



TEXTILE AND CLOTHING SECTOR IN DENMARK: BOOSTING PAKISTANI EXPORTS

December 2022



**Embassy of Pakistan
Copenhagen**

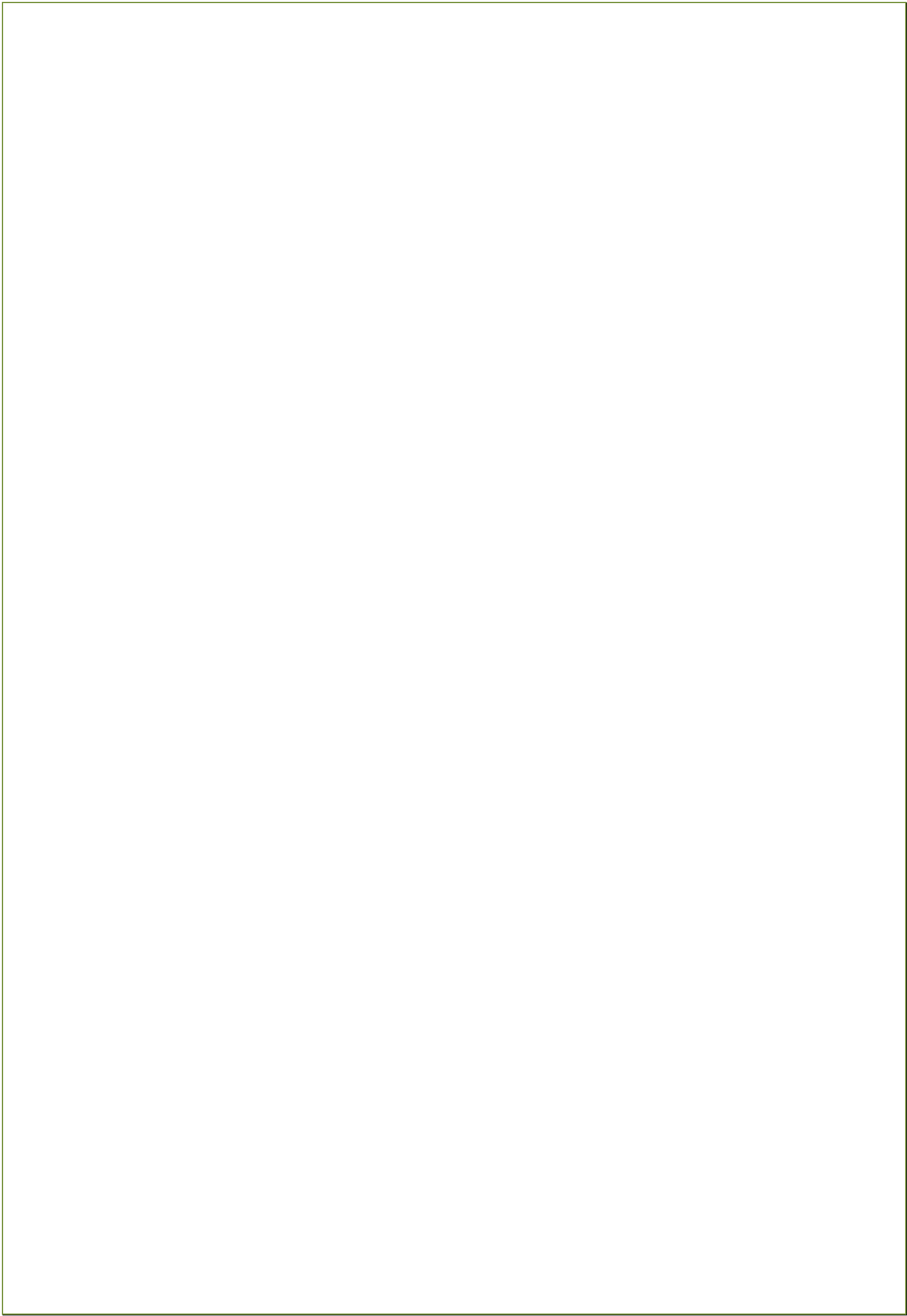


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FOREWORD

This is the second in the series of sectoral reports on the textiles and apparel sector of Denmark which has been prepared by the Pakistan Embassy in Copenhagen. The first report that was published in December 2020, provided important insights into the Danish textiles and apparel sector and how Pakistani exporters could increase their exports to Denmark. The second report is an effort to share continued feedback with our authorities, business and trade associations and the industry about the evolving trends in this sector in Denmark as well as new issues that have come up during this period.



Relations between Denmark and Pakistan have continued to progress 2021 was a very good year as the support which Pakistan provided for the evacuation of the Danish Embassy personnel and other persons from Afghanistan to Denmark in the wake of the Taliban takeover of Kabul in August 2021 created tremendous goodwill for Pakistan in Denmark. This support is acknowledged across the society be it politicians, civil servants, businesspersons, and common citizens. This moment therefore provides an excellent opportunity for Pakistan to promote economic linkages with Denmark.

Textiles and apparels continued to be Pakistan's largest exports to Denmark and the European Union during this period. The GSP+ status granted by the European Union is instrumental for keeping our exports to the EU competitive. Despite the Covid-19 pandemic, our exports to Denmark and the EU registered a historic growth. While the reasons for that require a thorough study of the textiles trade across all the EU countries, the increase of our exports to this region can be attributed to supply chain factors, especially the higher impact of Covid on our main competitors India and Bangladesh as well as increased export capacity due to the investments made by our industry in recent times.

The increased emphasis on reducing the impact of the textiles and apparels industry on the environment is leading to significant changes both in the consumer behavior as well as the introduction of new regulations. The EU is at the forefront of these new regulations and has introduced a new EU Textiles Policy in March 2022 which will be implemented by 2030. The new policy is aimed at increasing the circularity of the garments industry and reducing its impact on the environment by creating more sustainable products and improving energy efficiency. It is important, therefore, for our exporters to keep track of these new developments and make the necessary adjustments.

Textiles and apparels are likely to continue to be the bulk of our total exports to Denmark and has the greatest potential for increase. Therefore, this sector will continue to be the key focus of the Embassy's work. However, as mentioned in the previous report, the role of the Embassy is mainly a bridge builder and facilitator for the private sector through establishment of contacts with their counterparts and provision of market insights that would help Pakistani exporters to increase their business in this country. We also look forward to the feedback and guidance from our stakeholders for further improving this work. I hope that this small effort would contribute to the overall objective of advancing Pakistan's economic interests and help in development, job creation and poverty alleviation.

Ahmad Farooq
Ambassador of Pakistan
December 2022

EXECUTIVE SUMMARY

The Textile and Clothing sector is the largest sector for Pakistani exports globally and the EU. In Denmark too, textile and clothing constitute the major share of Pakistani exports to the country. Over the years the volume of textile and clothing-based exports to Denmark has been consistently increasing. However, despite the overall size of the Danish market of imports about USD 3 billion annually, there is room for significant improvement.

The report begins with an overview of Denmark's key economic indicators, its consumers spending behaviour and external trade. It then provides an analysis of the Pakistan's bilateral trade with Denmark. The next section covers the Danish textiles market and the current consumer and market trends. The following section then analyzes Pakistan's textile and clothing exports to Denmark in detail and provides a its comparison with the main competitor countries. Finally, the report has a list of recommendations for assisting our policy makers and the industry on the steps for enhancing our exports as well as tackle upcoming new developments and challenges.

Overall Pakistan is ranked 5th in terms of the total exports of textiles and apparels products to Denmark. The Pakistani exports are focused on three segments, HS Codes 61 (apparel knits), 62 (apparels excluding knits), and 63 (home textiles) that constituted 83.8 percent of our exports to Denmark in 2021. Within these, 6302 (Bedlinen, table linen, toilet linen etc.) and 6203 (Men's or boy's suits, ensembles etc.) continue to be the top performers and constitute almost 2/3rd of our exports. Pakistan is lagging behind its Asian competitors (China, India, Bangladesh etc.) especially in knitted textiles (HS-Code 61) and has a very small share of the women's wear segment which is the largest market segment. In home textiles (HS-Code 63) Pakistan is doing quite well. In this regard this report contains a Case Study (**Annex-IV**) comparing Pakistan's exports with that of Bangladesh which is also exporting the same categories of items as Pakistan.

From the perspective of our exporters the most important development is the launching of the **European Union's Textile Policy** on 30 March 2022. The objective of this policy is to set standards for EU importers for reducing impacts of the products they import on the environment. This includes increased use of recycled materials in the products, discouragement of fast fashion trends, making clothes more durable as well as other CSR requirements. These new regulations would start entering into force from 2024 and will become fully implementable by 2030. The impact of these new regulations for the exporters would include the need for modifying the production processes as well as possible reduction in overall volumes as more durable clothes would require less replacement. Details of these new regulations are available in **Annex-I** of this report. In order to comply with the new EU regulations, the Danish Environment Agency has facilitated an agreement between the top 10 Danish textiles importers which will have significant impact on the exporters. Details of this agreement are available in **Annex-II**. Our industry and the government authorities have a very short period to comply with these new regulations. Any laxity on this issue could be a major blow for the country.

Branding has to become a key aspect of promoting Pakistan's textiles and apparels industry. There are several features of this exercise which include: i) branding of the country and the industry; ii) compliance with environmental regulations (EU and others); and iii) compliance with labour and CSR requirements. This would require coordination between the Government and the industry. In Bangladesh this effort is industry led, being primarily handled by the Bangladesh Garments Manufacturers and Exporters Association (BGMEA). So far the focus of our various industry related bodies such as APTMA is on the domestic challenges being faced by the industry. The BGMEA

is undertaking major initiatives for branding of Bangladesh's garment industry and particularly on how they are working to comply with global environmental and CSR requirements. Further details about BGMEA activities can be seen at **Annex-III**.

Over the last two years, the Mission has continued to reach out to major Danish importers to get their feedback about Pakistani exporters. An important issue which has been mentioned is the need for Pakistani exporters to focus more on the more complex products range that require greater skills and technology, which is being done by our main competitors. The mission has also received complaints from Danish importers where the Pakistani exporters did not comply with the agreed quality standards. In one particular case, the Mission succeeded in getting the issue resolved and the exporter compensated the importer. However, such disputes harm the reputation of the country and it is therefore important that efficient dispute settlement mechanisms are created in Pakistan where such issues could be resolved. It is also important that in case exporters are found guilty, some sanctions are imposed on them to create deterrence for others.

The list of recommendations at the end are aimed at policy measures as well as on the actions which the exporters can individually take for enhancing their exports to Denmark.

The report is a combination of desk research and field research, through interviews and meetings carried out with Danish associations as well as with Pakistani entrepreneurs so as to understand and learn the demands of the Danish market and recommend a strategic approach to Pakistani exporters and Pakistan's export trade agencies. Although care has been taken to ensure accuracy, completeness and reliability of the information provided, the Embassy of Pakistan in Denmark assumes no legal liability for information and recommendations provided by the local entrepreneurs and/or stakeholders.

I. KINGDOM OF DENMARK: AN OVERVIEW



Denmark is member of the European Union but is not in the eurozone meaning that it has retained its own currency the Danish Kroner (DKK). The current exchange rate is 1 USD = 7.53 DKK (approx.).

Denmark has a population of 5,913,538 (As of August 2022) inhabitants (source: StatBank Denmark), a total area of 42,938 sq. km and a coastline of 8,750 km.

