve their environmental management efforts. The ISO 14000 standards are not designed to aid the enforcement of environmental laws and do not regulate the environmental activities of organizations. Adherence to these standards is voluntary.

The ISO 14001 standard is the most important standard within the ISO 14000 series. ISO 14001 specifies the requirements of an Environmental Management System (EMS) for small to large organizations. An EMS is a systemic approach to handling environmental issues within an organization. The ISO 14001 standard is based on the Plan-Check-Do-Review-Improve cycle.

The Plan cycle deals with the beginning stages of an organization becoming ISO 14001-compliant. The Check cycle deals with checking and correcting errors. The Do cycle is the implementation and operation of the ISO 14001 standard within an organization. The Review cycle is a review of the entire process by the organization's top management. And the Improve cycle is a cycle that never ends as an organization continually finds ways to improve their EMS.

The entire process can take several months to several years depending on the size of the organization. If an organization is already ISO 9000-certified, the implementation of ISO 14001 does not take as long. When an organization is compliant, they can either register with a third-party registrar or self-declare their compliance. The ISO 14001 standard is the only ISO 14000 standard that allows an organization to be registered or certified. Over 6300 people die each day from work-related accidents or diseases – that's nearly 2.3 million every year. The burden of occupational injuries and diseases is significant, both for employers and the wider economy, resulting in losses from early retirements, staff absence and rising insurance premiums.

To combat the problem, ISO is developing a new standard, ISO 45001, Occupational health and safety management systems – Requirements, that will help organizations reduce this burden by providing a framework to improve employee safety, reduce workplace risks and create better, safer working conditions, all over the world.

The standard is currently being developed by a committee of occupational health and safety experts, and will follow other generic management system approaches such as ISO 14001 and ISO 9001. It will consider other International Standards in this area such as OHSAS 18001, the International Labor Organization's ILO-OSH Guidelines, various national standards and the ILO's international labour standards and conventions.

5.10 Worldwide Responsible Accredited Production

There are 149 factories in Pakistan, 199 in Bangladesh, 185 in India and 1 in Turkey that have been WRAP certified and is accepted worldwide. WRAP certifications can only be granted to individual production units. Holding companies, brands, and retailers are not eligible to apply. Furthermore, Certification Program is mainly focused on the sewn products, apparel, and footwear sectors and related industries. Brands and retailers themselves cannot be WRAP certified. Only individual production units can be. Each unit must undergo the process separately.

Attaining a WRAP certification involves a 5-step process. It begins with the production facility filing an initial application with WRAP and paying the registration fee. Then the facility will conduct a self-assessment of its compliance with WRAP's 12 Principles, which is followed by an additional audit conducted by accredited monitoring partners. The report from that audit is sent to WRAP, where then they decide whether to issue a certification.[26]

It depends on the preparedness of the facility at the time of application to determine how long it will take to get certified. It can take as little as 6 weeks to get certified, but can take anywhere from 2-6 months, or in rare cases even longer, from the time an application is submitted for a certification to be granted.

WRAP charges a registration fee of US$1,195 for new facilities seeking certification as well as for Platinum and Gold-certified facilities seeking renewals (Silver-certified facilities seeking renewal are charged a reduced registration fee of US$895). This fee does not include the price of the audit which is set by the individual monitoring firms and paid directly to them by the facility seeking certification.

There are over 100 buyers, brands, and retailers around the world who accept WRAP certifications, though each of them does so in varying ways per their own unique social compliance programs. WRAP continues to be the most accepted independent certification in the sewn products industry. Some companies may choose to accept a WRAP certification in lieu of their own audits while others choose to accept WRAP certifications only for facilities where they themselves have conducted the initial inspection. Some companies have also elected to accept WRAP certificates only in specific countries, or solely for their licensees, or only in facilities that have been audited by a specific firm. Details about audit and De-Certification Policy may be seen at Annex-F.

[26] http://www.wrapcompliance.org/

CHAPTER 6

MARKET STRATEGY OF COMPETITOR COUNTRIES

In the following section, the market strategy of our competitor countries like China, India and Bangladesh has been discussed. A snapshot of the current state of affairs of Pakistani textile industry has been added at Annex-G.

6.1 China

During the 11th Five Year Plan period (2006-2010), the Chinese textile industry made substantial technological progress, which helped improve its innovative capacity. These developments have turned China into one of the world's most advanced countries in the field of spinning technology and helped propel its production levels to such an extent that it now accounts for half of global capacity.[27]

During the 12th Five Year Plan period (2011-2015), China focused on increasing its strengths in textile science and technology as well as promoting sustainable production methods. In addition, China is striving to develop renowned brands and a skilled workforce to become an important global player. Industry clusters are mainly distributed in the economically developed coastal regions in the east, particularly around the Yangtze River Delta, Pearl River Delta, West Taiwan Strait Region and Bohai Sea Delta. As the leaders in this industry, the provinces of Jiangsu, Zhejiang, Fujian, Shandong and Guangdong have been successful in creating distinctive textile industry clusters, and their combined exports accounted for about 80% of the country's total. By the end of 2011, there were over 36,000 enterprises employing 10.3 million people.[28]

For high-capacity production technology and equipment, China continues to depend on imported machinery. A shortage of skilled workers in the Chinese textile and apparel sectors has implications for R&D. In addition, the rising cost of China's textiles products has caused foreign importers to increasingly source from other countries, forcing Chinese producers to adjust their profit margin. This is providing an impetus for industrial restructuring toward increasing the share of higher value-added product offerings.