Denmark ranks 4th in the Ease of Doing Business Rank according to the World Bank survey 2019, which means that the regulatory environment is more conducive to the starting and operation of a local firm. It is 1st in the ranking of economies on the Ease of Trading across Borders.

This thoroughly modern market economy features advanced industry with world-leading firms in pharmaceuticals, maritime shipping, renewable energy, life sciences and a high-tech agricultural sector.

Danes enjoy a high standard of living, and the Danish economy is characterized by extensive government welfare measures and an equitable distribution of income. In Denmark, the average household net-adjusted disposable income per capita is USD 33,774 a year, more than the OECD average of USD 30,490 a year. The per capita income of Denmark is USD 65,312 in 2022 and is expected to grow to USD 66,393 in 2023¹.

The Danish economy recovered quickly from the COVID-19 crisis. Rapid action to support firms and households contained the economic contraction to one of the mildest in Europe, while fast vaccine rollout enabled the removal of shutdown restrictions and an early reopening.² Denmark's National Bank assesses that the war in Ukraine will reduce GDP growth by approximately 1 percentage point and increase inflation by about 2 percentage points this year. In a new projection for the Danish economy, the National Bank concludes that, following gross domestic product growth of 4.1 per cent in 2021, GDP is expected to rise by 2.1 per cent this year and next year and by 1.7 per cent in 2024.³

¹ <https://www.statista.com/statistics/318343/gross-domestic-product-gdp-per-capita-in-denmark/>

² <https://www.oecd-ilibrary.org/sites/1a287ff8-en/index.html?itemId=/content/component/1a287ff8-en>

³ <https://www.nationalbanken.dk/en/pressroom/Pages/2022/03/DNN202224968.aspx>

II. EXTERNAL TRADE OF DENMARK

Denmark's small open economy is highly dependent on foreign trade, and the government strongly supports trade liberalization. Denmark is a net exporter of food, oil, and gas and enjoys a comfortable balance of payments surplus but depends on imports of raw materials for the manufacturing sector.

In the period after 2008, the development in imports and exports of goods and services has resulted in large surpluses. In 2021, it resulted in a surplus of DKK 179 billion on external trade.

Pharmaceuticals, windmill parts, oil, mink fur and food are among the largest trade groups with regard to the export of goods; and pharmaceuticals, oil, cars and electronics with regard to imports. Trade in services has been increasing in recent decades. In 1990, exports of services amounted to 28 per cent of total exports of goods and services, while this share rose to 40% in 2021. See table-1:

Table-1

Source: Statistics Denmark, Denmark in figures 2021

<i>All stats in DKK million</i>	2017	2018	2019	2020	2021
Gross domestic product	2193	2253.6	2335	2 329	2504.2
Imports of goods and services	1050.5	1136.1	1190.2	1128	1315.2
Import of goods	650.8	692.7	701.2	675	814.4
Import of services	399.7	443.4	489	453	500.8
Exports of goods and services	1207.8	1268.6	1361.8	1278	1494
Export of goods	733.4	754	804.7	780	893.4
Export of services	474.5	514.7	557.1	498	600.5

Denmark's international trade is attributed to many different countries inside as well as outside the EU and comprises trade in goods as well as trade in services. The most important trading partners for Denmark are Germany, Sweden, Netherlands, China, UK and the US.

MAIN EXPORT COMMODITIES

Wind turbines, pharmaceuticals, machinery and instruments, meat and meat products, dairy products, fish, furniture and design

MAIN IMPORT COMMODITIES

Machinery and equipment, raw materials and semi-manufactures for industry, chemicals, grain and foodstuffs, consumer goods

The table-2 and 3 below shows the top 10 importing and exporting partners respectively of Denmark in 2021.

Top 10 importing countries for Denmark in 2021 (USD 1000)		
	World	121,784,026
1.	Germany	25,133,194
2.	Sweden	15,384,759
3.	Netherlands	10,029,830
4.	China	9,802,666
5.	Poland	5,338,772
6.	Norway	4,666,779
7.	United States of America	4,411,518
8.	Italy	4,116,626
9.	Belgium	3,914,767
10.	France	3,597,527

Table-2

Source: Trade Map www.trademap.org

Top 10 exporting countries for Denmark in 2021 (USD 1000)		
	World	125,014,614
1.	Special categories	22,800,441
2.	Germany	16,167,690
3.	Sweden	11,630,394
4.	Norway	7,165,777
5.	United Kingdom	6,285,190
6.	United States of America	5,921,059
7.	Netherlands	5,873,941
8.	China	4,366,826
9.	Poland	4,199,370
10.	France	3,750,341

Table-3

Source: Trade Map www.trademap.org

III. BILATERAL TRADE BETWEEN PAKISTAN AND SCANDINAVIAN REGION

This part of the report provides an overview of the bilateral trade between Scandinavia and Pakistan. EU is Pakistan's largest export market representing over 30% of its total exports. In the financial year 2021-22 Pakistan's total exports to the world exceeded US\$ 32 billion (source: State Bank of Pakistan). In the Scandinavian region, Denmark represents the main largest export market for Pakistan. Pakistan's total exports to Denmark in the financial years 2018, 2019 2020, 2021 and 2022 increased in a steady way as shown in the table-4 below, reaching in 2022 a value of US\$ 294 million. It can be observed that Pakistani exports to Denmark registered a +22.5% increase between FY 2021 and 2022, which is a significant increase considering that in the previous period (2020-2021) our exports had also registered an increase of 22.4%.

Table-4
Exports to Scandinavian Region

TERRITORY/ COUNTRY	July-June (Millions US \$)				
	FY18	FY19	FY20	FY21	FY22
Denmark	178.225	187.291	196.492	240.894	294.503
Finland	28.995	24.315	28.249	28.283	30.594
Norway	48.751	58.993	54.486	55.791	58.622
Sweden	159.937	147.375	128.586	188.502	192.235

Source: S.B.P., Statistics and Data Warehouse Department

Pakistan's imports from Denmark steadily declined over the period 2017-18 to 2019-20. These have, however, picked up during 2020-21 and 2021-22. This may be linked to the increase of tariff by Pakistan on a number of products that Denmark was traditionally exporting to Pakistan. As shown in the table-5 below, Sweden continues to be Pakistan's main importing partner in the region, although the quantum of imports from that country has also reduced particularly there is a significant decline during 2021-22.

Table-5
Imports from Scandinavian Region

Territory/Country	(Millions US Dollar)				
	FY18	FY19	FY20	FY21	FY22 (P) Jul-Dec
Denmark	213.211	80.428	80.890	82.356	89.877
Finland	102.413	56.506	59.414	73.039	101.145
Norway	48.520	22.799	16.567	23.821	41.585
Sweden	398.458	322.103	242.015	301.405	248.798

Source: S.B.P., Statistics and Data Warehouse Department

IV. OVERVIEW OF DENMARK'S TEXTILE AND CLOTHING SECTOR

In 2021, everyday life returned in many ways for the Danish fashion and textile companies. The Danish fashion industry realized a record-breaking turnover of DKK 47.3 billion. DKK, of which exports amounted to DKK 33.5 billion. kroner, which is also the highest level ever.⁴

The textile and clothing industry of Denmark consists broadly of textile suppliers, clothing production companies, clothing wholesalers and retailers. Denmark is both an importer and exporter of textile products. Textiles and clothing industry is the fourth largest export business of Denmark. The industry is dominated by a few major companies having several brands that both import and export textile products. This is explained below.

Over the years the Danish fashion and textiles industry has evolved from manufacturing to mainly designing in Denmark with production outsourced to developing countries. 99 percent of the production is outsourced. Small niche production is moving back to countries near or in Europe such as Poland, Ukraine and Morocco.

Danish Textile trade:

The Danish trade statistics for the main categories of textiles and apparel HS Codes relevant for Pakistan for the year 2019 and 2021 are shown in table-6:

Table-6

HS Code	Product	Imports 2019 (USD 1000)	Exports 2019 (USD 1000)	Imports 2020 (USD 1000)	Exports 2020 (USD 1000)	Imports 2021 (USD 1000)	Exports 2021 (USD 1000)
61	Articles of apparel and clothing accessories, knitted or crocheted	2,232,146	1,967,005	2,131,562	1,973,997	2,898,161	2,608,302
62	Articles of apparel and clothing accessories, not knitted or crocheted	2,647,515	2,527,242	2,551,606	2,398,726	2,788,303	2,747,813
63	Other made-up textile articles; sets; worn clothing and	517,288	379,551	705,713	418,747	689,688	444,308

⁴ Danish Fashion and Textile - Sustainability in the Danish fashion and textile industry 2021 available at: [file:///Users/ahmad/Downloads/baeredygtighed_rapport_2022%20\(2\).pdf](file:///Users/ahmad/Downloads/baeredygtighed_rapport_2022%20(2).pdf)

Total	5,396,949	4,873,798	5,388,881	4,791,470	6,376,152	5,800,423
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Source: Trade Map (www.trademap.org)

From the above table it can be observed that overall the quantum of Denmark's trade in these categories has increased. However, individually the trade volumes have increased in 61 and 62 and have remained stable in 63. Once again Denmark has exported 90 percent of what it imported with the exports going mainly to its neighbours and the EU countries Germany, Sweden, Netherlands, Norway, Great Britain, France, Finland, Italy, Spain and Belgium. The main sourcing countries include China, Bangladesh, Turkey, India, Cambodia, Pakistan, Romania, Poland and Portugal.

Danish Companies/Brands:

The largest importers of textile and clothing products in Denmark include the hypermarkets (Salling Group and Coop), multi-brand wholesalers (Bestsellers, Jysk, BTX Group, DK Company etc.) and chain stores retailers (Dress Partner, Eksperto, Kaufman, Drommeland etc.). The hypermarkets own a number of supermarket stores such as Salling Group owns Fotex and Bilka while Coop owns Irma, Coop, Super Brugsen etc. (Table-6)

Table-7

Whole sellers	Chain Store Retailers	Others
Bestseller	Drommeland	DP Stores
JYSK	Bahne	
BTX Group	Deres	Webshops
IC Group	Kaufman	
DK Company	Dressman	Hypermarkets
Ege	Samsoe & Samsoe	
Mascot	Tojeksperten	Manufacturers
Kwintet Kansas	Wagner	
Kvadrat	Noa Noa	Agents/Distributors
Gabriel	Day Birger Mikkelsen	

Source: Danish Fashion and Textile

Consumer trends:

The household consumption expenditure on clothing in Denmark from 2011 to 2021 (in million euros) is shown in the chart-1 below. This indicates that there was a dip in 2020 which can be attributed to Covid-19 pandemic. However, the trend is completely reversed in 2021 and is expected to continue in the future.