6.2 India

With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market. The organized

[27] http://www.gov.cn/english/special/115y_index.htm
[28] http://english.gov.cn/12thFiveYearPlan/

apparel segment is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 13% over a 10-year period.

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100% FDI in the Indian textiles sector under the automatic route. The key initiatives announced in the Union Budget 2017-18 to boost the textiles sector are listed below:

- Encourage new entrepreneurs to invest in sectors such as knitwear by increasing allocation of funds to Mudra Bank from US$ 20.4 billion to US$ 36.6 billion.
- Upgrade labour skills by allocating US$ 330 million.[29]
- The Government of India plans to introduce a mega package for the powerloom sector, which will include social welfare schemes, insurance cover, cluster development, and upgradation of obsolete looms, along with tax benefits and marketing support, which is expected to improve the status of power loom weavers in the country.
- The Ministry of Textiles has signed Memorandum of Understanding (MoU) with 20 e-commerce companies, aimed at providing a platform to artisans and weavers in different handloom and handicraft clusters across the country for selling their products directly to the consumer.
- MoU worth US$ 1.3 billion in areas such as textile parks, textile processing, machinery, carpet development and others, were signed during the Vibrant Gujarat 2017 Summit.
- The Union Minister for Textiles inaugurated Meghalaya's first-ever apparel and garment making center to create employment opportunities in the region. The Union Minister for Textiles also mentioned Meghalaya has been sanctioned US$ 4.8 million for promotion of handlooms.
- The Government of India has announced a slew of labour-friendly reforms aimed at generating around 11.1 million jobs in apparel and made-ups sectors, and increasing textile exports to US$32.8 billion and investment of US$12.09 billion in the next three years.
- The Clothing Manufacturers' Association of India (CMAI) has signed a MOU with China Chamber of Commerce for Import and Export of Textiles (CCCT) to explore potential areas of mutual co-operation for increasing apparel exports from India.
- The Government of India has started promotion of its 'India Handloom' initiative on social media like Facebook, Twitter and Instagram with a view to connect with customers, especially youth, in order to promote high quality handloom products.
- Subsidies on machinery and infrastructure.

[29] http://e-itm.net/wp-content/uploads/2017/02/UNION-BUDGET-2017-18-AND-INDIAN-TEXTILE-AND-APPAREL-INDUSTRY.pdf

- The Revised Restructured Technology Up gradation Fund Scheme (RRTUFS) covers manufacturing of major machinery for technical textiles for 5% interest reimbursement and 10% capital subsidy in addition to 5% interest reimbursement also provided to the specified technical textile machinery under RRTUFS.
- Under the Scheme for Integrated Textile Parks (SITP), the Government of India provides assistance for creation of infrastructure in the parks to the extent of 40% with a limit up to US$ 6 million. Under this scheme the technical textile units can also avail its benefits.
- The major machinery for production of technical textiles receives a concessional customs duty list of 5%.

The Government of India has implemented several export promotion measures such as:

- Specified technical textile products are covered under Focus Product Scheme. Under this scheme, exports of these products are entitled for duty credit scrip equivalent to 2% of freight on board (FOB) value of exports.
- Under the Market Access Initiative (MAI) Scheme, financial assistance is provided for export promotion activities on focus countries and focus product countries.
- Under the Market Development Assistance (MDA) Scheme, financial assistance is provided for a range of export promotion activities implemented by Textiles Export Promotion Councils.[30]

6.3 Bangladesh

Bangladesh has its own power problems, facing up to 2,000 MW of shortages because of a gas supply crisis that forced a cut in power plants' output and growing domestic demand stemming from economic growth that has averaged 6 percent in recent years. But it is taking steps to address the energy shortage. The government is aiming to triple power generation to 15,000 MW over the next five years, with plans for as many as 89 power plants to be built on a fast-track basis. Bangladesh is also offering tax holidays of up to 10 years to foreign investors, as well as duty-free import of raw materials and repatriation of capital and profits.

Classified as a least-developed country, it enjoys duty-free export facility to 27 European Union countries, and 10 other developed countries, including Japan, Canada and Australia, under bilateral agreements.

Bangladesh last year nearly doubled the minimum monthly wage for millions of workers in the garment industry to 3,000 taka (28 dollars), but pay is still low

[30] http://www.fibre2fashion.com/news/textile-news/indian-union-budget-2017-18-highlights-203847-newsdetails.htm

compared with those of competitors in China, India, Vietnam, Thailand and Cambodia.[31] Pakistan's minimum wage is much higher, at a government-set 7,000 rupees (66 dollars), and some factories pay even more, says Latif from the Pakistan Textile Exporters Association. Low labour costs have helped Bangladesh join the global supply chain for low-end textiles and clothing, manufacturing garments for international brands such as JC Penney, Wal-Mart, H&M, Kohl's, Marks & Spencer and Carrefour.

There is no official data illustrating the business migration, but interviews with a string of Pakistani executives revealed that at least five companies already have or will soon be setting up operations in Bangladesh. Masood Textile Mills, a large knitwear exporting company, is setting up a sewing plant in Bangladesh.[32]

[31] https://en.wikipedia.org/wiki/List_of_minimum_wages_by_country
[32] http://uk.reuters.com/article/uk-pakistan-bangladesh-textiles-idUKTRE77T11020110830

CHAPTER 7

RESOURCES FOR EXPORTERS

Here are some ways to find buyer/importer listings for the Canadian market:

7.1 Industry Canada Website

Direct Link:
strategis.ic.gc.ca/cgi-bin/sc_mrkti/cid/cid_e.cgi?func=start_search&search_type=by_product

Conduct a search by:

- keyword e.g.: Type in "Grapefruit"
- harmonized code; or
- choose by list of products

Note: This database provides only limited contact information (Company Name, City, and Postal Code). To find more information, copy the company names to search engines such as: www.google.com, Bell Business Centre, www.esourcecanada.com, and/or www.yellowpages.ca.
Pointer: Use the "Canadian Company Capabilities" side of this website to find manufacturers who might need your products as inputs or as part of their manufacturing process.

7.2 Profile Canada

Direct Link: http://www.profilecanada.com/index.cfm
It has a large database of Canadian Companies classified by category or by company name.

7.3 Major Canadian Importers

List of major Canadian textile importers from Pakistan is at Annex-H.

7.4 Checking buyers history

- Ask the buyer directly for as much information as possible regarding their company and product profiles.
- Credit Checks: If you wish to conduct a credit check on a Canadian or international company, you can find a listing at: http://www.creditworthy.com/providers/agency.asp.

  The List for Canadian Credit checks is as follows:

- Canadian Credit Reporting – Fresh Business Credit Reports

- D&B Canada
- Order Equifax Business Credit Reports – Business & Consumer Credit Reports
- Ethica Commercial Credit Bureau – Real Time Reports
- Groupecho Canada Inc – Canada Business & Consumer Reports
- Sterling Credit Group – Edmonton & Calgary
- Perform a simple search on the company at www.google.ca.
- Check with the Trade Office of your countries Embassy, High Commission or Consulates in Canada. You may be able to locate these offices via: www.embassyworld.com
- Inquire with the nearest Canadian Embassy or High Commission's Trade Commissioner Service (www.dfait-maeci.gc.ca/world/embassies/menu-en.asp) to see if they can help you locate information on the company.

7.5 Textile Associations

- Canadian Association of Importers and Exporters
- Canadian Carpet Institute
- Canadian Manufacturers & Exporters
- Canadian Textile Industry Association
- Centre for Textile Technologies—CTT Group
- Down Association of Canada
- Institute of Textile Science
- Canadian Manufacturing Network

7.6 Textile, Yarn and Fabrics Shows in Canada

The National Women Show-Montreal

More than 300 exhibitors take part in this focused show to present their innovative products. The prime items of exhibit at the show include food and beverage, electronics, banking and investment products, fashion, fitness and leisure, houses, healthcare, automobiles, home furnishing products and many more. http://10times.com/national-women-montreal

The National Women's Show – Ottawa Spring

A 2-day event was held from 8th - 9th April, 2017 at the Shaw Centre in Ottawa, Canada. This event showcases products like fashion products, fashion accessories, styling accessories and materials, beauty treatment and products, wellness products and services, travel and adventure services and solutions, home ware, design materials, decorative products, career opportunities and food and drinks etc. http://10times.com/national-women-ottawa

Apparel Textile Sourcing Canada

is Canada's premier destination to meet International apparel, textile, fashion and fabric manufacturers, factories, and leaders. More than 1800 buyers and apparel industry professionals attended the three-day event. More than 165 exhibiting companies from over 15 different countries participated in last year's show, which showcased over 20 seminars and panels with more than 40 industry experts providing their insights and expertise on all aspects of the apparel and sourcing industry.
http://www.appareltextilesourcing.com/
Next Show: 21-23 August, 2017, Toronto

The Profile Show

It is the biggest apparel trade show, providing retailers with the largest selection of products and services. True to its name, Profile brings together the best selection of apparel & accessories that includes all segments – women's, men's, young contemporary/junior labels, children's and lifestyle brands. The Profile Show is operated by the Ontario Fashion Exhibitors Inc. (OFE). There are over 150 exhibitors showing 46 categories of fashion including men's and women's wear, sportswear and children's fashion, as well as eco-friendly and fair trade clothes, leather accessories and maternity outfits.
Next Show: 10-13 September, 2017