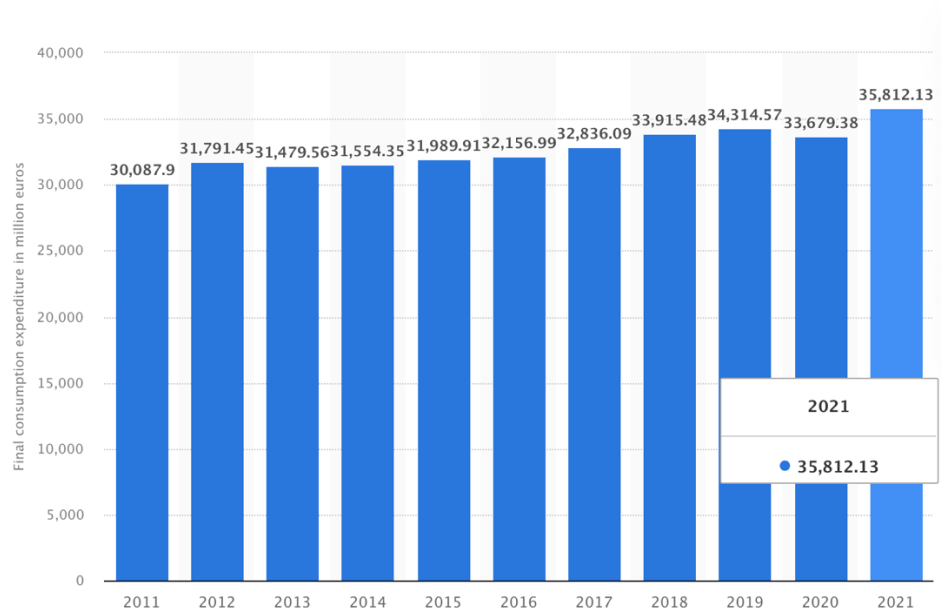


Chart-1

<https://www.statista.com/statistics/575239/clothing-consumption-expenditure-denmark/>

The chart-2 below shows the segregated consumption of children, men and women apparel in Denmark from 2014 to 2026. It can be seen that women's apparel is the largest segment of the market and is expected to increase in size more as compared to children and men.

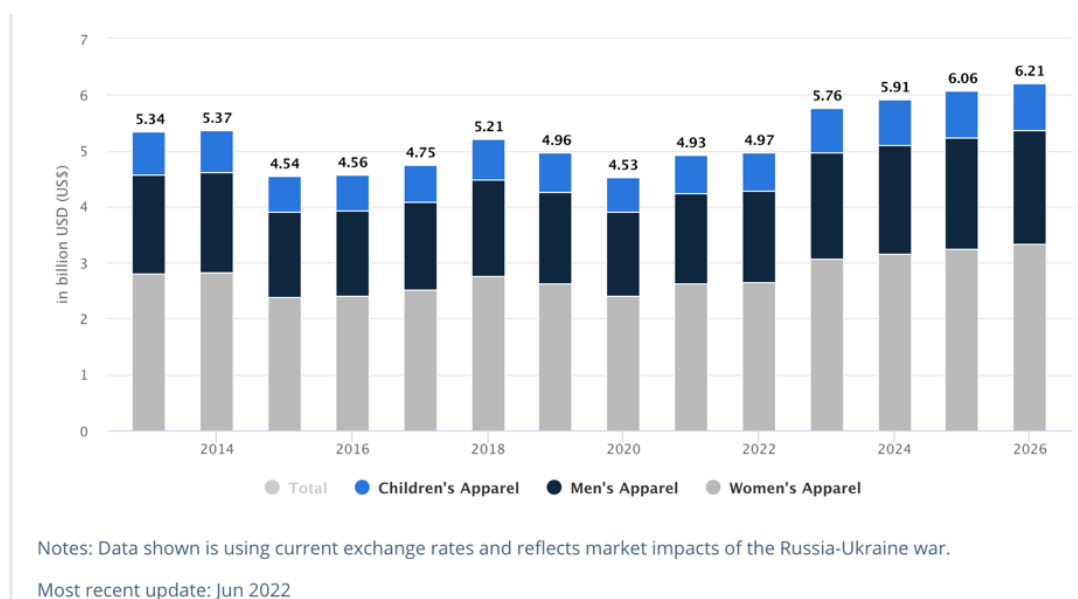


Chart-2

Current consumer trends in Danish textile and clothing:

The key attributes of the Danish textiles sector are as follows:

Online Shopping:

- i. Online shopping which registered substantial rise during the Corona Pandemic, continues to show an upward trajectory. It has seen a total increase of 30 percent since 2019, but several international experts have pointed out that e-commerce needs to get used to much lower growth curves than before. During the first half of 2022, sales reached DKK 92.7 billion kroner, a marginal decrease of 1 percent compared to the first half of 2021, which was still characterized by corona trade patterns and closed shops.⁵
- ii. With the rampant inflation in mind, this is a real drop, and the Danish online shops are particularly feeling the development, as 29 percent of Danes' online consumption took place abroad, compared to 26 percent in the first half of 2021.

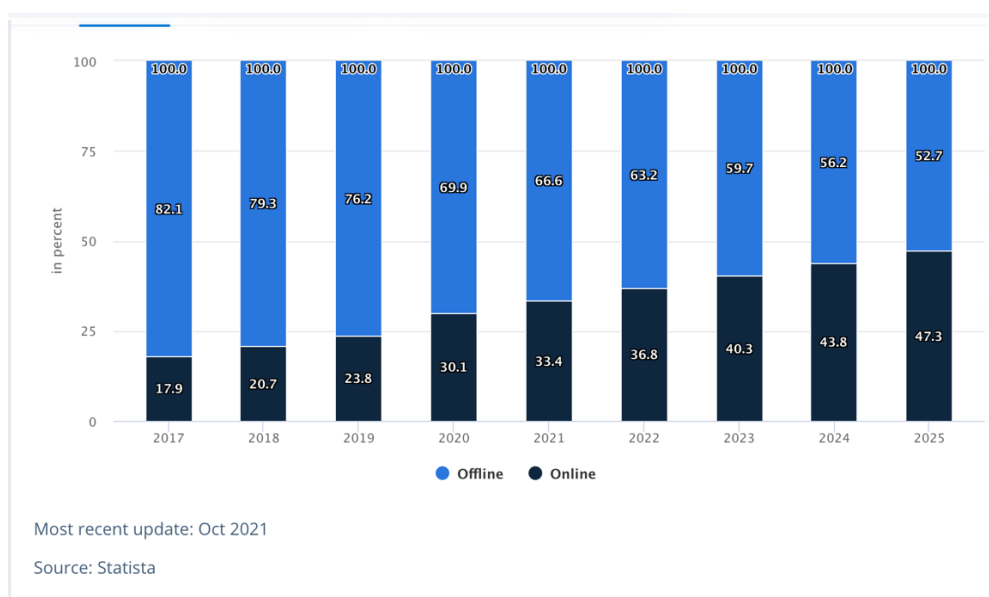


Chart-3

Impact of costly logistics

- iii. The increase in the freight costs as well as the uncertainty in delivery times has become an important challenge for textiles business. In many cases, logistics play a decisive factor in whether a company can adapt quickly enough to meet the new demands made by the consumer, and whether it will be successful in the long run or not.⁶

Consumer preference for sustainability:

- iv. According to a survey conducted by Danish Fashion and Textiles (DM&T), 65.4 percent of Danes believe that they need more information on how they can contribute to sustainable clothing consumption.
- v. There are several areas that consumers already give high priority including, 60.7 percent answer that they would like to take better care of their clothes so that they can be used for

⁵ <https://www.dmogt.dk/branchenyt/danskernes-e-handel-falder-men-onlineforbruget-paa-mode-vokser>

⁶ <https://www.dmogt.dk/branchenyt/logistik-ekspert-hans-elmegaard-logistikken-bliver-aldrig-som-foer-men-det-er-rigtig-godt>

longer. 52.6 percent would like to pay more for quality clothing, while 42 percent say they would like to buy fewer pieces of clothing.

- vi. Buying recycled clothes is also on the rise. A third of consumers have bought recycled or second-hand during the past year, while 38.6 percent say they will do so. This proves that there are opportunities when it comes to new business models with a focus on resale.⁷
- vii. Due to higher consumer preference on sustainability the industry is also prioritizing sustainability highly, perhaps even more so than last year. They mention it as essential for commercial success, and compared to 2020, several of the respondents have a dedicated person to work with CSR and sustainability.⁸

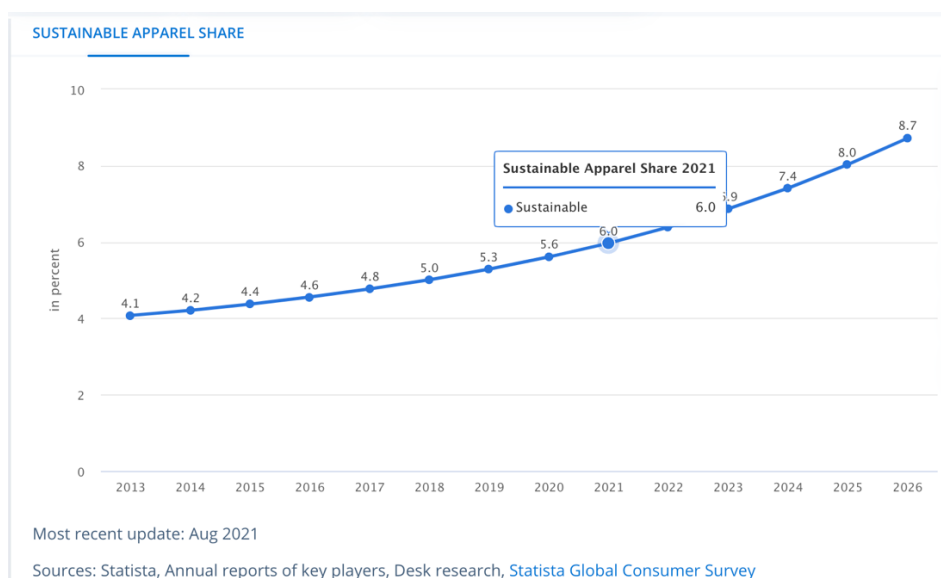


Chart-4

Market Trends:

- viii. Denmark has a leading market position within children's fashion and has a number of children's clothing designers. Scandinavian children's wear tends to be more trendy or innovative than in other European countries. The success of the Danish children's wear market reflects the amount of money spent on children's clothing by families, who are spending an increasing amount of disposable income on children.
- ix. According to Denmark Statistics, a household of two adults without children spends approximately USD2,400 on clothing, while a household with at least one child spends approximately USD 4,200 per year.
- x. Following the greater trend for men's cosmetics and fashion, men are also spending a greater proportion of their income on clothing.
- xi. The demand for organic clothing, which is in high demand for women's and men's wear but most of all for children's fashion.
- xii. Danes are known for being quite fashionable and purchase new clothes frequently. For everyday wear, Danes are casually dressed, but they dress up for special occasions and for

⁷ <https://www.dmogt.dk/branchenyt/forstaa-forbrugerne-og-hjaelp-dem-til-et-baeredygtigt-toejforbrug>

⁸ Danish Fashion and Textile - Sustainability in the Danish fashion and textile industry 2021 available at: [file:///Users/ahmad/Downloads/baeredygtighed_rapport_2022%20\(2\).pdf](file:///Users/ahmad/Downloads/baeredygtighed_rapport_2022%20(2).pdf)

going out to restaurants and bars. Danish consumers are less likely to purchase clothing from catalogues or online (although the use of e-commerce has recently increased in the country). They prefer to see and try the clothing first.