TRENDS the Apparel Show

Trend Apparel involves the participation of Wholesale sales representatives showing men's, ladies, children's, sports, work, western wear and footwear lines. 180 sales agents showing over 1500 manufacturers participated in the last show.
Next Show: 7-10 September, 2017: Edmonton, AB

Hometex & Floorex: International Home Textile and Flooring Tradeshow

Hometex Floorex welcomes around 200 exhibitors from leading countries in home textiles and flooring such as Austria, Belgium, Canada, USA, Egypt, India, Lithuania, Turkey, Afghanistan, Pakistan, China, and Bangladesh as well as other countries. International Exhibitors showcase products such as carpet, rug, bedroom textiles, bathroom & kitchen textiles, upholstery & furnishing products as well as curtains & window fashion accessories.
http://www.hometex-floorex.com/about/
Last Show: 7-9 June, 2016, Toronto

Annex-A

PAKISTAN EXPORTS TO CANADA

US$ in million

Rank among Canada's importing countries	Product	2015	2016	% change
12	Textile	159.7	160.6	0.6
8	Leather	31.4	26.1	-16.8
2	Polyethylene	16.5	22	33
41	Vegetable	21.5	16.2	-24.7
51	Food preparations	9.6	10.4	8
10	Tubes, Pipes	5	6.7	34.2
9	Furniture, Lamps	5	6.2	24.8
23	Sporting goods	5.4	4.7	-12.7
15	Salt	2.2	3.5	60.5
40	Surgical instruments	3	3.1	3.5
11	Carpets	3.5	2.7	-23.2
42	Jewellery	2.8	2.5	-11.5
	Sub-Total	265.6	264.5	-0.4
	Others	8.8	10.0	13.6
	Total	**274.4**	**274.5**	**0.04**

Textile dis-aggregated

$ million

Products	2015	2016	% change
Apparels	38.5	43.6	13.2
Bedlinen	42.8	43.0	0.5
Hosiery	47.6	42.4	-10.8
Terry Towel	13.8	15.0	8.3
Cotton Fabrics	7.4	6.2	-16.4
Others	9.6	10.4	8.9
Total	159.7	160.6	0.6

Annex-B

CANADIAN IMPORTS OF PAKISTANI TEXTILES ACCORDING TO HS CODES FOR THE PAST 10 YEARS

US$ '000

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
HS 50 - Silk										
Pakistan	44	10	13	5	12	23	0	1		
HS 51 - Wool, Wool Yarns and Wool Fabrics										
Pakistan	1	0				2		0	0	
HS 52 - Cotton, Cotton Yarns and Cotton Fabrics										
Pakistan	11,187	10,655	10,247	11,816	13,267	10,620	7,594	9,068	7,400	6,155
HS 53 - Other Vegetable Textile Fibers, Yarns and Fabrics										
Pakistan	36	21	1	12	1	4	1	11	29	4
HS 54 - Man-Made Filaments; Strip and the Like of Man-Made Textile Materials										
Pakistan	3,100	1,363	894	933	1,367	1,720	2,363	1,194	1,254	1,150
HS 55 - Man-Made Staple Fibers, Staple Fiber Yarns and Fabrics										
Pakistan	7,096	5,018	5,802	4,088	5,961	4,258	4,112	2,733	1,676	1,926
HS 56 - Wadding, Felt, Nonwovens, Twine, Cordage, Rope, Cables and Related Articles										
Pakistan	178	22	63	61	136	610	264	400	469	556
HS 58 - Special Woven or Tufted Fabrics, Lace, Trimmings, Embroidery and Tapestries										
Pakistan	231	157	181	455	364	540	491	600	640	751
HS 59 - Coated, Impregnated, Covered or Laminated Fabrics and Industrial Textiles										
Pakistan	127	95	32	96	153	190	68	113	87	140
HS 60 - Knitted or Crocheted Fabrics										
Pakistan	196	119	94	163	70	92	122	136	119	218
HS 61 - Knitted or Crocheted Clothing and Articles of Apparel										
Pakistan	52,155	48,631	50,186	52,279	57,013	58,930	56,425	54,192	47,570	42,300
HS 62 - Woven Clothing and Articles of Apparel										
Pakistan	18,799	19,908	22,158	31,538	34,527	41,751	45,443	42,390	38,501	43,577
HS 63 - Other Made-Up Textile Articles and Worn Clothing										
Pakistan	67,499	64,902	60,917	82,840	72,087	72,207	69,322	66,733	61,969	63,870
Sub-total	**160,649**	**150,901**	**150,588**	**184,286**	**184,958**	**190,947**	**186,205**	**177,571**	**159,714**	**160,647**