- xiii. Denmark enjoys a strong design reputation. However, Danish designers do not occupy the highest rungs of the fashion industry (like Italy or France) and do not compete with well-known international luxury brands. The Danish clothing industry excels at retailing and creating mid-priced clothing.
- xiv. Denmark applies the ‘sourcing from own design (SOD) model’ where design and branding are from Denmark, but procurement, cutting, sewing, trimming, logistics are outsourced. Danish wholesalers import ready-made garments and clothing manufactured according to given design specifications. These will typically have international brands as well as their own branded clothing.
- xv. Being part of the EU, Danish textile importers, which import from Pakistan can benefit from the GSP+, so zero duty is applied on those imported items and in Denmark. The value-added tax (VAT) in Denmark is fixed for all clothing and textile products at 25%.
- xvi. It is essential to consider that in Denmark there are several legislations regarding clothing, like⁹:
 - The amount of nickel in buttons, zippers etc. is regulated.
 - Chemicals that are dangerous to health are not allowed in the manufacture of garments.
 - The materials/fibres used for the product must be declared on the garment in Danish.

⁹ For further details about the Danish laws please see: <https://danishbusinessauthority.dk/general-rules>

V. EUROPEAN UNION TEXTILE STRATEGY:

In March 2022, the European Union approved the EU Strategy for Sustainable and Circular Textiles. The purpose of the textile strategy is to ensure that the industry remains competitive in a global market with scarce resources and increased consumer demand for sustainable products, and the strategy must ensure that products in the EU become more circular, sustainable and energy efficient. The strategy defines a vision for the European fashion and textile industry and for textile consumption in the EU, which means that in 2030 all textile products marketed in the EU must be:

- a. durable, repairable and reusable
- b. largely made from recycled fibres
- c. free of hazardous substances
- d. be produced under proper conditions in relation to social rights
- e. In addition, the strategy contains a very direct criticism of fast fashion and expresses a clear desire to fight fast fashion, overproduction and overconsumption.

Increased restrictions on greenwashing and claims on textiles and clothing regarding their sustainable properties. The details are described in the initiative on 'Empowering Consumers for the Green Transition'. Consumers must, among other things, have information about the product's lifespan and repair options at the point of sale. In addition, the Commission will also launch a 'Green Claims Initiative', which will come during 2022. Details of the EU Textiles Policy can be seen at **Annex-I**.

These new regulations will start entering into force from 1 January 2024 and will have significant impact for our textiles exports to Denmark and the European Union. Compliance would involve the redesigning of the industrial processes that would require new machinery as well as training of the workforce. The new regulations will also place a lot of reporting requirements for our exporters with regards to their compliance with these regulations which would require specific training of human resource in Pakistan to prepare these reports.

It is, therefore, important that our relevant government agencies including the Ministry of Commerce, and TDAP as well as all the industry associations immediately start preparing the industry for these changes.

Cooperation Agreement among Danish Companies:

In order to implement the EU Strategy the Danish Environmental Protection Agency facilitated an agreement among 10 Danish textiles and apparel companies under which the textile industry has committed itself to a number of common climate goals, which must reduce the industry's overall climate and environmental footprint by 2030. The companies include AIAYU, Bestseller, DK-Company, Salling Group, Ganni, JYSK, Dansk Wilton, Mammut Hoffmann, Trendsales, and Green Cotton. It also include three industry associations, Dansk Mode & Textil, Wear/Dansk Erhverv, and Lifestyle & Design Cluster

Under the agreement the companies have committed to, among other things, a number of objectives.

- At least 40 percent of all clothing and textiles must consist of recycled material by 2030.
- Clothes must be designed so that they can be used again and again.
- And a larger part of the turnover on clothes in Denmark must come from recycling.

Details of the agreement can be seen at **Annex-II**.

VI. ANALYSIS OF PAKISTAN'S TEXTILES EXPORTS TO DENMARK

Analysis of Pakistani exports:

Table-8 below gives breakdown of the export of the top 10 Pakistan products to Denmark in 2021 as per the database maintained by Trade Map.

Table-8

HS Code	Product Label	Value Imported from Pakistan USD 1000	Annual growth in value between 2017-2021, %, p.a.	Share in Denmark's imports, %	Share of Pakistan's exports to Denmark %
'62	Articles of apparel and clothing accessories, not knitted or crocheted	97,466	17	3	35.7
'63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	75,076	8	11	27.5
'61	Articles of apparel and clothing accessories, knitted or crocheted	56,228	23	2	20.6
'95	Toys, games and sports requisites; parts and accessories thereof	14,306	4	1	5.2
'42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	9,847	-2	2	3.6
'10	Cereals	4,860	6	3	1.8
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	2,569	17	0	0.94
'52	Cotton	2,146	27	4	0.78
'64	Footwear, gaiters and the like; parts of such articles	1,516	24	0	0.55
'13	Lac; gums, resins and other vegetable saps and extracts	1,410	-8	1	0.51

The table-9 below indicates the breakdown of the top 15 Pakistani exported goods to Denmark (HS 4 digit) in the years 2017-2021 (January-December).

Table-9

HS Code	Product Label	Value in 2021, USD thousand	Annual growth in value between 2017-2021, %, p.a.	Share in Denmark's imports, %	TOP PERFORMERS
'6302	Bedlinen, table linen, toilet linen and kitchen linen of all types of textile materials (excluding ...	72948	7	39	
'6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches ...	72572	24	11	
'6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, ...	19173	-1	2	
'6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted (excluding ...	16158	12	2	
'9506	Articles and equipment for general physical exercise, gymnastics, athletics, other sports, ...	14222	4	4	
'6116	Gloves, mittens and mitts, knitted or crocheted (excluding for babies)	9042	13	19	
'4203	Articles of apparel and clothing accessories, of leather or composition leather (excluding ...	8811	-2	12	
'6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches ...	8079	55	6	
'6109	T-shirts, singlets and other vests, knitted or crocheted	8001	24	2	
'6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, ...	6921	59	2	
'1006	Rice	4860	6	9	
'6105	Men's or boys' shirts, knitted or crocheted (excluding nightshirts, T-shirts, singlets and ...	2878	40	4	
'6115	Pantyhose, tights, stockings, socks and other hosiery, incl. graduated compression hosiery ...	2557	16	2	
'9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, incl. ...	2540	17	0	
'5208	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ²	1741	34	10	
'6211	Tracksuits, ski suits, swimwear and other garments, n.e.s. (excluding knitted or crocheted)	1624	38	2	

Source: www.trademap.org

*Rows in red indicate those products where exports have declined over the period under consideration

From the table above, the following can be observed:

- i. The main traded items (in terms of value) are textile goods and apparel. The top 3 items in the category of textiles and apparels continue to constitute the bulk of Pakistani exports to Denmark. The total share of these three categories is 83.8 percent in 2021 which was 82.6 percent in the previous report (table-8).
- ii. The overall growth in the textiles sector in these three categories since the last report in 2019 is 43 percent (US\$ 159 million in 2019 and US\$ 228 in 2021), which is remarkable.
- iii. The HS code 6302 (Bedlinen, table linen, toilet linen and kitchen linen of all types of textile materials) is on top of exported goods from Pakistan to the Danish market; At US\$ 72.9 million Pakistan has a 39 percent share of the Danish market which is the highest for any exporter. This is a 50 percent growth in the last two years (from USD 48.4 million in 2019 to US\$ 72.9 in 2021).
- iv. HS code 6203 Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches etc. has declined a bit from the previous report (US\$ 79.3 in 2019 and US\$ 72.5 in 2021). However, if we look at the overall growth in this category over the last five years it stands at 24 percent and Pakistan has a 11 percent market share.
- v. As in the previous period men's wear dominates the apparel items as compared to the women's apparel (i.e. HS 6203, 6103, 6109, 6105 etc). However, it is encouraging that some of the Women's items in particular HS code 6104 Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers etc. has shown a growth of 59 percent over the last five years. However, it still constitutes a very small 6 percent of Danish market share and there is a lot of room for improvement.
- vi. Technical textiles HS code 6211 (technical sports' wear tracksuits, swimwear and other garments) has grown from US\$ 309 thousands in 2019 to US\$ 1.6 million in 2021, a growth of 433 percent. However, it still constitutes just 2 percent of the Danish market share.

Competitors' Analysis:

The table-10 below includes shows the top 10 exporters of apparel and textiles to Denmark for 2021. China is at number one followed by Bangladesh, Türkiye, India and Pakistan at number five. However, what is striking in this table is the huge difference between Bangladesh and Pakistan of almost 1:4. Like Pakistan, Bangladesh enjoys customs duty benefits that make their products more attractive to Danish buyers from a cost perspective. Although India has no duty or quota measures, it has built a self-reliant industry with a complete value chain from the procurement of all kind of raw material to the production of finished goods.

Table-10

Country	HS Codes of major textiles items			Value imported in 2021 (USD thousand)
	61	62	63	
China	614,484	764,968	157,168	1,536,620
Bangladesh	635,424	322,931	12,371	970,726
Türkiye	233,167	221,864	26,456	481,487
India	82,688	161,344	67,573	311,605
Pakistan	56,228	97,466	75,076	228,770
Myanmar	22,941	92,991	726	116,658
Cambodia	47,199	47,983		95,182
Viet Nam	13,338	43,592	4,192	61,122

A case study comparing the exports of Bangladesh and Pakistan is at Annex-IV which gives detailed analysis of the various categories being exported by the two countries.

A further breakdown of these three categories is given below:

Apparels Knitted (HS Code 61):

The Table-11 below shows the status of countries that supply knitted textiles to Denmark. As can be observed that, Pakistan does not figure in the top 10 exporters to Denmark and is in fact at number 11. Pakistan's total exports during 2021 was US\$ 56,228 million. Bangladesh exported US\$ 635,424 million which is almost **twelve times** the total Pakistani textiles exports in this category to Denmark. However, what is positive is that Pakistan's exports in the period 2017-2021 have grown by 23 percent and from 2019 have increased by 96 percent and that Pakistan has risen from 16 in 2019 to 11 in 2021. It would be important to continue maintaining this positive trajectory.

Table-11

List of supplying markets for the product imported by Denmark in 2021
Product: 61 Articles of apparel and clothing accessories, knitted or crocheted

Exporters	Value imported in 2021 (USD thousand)	Share in Denmark's imports (%)	Growth in imported value between 2017-2021 (% p.a.)	Growth in imported value between 2020-2021 (% p.a.)	Ranking of partner countries in world exports	Share of partner countries in world exports (%)
World	2,898,161	100	6	34		100
Bangladesh	635,424	21.9	6	45	2	9.3
China	614,484	21.2	2	35	1	31.9
Türkiye	233,167	8	5	32	6	4
Germany	226,441	7.8	-4	15	4	4.7
Sweden	214,693	7.4	17	40	29	0.5
Poland	161,119	5.6	66	31	13	2
Netherlands	97,853	3.4	-2	20	8	2.6
Ukraine	97,784	3.4	44	273	69	0.05
Italy	89,749	3.1	5	31	5	4.1
India	82,688	2.9	3	49	7	2.9
Pakistan	56,228	1.9	23	72	14	1.7

Table-12

List of supplying markets for a product imported by Denmark Metadata
Product: 61 Articles of apparel and clothing accessories, knitted or crocheted

Exporters	Imported value in 2017	Imported value in 2018	Imported value in 2019	Imported value in 2020	Imported value in 2021
World	2117780	2352495	2235874	2157316	2898161
Bangladesh	454815	474644	480764	436899	635424
China	503949	556604	506569	456500	614484

Türkiye	179011	177804	166639	176654	233167
Germany	236436	273963	218002	196158	226441
Sweden	109557	124881	144951	152993	214693
Poland	25736	30540	72323	123319	161119
Netherlands	90391	118340	83384	81484	97853
Ukraine	14461	31192	25322	26221	97784
Italy	70134	70677	72396	68547	89749
India	66442	66155	60328	55621	82688
Pakistan	22947	24707	28572	32692	56228

Sources: ITC calculations based on [UN COMTRADE](#) statistics.