Annex-C

MAJOR TEXTILE EXPORTING COUNTRIES TO CANADA

$ million

S.No.	Country	2015	2016	% change
1.	China	4,914.1	4,532.2	-7.8
2.	United States	1,797.6	1,705.3	-5.1
3.	Bangladesh	1,099.9	1,142.0	3.8
4.	Cambodia	681.0	756.5	11.1
5.	Vietnam	721.3	721.8	0.1
6.	India	531.8	548.3	3.1
7.	Mexico	365.6	330.3	-9.7
8.	Italy	280.8	298.5	6.3
9.	Indonesia	292.9	297.3	1.5
10.	Turkey	172.9	180.5	4.4
11.	Sri Lanka	153.0	161.9	5.8
12.	Pakistan	159.7	160.6	0.6
	Sub-Total	11,170.6	10,835.1	-3.0
	Others	1,618.0	1,645.0	1.7
	Total textile trade	**12,788.6**	**12,480.2**	**-2.4**

Annex-D

PROVINCE-WISE IMPORTS FROM PAKISTAN

$'000

S.No.	Province	2015	2016	% change
1.	Ontario	78.36	79.75	1.8
2.	Quebec	49.59	47.82	-3.6
3.	British Columbia	21.19	24.52	15.7
4.	Alberta	5.49	3.85	-29.8
5.	Nova Scotia	2.52	2.50	-0.8
6.	Manitoba	2.12	1.86	-12.0
7.	New Brunswick	0.28	0.26	-7.2
8.	Saskatchewan	0.15	0.07	-51.3
9.	Nunavut	-	0.00	-
10.	Yukon Territory	0.00	0.00	-82.3
11.	Newfoundland and Labrador	0.02	-	-
12.	Northwest Territories	-	-	-
13.	Prince Edward Island	-	-	-
	Total	**159.7**	**160.6**	**0.6**

Annex-E

TARIFF SCHEDULE FOR APPAREL IMPORTS FROM PAKISTAN

S.No.	HS - Product	Tariff
1.	610342 - Men's/Boys Trousers, Overalls and Shorts - Knitted - Cotton	18%
2.	610910 - T-Shirts, Singlets and Other Vests - Knitted - Cotton	18%
3.	611020 - Sweaters, Sweatshirts and Waist-Coats - Knitted - Cotton	18%
4.	611030 - Sweaters, Sweatshirts and Waist-Coats - Knitted - Man-Made Fibres	18%
5.	611595 - Hosiery, of Cotton, Knitted or Crocheted, Nes	16%
6.	611610 - Gloves, Mittens and Mitts - Knitted - Impregnated, Coated or Covered With Rubber or Plastics	18%
7.	620193 - Men's or boys' anoraks and similar articles, of man-made fibres, not knit/crocheted	17%
8.	620342- Men's or boys' trousers and shorts, of cotton, not knitted or crocheted	17%
9.	620349 - Men's or boys' trousers, overalls, breeches and shorts- of other textile materials	18%
10.	620462 - Women's or girls' trousers and shorts, of cotton, not knitted or crocheted	17%
11.	620520 -Men's or boys' shirts, of cotton, not knitted or crocheted	17%
12.	621132 - Track suits, ski suits and swimwear; other garments- Of cotton	17%
13.	621133 - Track suits, ski suits and swimwear; other garments- Of man-made fibres	6.5%
14.	621142- Women's or girls' other garments, of cotton, not knitted or crocheted	17%
15.	621143 - Women's or girls' garments, of man-made fibres, not knitted or crocheted	6.5%
16.	621600 - Gloves, mittens and mitts, of textile materials, not knitted or crocheted	16.5%
17.	630221 - Bedsheets, Pillowcases and Bed Linen (Incl Sets) - Woven, Printed - Cotton	17%
18.	630231 - Bedsheets, Pillowcases and Bed Linen (Incl Sets) - Woven, Not Printed - Cotton	17%
19.	630260 - Cotton Terry Towels and Household Linen of Cotton Terry Fabrics	17%
20.	630391 - Curtains (Incl Drapes), Interior Blinds and Bed Valances - Woven - Cotton	17%
21.	630710 - Industrial Shop Towels (Floor/Dish Cloths, Dusters and Cleaning Cloths)	17%
22.	940490 - Quilts, Bedspreads. Cushions and Pillows	14%

Annex-F

WRAP'S DECERTIFICATION POLICY

WRAP audits are primarily carried out by accredited monitoring partners, though they do use WRAP's own staff auditors to carry them out from time to time. The price of WRAP audits is set by the individual firms that carry them out and are largely a function of the size of the facility and its location. WRAP does not have a set pricing schedule for audits.

There is no limit on how many times a facility can be audited, meaning that they can be inspected as many times as it takes for them to pass if they maintain a valid registration with WRAP. Successive audits must generally be conducted at least 45 days apart, however. For certified facilities, the frequency of audits depends on the certification level. Silver facilities are inspected at least every 6 months, Gold facilities are inspected at least every year, and Platinum facilities are inspected at least once every two years. All certified facilities, regardless of certification level, are also subject to random, unannounced Post-Certification Audits that can occur at any time and have no limit on how often they can be performed. All our audits are unannounced. Certification audits take place within a 1 month window while Post-Certification Audits (PCAs) are conducted at random and can occur at any time. Audits are a vital part of WRAP's multi-faceted, collaborative approach to social compliance. Their audits also go beyond simple facility walk-throughs in that they are designed to look for objective evidence that effective management systems are in place to maintain a facility's compliance through its day-to-day operations.

WRAP certified facilities must fully comply with WRAP's 12 Principles during their certification period or they may be subject to decertification. A facility may be decertified under the following circumstances:

- Violations involving Zero Tolerance issues
- Failure to allow auditors to conduct a Post-Certification Audit (PCA)
- Refusal to go through a remediation process to correct non-compliances found during a PCA
- Failure to correct non-compliances found during a PCA in a timely manner

WRAP 12 Principles[33]

1. Compliance with Laws and Workplace Regulations: Facilities will comply with laws and regulations in all locations where they conduct business.
2. Prohibition of Forced Labour: Facilities will not use involuntary, forced or trafficked labour.

[33] http://www.wrapcompliance.org/12-principles

3. Prohibition of Child Labour: Facilities will not hire any employee under the age of 14 or under the minimum age established by law for employment, whichever is greater, or any employee whose employment would interfere with compulsory schooling.
4. Prohibition of Harassment or Abuse: Facilities will provide a work environment free of supervisory or co-worker harassment or abuse, and free of corporal punishment in any form.
5. Compensation and Benefits: Facilities will pay at least the minimum total compensation required by local law, including all mandated wages, allowances & benefits.
6. Hours of Work: Hours worked each day, and days worked each week, should not exceed the limitations of the country's law. Facilities will provide at least one day off in every seven-day period, except as required to meet urgent business needs.
7. Prohibition of Discrimination: Facilities will employ, pay, promote, and terminate workers on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs.
8. Health and Safety: Facilities will provide a safe and healthy work environment. Where residential housing is provided for workers, facilities will provide safe and healthy housing.
9. Freedom of Association and Collective Bargaining: Facilities will recognize and respect the right of employees to exercise their lawful rights of free association and collective bargaining.
10. Environment: Facilities will comply with environmental rules, regulations and standards applicable to their operations, and will observe environmentally conscious practices in all locations where they operate.
11. Customs Compliance: Facilities will comply with applicable customs laws, and in particular, will establish and maintain programs to comply with customs laws regarding illegal transshipment of finished products.
12. Security: Facilities will maintain facility security procedures to guard against the introduction of non-manifested cargo into outbound shipments (i.e. drugs, explosives biohazards andor other contraband).
http://www.wrapcompliance.org/en/home

Annex-G

TEXTILE INDUSTRY IN PAKISTAN

The Textile industry in Pakistan is the largest manufacturing industry in Pakistan. Pakistan is the 8th largest exporter of textile commodities in Asia. This sector contributes 8.5% to the GDP.[34] In addition, the sector employs about 45% of the total labour force in the country (and 38% of the manufacturing workers). Pakistan is the 4th largest producer of cotton with the third largest spinning capacity in Asia after China and India and contributes 5% to the global spinning capacity. At present, there are 1,221 ginning units, 442 spinning units, 124 large spinning units and 425 small units which produce textile.

Textiles comprise 57% of Pakistan's export revenues. However, in recent years, textile exports have declined significantly. Textile exports were recorded at $10.395 billion in 2015-16.

There are six primary sectors of the textile production in Pakistan: Spinning, weaving, processing, printing, garment manufacturing and filament yarn manufacturing.

Cotton is the largest segment of textile production. Other fibers produced include synthetic fiber, filament yarn, art silk, wool, and jute.

Cotton	Cotton spinning is perhaps the most important segment in the Pakistan textile industry with 521 units installed and operational.
Synthetic Fibers	Within synthetic fibers, nylon, polyester, acrylic, and polyolefin dominate the market. There are currently five major producers of synthetic fibers in Pakistan, with a total capacity of 636,000 tons per annum.
Filament Yarn	Three types of filament yarn are produced in Pakistan. These are acetate rayon yarn, polyester filament yarn, and nylon filament yarn. There are currently about 6 units in the country.
Artificial Silk	This fiber resembles silk but costs less to produce. There are about 90,000 looms in the country located mainly in Karachi, Faisalabad, Gujranwala, and Jalapur Jattan, as well as some in FATA.
Wool	The main products manufactured from wool include woolen yarn, acrylic yarn, fabrics, shawls, blankets, and carpets.
Jute	Jute sakes and hessian cloth are primarily used for packing agricultural products such as grain and rice. The production of jute products was approximately 100,000 tons in 2009-10.

[34] http://www.finance.gov.pk/survey/chapters_16/03_Manufacturing.pdf

The textiles industry consists of 11.3 million spindles, 03 million rotors, 350,000 power looms, 18,000 knitting machines and processing capacity of 5.2 billion sq. m. It has the 700,000 industrial and domestic stitching machines.[35] In addition, it has a strong fiber base of 13 million bales of cotton and 600,000 tons of manmade fibers including polyester fiber. There are 21 filament yarn units having capacity of 100,000 tons. The filament and yarn industry is supported by PTA plant which has 500,000 tons' capacity. Thus, a complete textiles value chain exists in the country which is rare in the world, unlike many competitors which have only primary base or the finished base.