Apparels excluding knitted (HS Code 62):

In the category of apparel and clothing accessories (not knitted or crocheted) shown in Table 12 below, Pakistan is at number 9, up from number 10 in 2019. There has been a growth of 17 percent in Pakistan's exports to Denmark during the period 2017 to 2021 and 3 percent during the period 2020-2021. This is indeed a positive performance by our exporters which needs to be sustained.

Table-13

List of supplying markets for the product imported by Denmark in 2021
Product: 62 Articles of apparel and clothing accessories, not knitted or crocheted

	Value imported in 2021 (USD thousand)	Share in Denmark's imports (%)	Growth in imported value between 2017-2021 (% p.a.)	Growth in imported value between 2020-2021 (% p.a.)	Ranking of partner countries in world exports	Share of partner countries in world exports (%)
World	2788303	100	2	8		100
China	764968	27.4	0	3	1	30
Bangladesh	322931	11.6	9	28	2	8.3
Türkiye	221864	8	-1	2	7	3.2
Germany	210640	7.6	-4	8	5	5
Sweden	193481	6.9	16	37	26	0.7
Poland	188527	6.8	65	30	11	2.5
India	161344	5.8	0	7	8	3.1
Netherlands	109630	3.9	1	22	10	2.9
Pakistan	97466	3.5	17	3	14	1.5
Myanmar	92991	3.3	2	-14	19	1.1

Table-14

List of supplying markets for a product imported by Denmark Metadata Product: 62 Articles of apparel and clothing accessories, not knitted or crocheted					
Exporters	Imported value in 2017	Imported value in 2018	Imported value in 2019	Imported value in 2020	Imported value in 2021
World	2493279	2700300	2642924	2572796	2788303
China	769664	769649	711994	742009	764968
Bangladesh	217671	230068	241039	251833	322931
Türkiye	220797	251378	254773	217339	221864
Germany	222649	261364	205669	195771	210640
Sweden	101405	115113	148015	140968	193481
Poland	32079	34444	87076	144770	188527
India	155856	155805	173341	150911	161344
Netherlands	88725	119620	92616	90201	109630
Pakistan	54033	66581	84922	94402	97466
Myanmar	81991	117577	122426	107676	92991

Made-up Textiles (HS Code 63):

Pakistan continues to dominate in the made-up textiles category, shown in Table 13 below. There has been a growth of 8 percent during the period 2017-2021 and a growth of 40 percent during the period 2020-2021. Pakistan has a 10.9 percent share of the Danish market which has slightly declined from 11.3 percent in the previous report in 2019. However, if we maintain the growth achieved during the last two years our share of the market is expected to grow.

Table-15

List of supplying markets for the product imported by Denmark in 2021
Product: 63 Other made-up textile articles; sets; worn clothing and worn textile articles; rags

	Value imported in 2021 (USD thousand)	Share in Denmark's imports (%)	Growth in imported value between 2017-2021 (% p.a.)	Growth in imported value between 2020-2021 (% p.a.)	Ranking of partner countries in world exports	Share of partner countries in world exports (%)
World	689,688	100	11	-4		100
China	157,168	22.8	25	-36	1	46
Pakistan	75,076	10.9	8	40	3	6.1
Germany	71,174	10.3	5	-17	4	4.3
India	67,573	9.8	9	61	2	7.3
Poland	51,008	7.4	13	19	9	2
Sweden	49,570	7.2	5	11	25	0.4
Ukraine	34,097	4.9	19	31	37	0.2
Netherlands	31,375	4.5	11	18	8	2.1

Türkiye	26456	3.8	13	12	5	3.2
Romania	14408	2.1	23	26	20	0.6
Bangladesh	12371	1.8	9	55	11	1.6

Table-16

List of supplying markets for a product imported by Denmark Metadata
Product: 63 Other made-up textile articles; sets; worn clothing and worn textile articles; rags

Exporters	Imported value in 2017	Imported value in 2018	Imported value in 2019	Imported value in 2020	Imported value in 2021
World	475536	526836	518994	716988	689688
China	85370	90658	94641	247394	157168
Pakistan	52319	52724	58691	53592	75076
Germany	61315	72430	66894	85473	71174
India	40602	50214	51783	42043	67573
Poland	31696	32722	38539	42717	51008
Sweden	40430	42765	39544	44700	49570
Ukraine	16655	18539	20896	26019	34097
Netherlands	20507	22672	21904	26607	31375
Türkiye	15631	19091	18698	23633	26456
Romania	6304	7393	8620	11450	14408
Bangladesh	7237	9640	6226	7958	12371

VII. MARKET ASSESSMENT

Comments collected from Danish entrepreneurs importing from Pakistan:

The Mission also conducted an opinion survey of the major players in the Danish textiles market to gauge their experience of doing business with Pakistan and provide further insights to our exporters. The companies surveyed include big groups like Bestseller (which has 27 brands), Blend and BTX group. The responses to the following questions give important insights about the challenges we are facing and the measures that need to be taken to address them:

Q: According to your experience, what do you recommend to Pakistani exporting companies? What efforts the Pakistani companies should undertake to strengthen their business cooperation with your company?

- Ensure proper investments in technology and sustainable solutions.
- Ensure customer focus with reliable deliveries at the right time and in the right quality at the right price.
- Focus on observing CSR (Sustainability, human rights, chemical restrictions etc.), competitive terms of payments/credit lines, efficiency/shorter lead-times.
- Sustainable fabrics is a must in the future and actually already from now.
- Flexibility in order quantity, not many companies can send orders of 1000 pieces per collection.
- It needs to be safe to travel to Pakistan, especially when inspection of factories.

In addition, the Embassy also reached out to experts involved in the textiles business to glean more insights into the Danish textiles market. Following are the important points mentioned:

- Fashion trends are changing very quickly, and fast fashion is becoming an important category in the clothing business. This requires brands to come up with new collections at relatively short notices and for the suppliers to supply those orders. Very often, these designs are meant to last for only a single season and therefore, the size of the orders is not large. Therefore, this requires flexibility on part of the suppliers to meet large as well as smaller orders.
- Danish textiles importers, whether large or medium and small, value flexibility in their supply chain in terms of the size of their orders, meaning that they would like their suppliers to be as forthcoming for meeting smaller orders as they would be for larger orders. Sometimes they would be willing to pay slightly higher rates for smaller orders.
- The major Pakistani exporters to Denmark have large vertical set ups and are reluctant to go for smaller orders. Bangladesh used to have the same problems until about a decade back but they have found effective solutions for this and it is one of the reasons why Bangladeshi exports have risen.
- North European textile business does not have enough knowledge of Pakistan and its textile manufacturing capabilities which needs to be improved.
- A textiles importing agent who imports on behalf of the Bestsellers Group, noted that Bangladesh is ahead of Pakistan in terms of the understanding of manufacturing complex garments, while Pakistan was mainly involved in manufacturing of basic simple garments.

- The perceptions of the security situation in Pakistan are still negative. This prevents the companies from sending its representatives to visit Pakistan to identify suppliers and inspect their facilities. On the contrary the situation in Bangladesh is much better and a number of Danish importers such as Bestsellers and DK Company etc. have local offices in the country that also cover the South Asian region including Pakistan.

Inputs from Bestseller A/S

- Bestseller is procuring from Pakistan through its office based in Dhaka. During the financial year 2019-2020, Bestseller increased its imports from Pakistan by 140 percent to euros 80 million. It is targeting to increase the imports to euros 100 million during the current financial year. Bestseller is therefore, importing close to half of Pakistan's exports to Denmark and is the most important company for Pakistan.
- The major issue which is hampering the increase of imports from Pakistan is the perception about the security situation of the country due to which there is a travel ban for representatives of the company to travel to Pakistan. Visit by company executives is essential for taking procurement decisions. The company gets information and risk assessment about Pakistan from an international consultant company International SOS, which also has offices in the UK (<https://www.internationalsos.com/>).
- Bestseller is mainly sourcing denim from Pakistan and has recently also started importing shoes. It would also like to move to fleece products since Pakistan has a good capacity for fleece.
- Knits are being mainly imported from China, Bangladesh and Turkey. Bangladesh had a price advantage in the low weight knits while Turkey was supplying the high value knits and also had the advantage in relation to delivery time being close to mainland Europe. Bangladesh had developed a good vertical capacity for knits and was able to supply orders with shorter lead times. In Pakistan, the general preference of the large vertical setups was to focus on denim which was a higher value product (one pair of jeans was equal to 2-3 T shirts).
- Pakistan was lagging behind in producing smaller quantities of orders with shorter lead periods as demand is changing rapidly. Bangladesh was doing better than Pakistan but that the real advantage in this field was lying with Turkey which was taking more than 60% orders from Europe in this sector. Both Bangladesh and Pakistan could do better by being more flexible, respond quickly and be open to producing smaller orders at higher quality. The Covid-19 pandemic had also brought about a shift to such orders.
- Pakistan was doing very well in the denim sector and the large vertical setups were producing high quality products. However, Pakistan could take steps to even grow further and do better than Turkey. Bestseller office would like to import more denim from Pakistan.
- The decline in the cotton crop in Pakistan could become a serious issue for the country if the export industry is forced to import cotton. This would affect the competitiveness of Pakistan's textile industry as a whole. In addition, there was a growing demand for organic cotton products and Pakistan was importing most of its organic cotton. There was a need to address the cotton production in Pakistan.

VIII. CONCLUSION AND RECOMMENDATIONS:

Pakistan is well-known as one of the biggest cotton producers and manufacturers of cotton made-up and apparel articles. Pakistan has the supply base for almost all man-made and natural yarns and fabrics, including cotton, rayon and others. This abundance of raw material is a big advantage for the country due to its beneficial impact on cost and operational lead time. However, this is not sufficient to ensure further developments of the entire industry and become a powerful fashion hub in Asia for local or international brands.

Pakistan's textile sector has a great potential for future developments and different ways of cooperation could be explored in order to boost exports towards Denmark. As we have seen above, although the market is not so big, the demand of textile and clothing is there and most importantly, it is growing. Importantly, Pakistan's current share of the market does not represent its true potential. However, Denmark is a demanding market in terms of quality standards and institutions and business operators do pay high attention to environmental issues. In addition, the market is competitive with competitors like China, Bangladesh, Cambodia, India widely exporting in Denmark and the growing presence of Vietnam represents an additional threat.

It is accordingly essential to undertake some initiatives and adopt some measures to improve the industry and its value chain in Pakistan for increasing its share of the global and Danish markets. The following is recommended:

Promotional activities

- It is important for creating more awareness about Pakistan's textile industry. This could be done through participation in textiles related trade fairs in Denmark.
- The main textiles and apparel fairs in Denmark are organized around the Copenhagen Fashion Week which is Scandinavia's largest fashion week taking place biannually in January/February and August which includes two trade shows CIFF and Revolver. Further details about these events can be found from the following link: <https://copenhagenfashionweek.com/brand/copenhagen-fashion-week>
- In addition, some promotional videos can be prepared that demonstrate the potential of our textiles manufacturing and exports sector.
- While the bigger Pakistani exports groups are already represented in the Danish market, an effort should be made to also introduce medium sized firms that produce high value exports products. This would be particularly important for reaching out to medium and small Danish companies that are not particularly attractive for our larger exporters.