Problems in the textile industry in Pakistan

The textiles sector in Pakistan has remained stagnant over the last decade due to several exogenous and indigenous factors such as subsidies given to cotton farmers and other textiles products by several countries which distort prices, marketing constraints, global recession, and increasingly stringent buyers' conditionalities. On the domestic side, cotton production has remained stagnant at about 13 million bales per annum or less,[36] and the resistance to grading and standardization of cotton bales by ginners and spinners alike has consistently lowered the value of Pakistani cotton by around 10 cents per pound in the international market. On the other hand, the value-added garments sector has grown only marginally due to its limited product range, low usage of manmade fibers and inability of manufacturing units to restructure themselves to meet changing international requirements. The concept of developing clusters to promote cost efficiencies especially in the SME sector has been developed and emphasized in the Planning Commission's Vision 2025,[37] which has also been made part of this Policy. In addition, the lack of skilled human resource, low employment of women in the garment sector, and absence of modern management practices have obstructed the path of high value-addition and enhanced exports in the entire textiles supply chain.

International trade figures show that while world demand is increasing in favour of manmade fibers, Pakistan continues to supply goods based mainly on cotton. Similarly, while global demand is for finished value added products such as garments, with a large percentage of manmade fiber content, Pakistan's performance remains low in comparison to its main competitors, India and Turkey.

In recent years, Pakistan has faced competition from regional players. In the past decade, Pakistan's share in global textile market decreased to 1.7% from 2.2%, Bangladesh saw an increase from 1.9 to 3.3% and India from 3.4 to 4.7%.[38] Barriers to growth include:

[35] http://www.ccfgroup.com/newscenter/newsview.php?Class_ID=600000&Info_ID=20160308006
[36] https://tribune.com.pk/story/1195285/pakistan-expects-cotton-production-hit-11-39m-bales/
[37] http://www.mopdr.com/vision/uploads/vision/Vision-2025-Executive-Summary.pdf
[38] https://shenglufashion.wordpress.com/2016/07/27/wto-reports-world-textile-and-apparel-trade-in-2015/

- **Cost of production**: The rising cost of production in the country has stalled investment as well as export competitiveness.[39] A vertical shift in monetary policy and KIBOR rates have contributed to an increase in the cost of doing business and reduced lending abilities of local manufacturers.
- **Energy Crisis**: Pakistan is currently facing a large-scale energy crisis. Due to energy demand exceeding supply by about 4,500 MW.[40] The government manages the deficit through daily power cuts (or blackouts). These power cuts have significantly impacted manufacturing industries in Pakistan. Several textile mills have closed their units due to inability to sustain operations. **Research and Development**: There has been a limited effort to improve the quality and quantity of textiles in Pakistan through research and development, limiting the competitiveness of Pakistan's textiles in the global market.
- **Labour rights**: The textile industry is the second largest employment sector in Pakistan. Labor costs are estimated to be about 5-8% of total cost while import income of the sector is estimated to be about $12.5 billion in 2010-11. Textile mill owners have often complained that labor costs are "too high" while workers continue to be underpaid and over utilized. Furthermore, safety and security remains a significant issue at textile, where there are limited checks on exhaust systems, light systems, and waste water disposal.[41]

Limited availability of trained technical staff to maintain and run machinery at full efficiency is a constraint upon the development of Pakistan's textile industry. This shortfall is partly due to a lack of technical education facilities. Some of the developments in the textile industry include: Advances in ring spinning, computerized dyeing and finishing, computer-aided designing, manufacturing and developing retailing links hence, all these demand new and greater skills and Pakistan lacks it.[42]

[39] http://fp.brecorder.com/2016/09/2016092888644/
[40] http://www.energyfoundation-pk.org/energy-in-pakistan/
[41] http://www.rcci.org.pk/wp-content/uploads/2012/12/gtopti.pdf
[42] "Factsheet Pakistan" (PDF).

Annex-H

MAJOR CANADIAN TEXTILE IMPORTERS

4283147 Canada inc.	Dorval	Quebec	H9P 1J1
Adidas Canada Limited	Concord	Ontario	L4K 5B2
American Eagle Outfitters Canada Corporation	Mississauga	Ontario	L5W 1Y6
Bass Pro Shops Canada Ulc	Concord	Ontario	L4K 5W4
Bauer Performance Sports Uniforms Corp.	Toronto	Ontario	M5L 1B9
Bed Bath & Beyond Canada L.P	North Vancouver	British Columbia	V7P 1R7
Bob Dale Gloves & Imports Ltd.	Edmonton	Alberta	T6B 2S4
Cambridge towel company inc.	Cambridge	Ontario	N1T 1S7
Cameo Knitting	Montréal	Quebec	H1E 7J8
Canada Textile Inc.	Toronto	Ontario	M1V 2R4
Canadian Dawn Inc	Mississauga	Ontario	L4Z 3E1
Cantex Distribution Inc	Niagara Falls	Ontario	L2E 4B7
Corporation Abond Inc.	Lachine	Quebec	H8T 1A3
Costco Wholesale Canada Ltd	Ottawa	Ontario	K2E 1C5
Crown Textiles Inc. / Textiles Crown Inc.	Montréal	Quebec	H2T 2A4
Delta Apparel, Inc.	Duluth	Georgia	
Doubletex	Montréal	Quebec	H3L 3B6
Eden Textile Ltd.	Edmonton	Alberta	T5H 3P7
Essex Linen Supply Limited	Windsor	Ontario	N8Y 2P6
Fabricmaster inc.	Toronto	Ontario	M6E 5A1
Fields Store / a div. of Hudsons Bay	Toronto	Ontario	M5H 2Y4
Five Star Enterprises of Canada Ltd	Markham	Ontario	L3R 1G3
Foot Locker Canada Co.	New York	New York	
Fruit of the Loom Canada, inc.	Bowling Green	Kentucky	
Gap (Canada) Inc.	Toronto	Ontario	M5S 1T9
George Courey Inc	Laval	Quebec	H7C 2T5
Groupe BBH Inc.	Saint-Laurent	Quebec	H4T 1K2
H&M Hennes & Mauritz gbc ab	Se-106 38 Stockholm		
Heritage Home Fashions inc.	Montréal	Quebec	H4P 1W9
Ideal Textiles GP. / Les Textiles Ideal s.e.n.c.	Montréal	Quebec	H2N 1Y6
Ikea Supply Ag	Ch-4133 Pratteln		
J & A Aziz Limited	North York	Ontario	M3J 2J6
Jetrich Canada Limited	Mississauga	Ontario	L4V 1C6
Joe Rocket Canada Inc.	Windsor	Ontario	N8W 5J7
Jordache Ltd.	New York	New York	

Jysk Linen'n Furniture Inc.	Port Coquitlam	British Columbia	V3C 6L6
Lammle's Western Wear Ltd.	Calgary	Alberta	T2Z 4A2
Laxer Fibre Co. Ltd.	Montréal	Quebec	H4C 2N1
Les Industries Beco Ltee/ Beco Industries Ltd	Anjou	Quebec	H1J 2H8
Les Jeans Parasuco inc. Parasuco Jeans Inc.	Saint-Laurent	Quebec	H4N 1V8
Levi Strauss & Co. (Canada) Inc., Levi Strauss & Cie (Canada)	Toronto	Ontario	M9W 5Y1
Linencorp Inc	Saint-Laurent	Quebec	H4T 4L6
Literies Universelles Paga Inc .	Saint-Laurent	Quebec	H4T 1E5
Manufacture De Bas Culottes La Mour Inc	Montréal	Quebec	H2N 1A4
Marina Textiles Inc	Mississauga	Ontario	L5L 5Y7
Mcgregor Industries Inc.	Toronto	Ontario	M5A 1A4
Namtex (Canada) Inc	Toronto	Ontario	M1V 2P9
Nike Canada Corp	Thornhill	Ontario	L3T 7P6
O K Kids	Saint-Laurent	Quebec	H4N 1R4
Old Navy (Canada) Inc.	Albuquerque	New Mexico	
Premium Uniforms, Hamida Textiles	Toronto	Ontario	M8Z 1J5
Quiksilver Canada Corp.	North Vancouver	British Columbia	V7P 3T7
Ralph Lauren Corporation	New York	New York	
Rilora knitting inc. / tricot rilora inc.	Montréal	Quebec	H1E 7C5
Roadrunner Apparel Inc.	Lachine	Quebec	H8T 1X1
Rudsak Inc.	Montréal	Quebec	H2N 1M9
Semaka Holdings Ltd	Edmonton	Alberta	T6R 1H4
Springs Canada, Inc	Mississauga	Ontario	L5R 3T4
Standard Textile Co., Inc.	Cincinnati	Ohio	
Superior Glove Works Limited	Acton	Ontario	L7J 1S1
Target Canada Co.	Mississauga	Ontario	L4W 0C4
The Children's Place (Canada) L P	Mississauga	Ontario	L5R 4J2
Triluxe Fashion Distributors Inc	North York	Ontario	M6B 1P8
True North Distributors Ltd	Sarnia	Ontario	N7T 7J7
United Importers Inc	North York	Ontario	M9M 2Z8
Wal-Mart Canada Corp/La Compagnie Wal-Mart Du Canada	Mississauga	Ontario	L5N 1P9
Watson Gloves	Burnaby	British Columbia	V5J 0A4
Williamson-Dickie Canada Company	Mississauga	Ontario	L5N 2W3
Winners Division of Winners Merchants Int. LP.	Mississauga	Ontario	L4V 1Y2
YM Inc. (Sales)	North York	Ontario	M6A 2W1
Zara Canada Inc	Montréal	Quebec	H3B 4G7