Sustainable and Environmentally friendly production – EU Textiles Policy

- The compliance by textile manufacturers with environment and sustainability concerns will be a major challenge for Pakistani textile exporters in the future. With the launch of the new EU Textiles Policy on 30 March 2022 there is an urgent need for taking steps to ensure that our exporters are made aware of and are provided support to comply with the new EU regulations. Compliance with the new EU policy would require significant changes in the manufacturing processes as well as CSR requirements. For further details please see Annexes I and II.
- A connected matter with this development is that the implementation of the new EU Textiles Policy would entail significant reporting requirements. This would require training of human resource who can enable our exporters to comply with the new reporting requirements.

Exploring new segments in fashion/textiles

- While Pakistan is doing well with the men's apparels segment, we are still far behind when it comes to women's apparels. It seems that there is a lack of expertise of Pakistani manufacturers in women's wear. The volume of export for women's wear to Denmark is moderate compared to men's clothing and most probably women's fashion requirements could be more demanding in such market. There may be a requirement for high skill set for the designing and stitching of women's wear that also needs to be looked into.
- Given the increasing demand for organic cotton, particularly for children's clothing, it is essential to improve such production lines in Pakistan so as to catch new market share in Denmark and other Scandinavian countries.
- It is important to diversify our production from cotton to other manmade fibers i.e. technical textiles. As highlighted by the export figures towards Denmark, Pakistan continues to be perceived as an important trading partner for cotton goods but not for other fibers. Pakistan's textile sector needs to penetrate aggressively in the global synthetic products market which has long surpassed that of cotton (synthetic fibres like acrylic, viscose and nylon are in high demand). Apparel made from man-made fibres are popular in the EU due to their low cost and wrinkle-resistance.

Improving the capacity of our textiles export sector:

- There is a need for our textile industry to invest more in R&D by following the Danish expertise and know-how for innovations in materials, chemical products and machineries.
- In order to develop the skills of the human resources involved in this sector, it is essential to organize trainings, seminars and workshops in different parts of Pakistan to inform and train exporters particularly with branding and advanced marketing techniques (including business etiquette).
- Our exporters also need to increase their design capabilities and by doing so they can also offer their designs to Danish brands and get a bigger share of the business. Therefore, it would be important to increase the focus on training and education, to develop strong skills by studying other trends and develop new expertise to add value to basic production.
- ICT infrastructure needs to be enhanced to support e-commerce and better communication.
- Covid-19 has fundamentally changed the nature of B2B interaction and virtual meetings have become a permanent activities have to be done through video conferencing platforms. Therefore, it would be important to train our entrepreneurs on effectively utilizing these online platforms for trade activities.
- The development of digital capabilities i.e. B2B market place could also be explored.

Branding of Pakistan:

- Branding is a key aspect of promoting Pakistan's textiles and apparels industry. There are several aspects in this exercise which include: i) branding of the country; ii) compliance with environmental regulations (EU and others); and iii) compliance with labour and CSR requirements. This would require coordination between the Government and the industry. In Bangladesh this effort is industry led, being primarily conducted by the Bangladesh Garments Manufacturers and Exporters Association (BGMEA). So far the focus of our various industry related bodies such as APTMA is on the domestic challenges being faced by the industry. The BGMEA is undertaking major initiatives for branding of Bangladesh's garment industry and

particularly on how they are working to comply with global environmental and CSR requirements. Further details about BGMEA activities can be seen at Annex-III.

New EU Regulations on Sustainability with Implications for the Clothing and Textiles Industry

We are in a time where sustainability is increasingly moving from being voluntary for companies to being regulated. There is therefore good reason to keep an eye on the regulatory developments in the EU and prepare for the demands that will come. We will continuously seek to cover the following initiatives and any developments within the individual initiatives. As needed, additional initiatives will be covered.

- The EU's Textile Strategy
- Sustainable Product Initiative / Eco-design Directive
- Substantiating Green Claims & Empowering Consumers
- Corporate Sustainability Due Diligence (CSDD)
- Corporate Sustainability Reporting Directive (CSRD)

The EU's textile strategy

What is the EU's textile strategy?

The EU has identified the fashion and textile industry as one of the essential ecosystems in the EU and on 30 March 2022 launched a separate strategy for sustainable textiles as part of the EU's circular action plan. The purpose of the textile strategy is to create a sustainable and resilient industry that can support the Green Deal ambitions and the EU's climate goals. The strategy defines a vision for the European fashion and textile industry and for textile consumption in the EU, which means that in 2030 all textile products marketed in the EU must be:

- durable, repairable and reusable
- largely made from recycled fibres
- free of hazardous substances
- be produced under proper conditions in relation to social rights

In addition, the strategy contains a very direct criticism of fast fashion and expresses a clear desire to fight fast fashion, overproduction and overconsumption.

Why is the initiative important and what does it contain?

The textile strategy sets out the overall framework and vision for the future fashion and textile industry and refers to 16 statutory initiatives that must be implemented over the coming years to support the strategy. Some of these are already underway, others need to be started. The 16 initiatives include, among other things:

- Revision of the Eco-design Directive to also include textiles. Will mean mandatory design requirements for textiles (e.g. on quality, durability, repair, recycling).
- Introduction of information requirements and a digital product passport, which must contain product information in relation to e.g. environmental sustainability, content of harmful chemicals, possibility of repair and fiber composition.
- Increased restrictions in relation to the use of harmful chemicals and revision of the REACH regulation.
- Reduction of microplastics from textiles via a number of prevention and reduction measures.

- Increased restrictions on greenwashing and claims about textiles and clothing regarding their sustainable properties. In this connection, the Commission will launch a 'Green Claims Initiative', which will come during 2022.
- Introduction of extended producer responsibility for textiles with a view to increasing reuse and recycling of textile waste.
- Development of specific EU criteria to distinguish between waste and certain used textile products and increase restrictions on the export of textile waste to outside the EU.

Timeline:

The strategy was launched on 30 March and lays the groundwork for a transition pathway, to which organizations are encouraged to provide input. The deadline for input is June 15. For each of the 16 initiatives, there will be separate timelines for development and implementation.

You can read more here:

EU launches ambitious textile strategy

European Commission: Strategy for textiles

European Commission: EU Strategy for Sustainable Textiles

The Ecodesign Regulation

What is the Ecodesign regulation?

Together with the textile strategy in March 2022, the EU published proposals for the new Ecodesign regulation

"Ecodesign for Sustainable Product Regulation". The proposal builds on the good results that the EU has achieved under

the existing Ecodesign directive. The directive has existed for more than a decade and only includes requirements for environmentally friendly design of energy-related products, with a view to achieving energy savings. With the new proposal the new regulation will cover almost all products on the EU market, with the aim of promoting a circular conversion and a general reduction of products' environmental and climate footprint.

The proposed regulation establishes the framework for setting requirements for environmentally friendly design.

These are minimum requirements for selling on the European market and they will, to an as yet unknown extent, include:

- Product durability, possibility of repair and maintenance and reusability
- Restrictions in relation to chemicals and substances that hinder the circularity of products and materials
- Energy and resource efficiency of products
- Content of recycled materials
- The possibility to separate and recycle materials
- Products' environmental impact throughout their life cycle, including their climate and environmental footprint
- Prevention and reduction of waste, including packaging

In addition to setting requirements for how products are manufactured, the regulation will also set specific information requirements to the environmental sustainability of the product, according to the points above. Likewise, the regulation will stop the destruction of unsold products and promoting public procurement of sustainable products.

Why is the initiative important?

The EU has set ambitious targets on climate and the circular economy, and to achieve these, a massive restructuring of the current way in which products are designed, produced, sold and consumed in the EU. The ambition is that sustainable products must be the norm in the EU. And together with Substantiating Green Claims and Empowering The Consumers initiatives may mean a significant change for the way our companies can act on the EU market, i.a. in relation to design, traceability and labeling of products etc.

The current proposal sets the framework for the later work with product-specific requirements. The proposal is expected to be one of the regulations that will have the biggest impact on the industry.

Timeline:

The proposal was launched in March 2022. At the end of 2022, there will be a consultation on the future product categories.

You can read more here:

The Ecodesign regulation

European Commission: Proposal for Ecodesign for Sustainable Products Regulation

Substantiating Green Claims & Empowering Consumers

What are Substantiating Green Claims and Empowering Consumers?

Substantiating Green Claims and Empowering Consumers are two interrelated initiatives established with a view to combatting greenwashing in the EU and strengthening consumer rights.

Empowering Consumers was launched along with the textile strategy on March 30, 2022 and Substantiating Green Claims is expected to be launched in October 2022. This update will therefore focus on the content of Empowering Consumers.

Why is the initiative important?

The EU pursues an ambitious consumer policy and wants consumers to be able to make a decision informed choice in the purchasing situation and thus contribute to more sustainable consumption. This must partly be achieved by provide the consumer with better information about product durability and repair options and partly by protecting the consumer against unfair trade practices that prevent them from making sustainable purchases, such as:

- Greenwashing (ie misleading environmental claims).
- Premature obsolescence practices (ie premature failure of goods).
- Use of unreliable and non-transparent sustainability labels and information tools.

The Empowering Consumers proposal will strengthen consumer rights by amending two existing directives:

The Unfair Commercial Practices Directive (2005/29/EC) and the Consumer Rights Directive (2011/83/EU). More exactly what the proposal proposes, i.a.

- Products must be accompanied by information about the guarantee and duration of the guarantee as well as repair options.
- Product information must not mislead consumers about products' environmental and social effects, durability and repairability.
- Companies may only make an environmental claim about future environmental performance when this implies clear obligations.
- Companies must not advertise benefits to consumers if they are considered common practice the relevant market.
- Companies may only compare products, e.g. through a tool for information about sustainability if they inform about the comparison method and update information.
- Prohibition of the following: use sustainability labels that are not based on a certification scheme or not introduced by public authorities (ie own brands); generic environmental claims that stand alone (such as 'environmentally correct'), unless they rest on the officially recognized ecolabel schemes (such as the EU

The flower and the Swan brand); environmental claims for the entire product if they only relate to a specific aspect of the product (e.g. packaging).

Timeline:

The Empowering consumers proposal was launched on 30 March and will subsequently lead to a review of respectively the Unfair Commercial Practices Directive and the Consumer Rights Directive, which will take place in during 2023 and 2024. Substantiating Green Claims is expected to be launched in October 2022.

You can read more here:

European Commission: Proposal for a Directive on empowering consumers for the green transition

European Parliament: Empowering consumers for the green transition

Corporate Sustainability Due Diligence (CSDD)

What is Due Diligence?

Due diligence describes the systematic process a company should carry out on an ongoing basis to ensure that it carries out responsible business behavior in relation to people, the environment and society and is a central requirement of the OECD Guidelines for Responsible Business Conduct and the UN Guidelines for Human Rights and Business. In February 2022, the EU Commission launched a proposal for an EU directive on due diligence, thus due diligence can become mandatory in all EU countries. Several countries, such as France, Germany and the Netherlands have already made their own national due diligence law.

Why is the initiative important and what does it contain?

Once adopted, the CSDD will constitute a common set of rules for companies' social and environmental responsibility, and companies will now be legally obliged to identify and reduce negative impacts on people, environment and society. The directive will cover the following companies in the EU:

- Group 1: companies with over 500 employees and 150 million Euro in annual net turnover
- Group 2: companies with over 250 employees and 40 million Euro in annual net turnover within a number of defined risk sectors. Fashion and textiles are among these sectors and Danish companies in this amount will therefore be covered by the law.
- Companies outside the EU that operate in the EU and in their European activities comply with the above criteria.
- Covered companies must comply with the following:
 - Integrate due diligence into their policies.
 - Identify actual or potential negative human rights-related and environmental impacts
 - impacts.
 - Prevent or mitigate potential impacts.
 - Stop or reduce actual impacts.
 - Create and maintain a complaints procedure.
 - Oversee the effectiveness of the due diligence policy and measures and publicly.

communicate about due diligence.

Danish companies that are not directly covered by the law are expected to be covered indirectly via requirements from customers and other business partners who, due to their size, will be covered.

Timeline:

The Commission's proposal is currently under negotiation and is expected to be approved during 2022. Next must Member States implement the directive in national law. Companies in the group are expected to have to implement after 2 years and companies in group 2 are expected to have to implement after 4 years.

You can read more here:

EU makes due diligence mandatory by law

European Parliament: Corporate due diligence and corporate accountability

A new directive for sustainability reporting

What is the Corporate Sustainability Reporting Directive?

The existing sustainability reporting directive "Non-Financial Reporting Directive" will be replaced by a new "Corporate Sustainability Reporting Directive (CSRD)". The new directive increases the requirements for companies sustainability reporting in a number of areas.

Why is the initiative important?

The new directive will standardize the reporting of sustainability data so that it becomes easier, i.a. for investors, to compare companies' performance on sustainability. The directive provides for a greater degree of harmonization and integration with the financial accounts, whereby it becomes clearer that the management and the board is responsible for the content and the non-financial data. In addition, the bar for when a company is covered by the directive is lowered and it is estimated that approx. 50,000 companies in the EU will be covered by the new requirements against previously approx. 11,000. The new directive will include the following companies:

- All listed companies, including Small and Medium-sized Enterprises (SME)
- Larger companies that meet 2 out of the following 3 criteria: i) 250 employees and/or; (ii) 40 million Euros in annual turnover and/or; iii) balance sheet total of 20 million.

The new directive sets stricter requirements for detailed information in a large number of areas and will be coherent with a new EU standard for sustainability reporting, which is being developed by European Financial

Reporting Advisory Group (EFRAG). The new directive contains increased requirements for e.g. following:

- External audit of the non-financial data.
- More detailed reporting requirements according to the upcoming standard, including:
 - information on strategy, objectives and indicators
 - climate action in accordance with objectives in the Paris Agreement,
 - due diligence and risk management and mitigation.
- Digital 'tagging' of the reported data to enable digital reading of reports and collection of sustainability data for companies in a European digital database 'European Single Access Point'.

CSRD is also closely related to the EU's taxonomy for sustainable investments, which is correspondingly below development in the EU, and which intends to create a common language about what can be categorized as sustainable investments.

Although unlisted SMEs will not be covered directly by CSRD, they will be indirectly affected via demands from larger ones customers, investors, etc. The directive is therefore expected to be of great importance.

Timeline:

The new proposal was adopted by the EU Commission in April 2021. Although the Council and the European Parliament were expected to adopt the proposal before the summer holidays this year, on 21 June 2022 they only reached a provisional political agreement on the directive. The provisional agreement that has been reached must now be approved by the Council and the European Parliament.

The directive enters into force on the twentieth day after publication in the Official Journal of the European Union. The date is too current not known.

The application of the regulation will take place in three phases:

- 1 January 2024 for companies already covered by the directive on non-financial information
- 1 January 2025 for large companies that are not currently covered by the Non-Financial Directive information
- 1 January 2026 for listed SMEs as well as for small and non-complex credit institutions and captive insurance companies.

You can read more here:

European Commission: Sustainable finance package

European Council: New rules on corporate sustainability reporting: Council and European Parliament

reach a provisional political agreement

EFRAG's draft for a new standard for sustainability reporting

New binding cooperation must make the Danish textile industry greener

Source: The Danish Ministry of Environment

Published 08-08-2022

Green transition Industry

Ahead of fashion week, the Ministry of the Environment is launching a collaboration with the fashion and textile industry, which obliges companies to recycle more and use more recycled materials until 2030. To the benefit of both the climate and the environment worldwide.

When Copenhagen Fashion Week opens tomorrow with fairs, shows and meetings across the industry, 10 Danish clothing and textile companies and three organizations have a message for their colleagues: We must work together to significantly reduce the industry's footprint on our climate and environment through circular adjustment. They commit to this in a new sector collaboration with the Ministry of the Environment.

In the EU, textiles are in fourth place among product groups with the greatest negative impact on both the environment and climate. For example, the production of textiles for the EU emitted 121 million tonnes of CO₂e in 2020. At the same time, the consumption of clothing and textiles is increasing in Europe, and it is estimated that an average European consumes 15 kg of clothing and textiles per year. So action is needed.

Therefore, companies, organizations and the Ministry of the Environment have come together to formulate a number of common goals. Including that all clothing and textiles from Danish companies must consist of at least 40 percent recycled material by 2030. That the clothing must be designed to have several lives. And that a larger part of the turnover on clothes in Denmark must come from recycling.

"Our consumption is far too high, and it wears down the planet's scarce resources. The production of clothing and textiles is one of the most environmentally damaging industries in the world. So we need to get away from the use-and-throw-away culture that characterizes the fashion industry today. It resonates in the industry and internationally when Danish textile companies - large and small - undertake to reduce their climate and environmental footprint. Denmark must be among the leaders in the green transformation of the fashion and textile industry," says Environment Minister Lea Wermelin.

It is important for the industry that the minister supports it

Maria Glæsel, director of the fashion company Aiayu, has been elected as the person in charge of the sector collaboration. She is happy that the industry and the ministry are collaborating on the circular restructuring of the profession. Because it requires both the goodwill of companies and structural changes, she explains:

"It is important that we bring the industry together in a common direction, and that is why I am proud to be appointed as the front person. My wish is that we can gather the industry's actors around common goals and exchange experiences that lead to action. Only together can we meet the major challenges facing the industry. It is important for the industry that the minister supports it, because the transition will also require structural changes. I am happy to be at the head of a sectoral collaboration that can help us with a joint circular transition."

The Minister of the Environment is the initiator of the sectoral collaboration, and the Lifestyle & Design Cluster will function as a secretariat with, among other things, the preparation of an action plan, data collection and servicing of the steering group. All Danish textile companies can join the goals and the sectoral cooperation.

The cooperation agreement can be read [here](#).

They participate in sector cooperation:

AIAYU

Bestseller

DK-Company

Salling

Ganni

JYSK

Danish

Mammut

Trendsales

Green

Danish

Wear/Danish

Lifestyle

Danish Environmental Protection Agency

Fashion

&

&

Design

Group

Wilton
Hoffmann

Cotton
Textile
Business
Cluster

Facts about sector cooperation:

- The goals in the textile sector collaboration will be operationalized in action plans and the industry may decide to set further goals later in the collaboration.
- Goals and requirements are drawn up with a view to future requirements in the EU with the aim that Danish experience can play a role in the implementation of initiatives under the EU's textile strategy.
- An overall baseline is developed across the sector so that the overall progress of the sector cooperation can be measured. In addition, baselines are drawn up and data collected from the participating companies with a view to monitoring the goals.
- The sector collaboration will be expanded to include Norway, Sweden and Finland from 2023.

Facts about textile production:

- European consumption of textiles is in fourth place with the largest negative impact on both the environment and climate, after food, housing and transport.
- In 2020, the production of textiles for the EU emitted 121 million tonnes of CO₂e, or the equivalent of 270 kg of CO₂e per person.
- Approximately 80 per cent of textiles' climate footprint is in the production phase. 17 per cent is in the use phase and only 3 per cent. in the waste phase.
- Large quantities of primary raw materials are consumed for textile production. The European Environment Agency estimates that the equivalent of 391 kg was used. primary raw materials per person to produce all clothing, footwear and household textiles purchased by EU households in 2020.
- Textile consumption in the EU is expected to increase by 63 per cent. towards 2030.
- In March 2022, the EU published a textile strategy with a vision that textile products in the EU in 2030 should last longer, be recyclable, free of dangerous substances and produced with respect for social standards.
- The global production of clothing emits over 1.2 billion tonnes of CO₂e.

Voluntary sector cooperation on textiles

**The Danish Ministry of Environment
June 2022**

Environmental impact from textiles

The production and consumption of textiles has a major negative impact on both the climate and the environment. This is due to a large consumption of raw materials, water and land areas for raw material production as well as large emissions of harmful chemicals. The textile sector's climate and environmental impact is a growing problem and consumption in the EU is expected to increase by 63 per cent. towards 2030.

The EU and textiles

The EU Commission's new strategy for the green transformation of the textile sector in Europe has as its overall vision that all textile products in the EU in 2030 must last longer, be recyclable, free of hazardous substances and produced with respect for social standards. The intention of the strategy is, among other things, to work towards common design requirements as part of a new Ecodesign regulation and similar EU rules for extended producer responsibility for textiles, which are expected to be included as part of the revision of the waste framework directive in 2023. The core of the plan for a new Ecodesign regulation is to get the most climate and environmentally damaging products off the European market

by 2030 at the latest. Textiles are expected to be one of the product groups that the EU Commission will start with, for example by setting limits on the environmental footprint in the production of jeans, shirts and shoes. In addition, durability and recycling requirements can be introduced for the textile products - including minimum requirements for the proportion of recycled fibers in textiles.

What should sector cooperation do?

The Danish fashion and textile industry, with its tradition of quality, design and sustainability has great potential to contribute with knowledge and experience to fulfill the EU's vision for textiles in 2030. By entering into collaboration on binding targets that will lower the textile sectors environmental and climate footprint, the sectoral cooperation will contribute to Denmark being among the leaders in the circular transformation of the fashion and textile industry.

The sector cooperation can contribute with concrete experiences that can be used in the realization of the initiatives under the EU's textile strategy. The sectoral cooperation will be expanded to include Norway, Sweden and Finland from 2023 under the auspices of the Nordic Textile Cooperation project under the Nordic Council of Ministers, which is led by the Environmental Protection Agency.

Finally, the participating companies can use the textile collaboration as a forum for sharing knowledge and preparing recommendations in the textile area about current issues and initiatives in the textile area and discuss these with the Ministry of the Environment. Possible topics for discussion could be:

- Priorities and challenges for future major EU projects and initiatives in relation to the Danish industry.
- The possibility of optimizing infrastructure to keep clothes and textiles in circular circuits. Including the possibility to set goals for reuse, recycling and waste reduction.

- Legislative opportunities and challenges for the development of circular business models with a view to keeping clothes in use as long as possible.

Goal

The industry wants to initiate cooperation on the three goals below, which obliges the participating companies in the sector cooperation. The industry can set additional targets later in the collaboration and increase the level of ambition for the existing targets. The goals must each contribute to lowering the environmental and climate footprint for the textile industry and must be approved by the steering group.

- Before 2030, all clothing and textiles from Danish companies will consist of at least 40 per cent recycled material, including at least 10 per cent. recycled directly from textile fibres.
- To create common circular design requirements with a view to clothing from Danish companies are designed to have multiple lives and participate in optimal circular circuits. The design requirements must be applicable for both small and large companies.
- A larger part of the turnover on clothes in Denmark comes from resale, and clothes are kept in use as long as possible.

The goals will each be operationalized in a detailed action plan, which must specify the fulfillment of the goals and contain sub-goals. The action plans will be published by the secretariat. Goals and requirements are drawn up with a view to future requirements in the EU with the aim that the Danish experience can be used in the realization of initiatives under the EU's textile strategy.

Follow-up on goals

An overall baseline is developed across the sector so that the overall progress of the sector cooperation can be measured. In addition, baselines are drawn up and data collected from the participating companies with a view to monitoring the goals. Joint guidelines are drawn up for the company-specific baselines to ensure that they are calculated in a uniform and comparable manner, also in accordance with international standards and companies' existing reporting.

Organization

The sector collaboration consists of textile manufacturers and design companies, new and resale players as well as service companies that facilitate resale. The participating companies undertake to work towards the set goals in their own business, prepare baselines for their own business and are responsible for reporting data to the secretariat.

The Minister of the Environment is the initiator of the sectoral cooperation. As a starting point, the Ministry of the Environment is involved in the collaboration until 2024. Subsequently, the sectoral collaboration can continue to work on the goals in 2030 based on the concept for the sectoral collaboration (action plan, baselines, data collection, etc.).

The Danish Environmental Protection Agency and Danish Fashion & Textile contribute industry-related and environmental knowledge to the sector cooperation in consultation with other relevant industry and interest organisations.

Lifestyle & Design Cluster is the secretariat for the sector collaboration and assists with secretariat services, e.g. relating to drawing up an action plan and serving the steering group. The Danish

Environmental Protection Agency and the secretariat are responsible for the preparation of an overall baseline. The secretariat collaborates with the Danish Environmental Protection Agency on the preparation of guidelines for company-specific baselines and data collection. The secretariat is responsible for collecting data from participants in connection with an annual report on the status of target achievement. The secretariat presents the annual report to the steering group for comment. The decision on the collection of additional data will be made in collaboration with the steering group for the sector collaboration.

The Minister of Environment appoints a representative who sets up a steering group for sector cooperation. The steering group must consist of 10-15 companies and the Danish Environmental Protection Agency, which participates in the steering group as an observer. The steering group can set up theme groups consisting of companies from the textile cooperation, which contribute to operationalizing the goals of the sector cooperation in the action plans, exchange experiences and share knowledge between the companies.

The theme groups are facilitated by the secretariat. Experts can be invited to add knowledge to the work of the theme groups. The steering group approves the action plan and sub-goals and initiates any new initiatives that collectively support the achievement of the overall goals for the sector cooperation. The steering group must continuously decide whether ambitions in the sectoral cooperation can be sharpened or expanded. The steering group discusses and comments on the concrete solutions for the initiatives that the theme groups recommend and involve industry organizations to the relevant extent.

The sector collaboration is coordinated with the Danish Environmental Protection Agency's ongoing Textile Waste Partnership with a view to promoting circular solutions across the value chain.

BANGLADESH

**Home to world's highest number of
green garment factories**

**We have 176 LEED green garment factories
certified by the U.S. Green Building Council (USGBC)
9 out of the world's top 10 green garment
factories are in Bangladesh**

**40 out of the world's top 100 green industrial projects
are in Bangladesh**

**500 more factories are in the process of getting
LEED certification**

Bangladesh RMG industry now standing at a cross road in one hand it has huge opportunity to become the global leader, on the other hand it is also facing some growing challenges in the area of sustainability with issues like climate change, groundwater depletion, efficiency and many more. Globally fashion industry is known as the most polluting industry only after oil and gas. It requires thousands of chemicals and many sophisticated processes to give the fast fashion industry the colors it has. There is always a negative correlation between economic growth and environmental sustainability. We have seen in 2019 the issue of environmental sustainability has taken in the core of fashion industry, and is the most critical area of concerns now a day. Big global brands come up with pledges to their customer to provide fashion with lesser environmental impact, global policy leaders, environmental watch dogs and civil society organization found very vocal about the impact of fashion industry. But clothing is one of the basic needs of human being and we cannot stop wearing fashion able items.

So, the only way would be how we can be eco-friendlier and more efficient to reduce the environmental cost of production. Bangladesh RMG industry being the 2nd largest apparel exporter of the world has responded to this global demand in a very proactive manner. Few of the initiatives and activities of BGMEA to take the sustainability stride of the industry to next level are:

SDG ALIGNMENT

Attaining SDGs are one of the core areas of concern for government of Bangladesh and it is said that there without the help of the private sector it is not possible for the government to achieve the goals on time. BGMEA being the apex trade body of the RMG industry have always been supportive to the government of Bangladesh. BGMEA has signed an MoU with the Unilever

Bangladesh to achieve SDGs 3, 5, 6, 12 and 17 by impacting lives of 10% population of Bangladesh. We have identified 6 NPIs (National Priority Indicators) to work with Unilever and these are: NPI 5&6- Ensure healthy lives and promote well-being all at all ages, NPI 16: Achieve gender equality and empower all women and girls. NPI 17 & 18: Ensure availability and sustainable management of water sanitation for all, NPI 13: Ensure sustainable consumption and production patterns.

DECARBONIZATION

According to IPCC (Intergovernmental Panel on Climate Change) 5th Annual report Bangladesh is one of the most vulnerable country to climate change. But ironically, we are one of the lowest carbon emitters of the world. But still understanding the importance of climate change BGMEA has signed the UN fashion industry charter for Climate Action with UNFCCC as a supporting organization to reduce GHGs emission of the industry by 30% within 2030.

GREEN BUTTON

BGMEA has pledged to “Green Button Initiative” of the German government. Germany is one of the most important markets for Bangladeshi RMG product. The “Green Button” initiative is the 1st ever state-owned global seal on environmental sustainability. It looks into all aspects of sustainability of the apparel product.

UNFCCC

BGMEA has joined the Fashion Industry Charter for Climate Action, an initiative convened by the UN Climate Change. The Charter goes beyond previous industry-wide commitments. It includes a target of 30 per cent GHG emission reductions by 2030 and a commitment to analyze and set a decarbonization pathway for the fashion industry drawing on methodologies from the Science-Based Targets initiative. By joining this initiative, BGMEA pledges to support implementation of the principles enshrined in the Fashion Industry Charter for Climate Action, in line with the goals established by the Paris Agreement of 2015.

PaCT II

After the successful implementation of the PaCT first phase the 2nd Phase of the project have started and till now 75 factories have joined the initiative that looks in to water footprint reduction, energy efficiency, renewable energy and chemical management. Besides the program introduced web based system of monitoring on resource efficiency. Through this program the factories are being able to enhance their environmental performances and becoming more sustainable and efficient.

GREEN POLICY

A proper policy frame work is prerequisite for development of a country. Though Bangladesh is not yet a policy driven country it has a huge implication with national policy framework. BGMEA is been very closely associated with such policy initiatives of the GoB. BGMEA is the member of the task force on GEZ (Green Economic Zones Guidelines) for BEZA. A proper green economic zone policy will uphold the green industrialization of Bangladesh.

WATER

BGMEA is one of the key partner of the Water Resources Group 2030 a public, private, civil society partnership hosted by the World Bank Group. Ultimate goal of this MSP is to improve water resources management through collaborative transformative actions. Through this platform

BGMEA have worked on “Valuing Water”, MAR (Managed Aquifer Recharge), ISPP (Incentivizing Sustainable Production Practices).

WASTE

Under the MSP, the IWWS (Industrial Water Work stream) a sustainable integrated sludge management system is being developed for the EZs.

WATER POLICY

WARPO (Water Resources Planning organization) has drafted an industrial water use policy for Bangladesh and BGMEA was closely associated with technical insights and supported the initiative.

<http://download.bgmea.com.bd/BGMEA%20Sustainability%20Report%202020.pdf>



CASE STUDY: COMPARISON OF THE TEXTILES RELATED EXPORTS BY BANGLADESH AND PAKISTAN TO DENMARK

This case study provides a comparison of the textile related exports to Denmark in HS Codes 61, 62 and 63 by Bangladesh and Pakistan which are the three major categories for both countries. The data has been taken from the Trademap data base www.trademap.org which currently maintains statistics up to the calendar year 2021. In that sense the data varies from that which is available in the Ministry of Commerce and the State Bank of Pakistan which follow the July to June financial year. However, it is quite instructive to compare the performance of Pakistan with Bangladesh in order to identify areas where we can better focus to improve our exports to this country.

- Table A shows the comparison of the overall exports of the two countries. During the year 2021 the total exports of Bangladesh to Denmark amounted to USD 991.7 million, whereas Pakistan's exports amounted to USD 273 million, thereby the Bangladesh's exports were 3.6 times more than Pakistan. During the period 2017-2021 Bangladesh's exports grew by 7 percent whereas Pakistan's exports grew by 12 percent. In absolute terms, however, the growth in the value of exports of Bangladesh was much larger as compared to Pakistan due to the much higher starting point.

Table-A

HS code	Products	Exports to Denmark USD millions		Market Share		Annual growth in value between 2017- 2021, %, p.a.	
		Bangladesh	Pakistan	Bangladesh	Pakistan	Bangladesh	Pakistan
'TOTAL	All products	991701	273020	1	.0	7	12

- Products falling in HS codes 61, 62 and 63 constituted the top three categories in the exports of both countries. In the case of Bangladesh these three categories amounted to 97.8 percent of Bangladesh's total exports, while in the case of Pakistan these amounted to 83.8 percent of our total exports to Denmark. This shows that while Bangladesh is almost totally dependent on textiles exports, Pakistan's exports are more diversified as it especially includes sporting goods and leather products. The individual comparison of the three HS codes is shown in Table B.

Table-B

HS code	Products	Exports to Denmark USD millions		Market Share	
		Bangladesh	Pakistan	Bangladesh	Pakistan
'61	Articles of apparel and clothing accessories, knitted or crocheted	635,424	56,228	22	2
'62	Articles of apparel and clothing accessories, not knitted or crocheted	322,931	97,466	12	3
'63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	12,371	75,076	2	11

- As can be noted from the table above, Bangladesh has a significant lead in the two categories related to apparels and knitted textiles (61) and the not knitted (62) whereas Pakistan has a lead in the textile madeups or home textiles (63).
- In terms of the market shares, it can be observed that Pakistan shares a very small percentage of the overall Danish market in apparels and knitted textiles categories (61) and not knitted (62) while it has a sizeable share of the home textiles category (63). This leads to the conclusion that a greater effort is required to increase our market share of the apparels market.
- A deeper comparison of the knits categories shows that the bulk of the Bangladeshi exports within the knits categories is shown in table-C. It can be seen that the bulk of the Bangladeshi exports pertain to T-shirts (610910) where it commands a 42 percent share of the Danish market, whereas Pakistan has only a 1 percent market share:

Table-C

HS Code	Products	Bangladesh		Pakistan	
		Exports	Market share	Exports	Market share
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	157,225	42	4,907	1
'611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	101,925	29	5,124	1
'610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...	28,578	52	2,034	4
'610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	25082	42	4,930	8
'611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	17688	13	10,919	3
'610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	16,791	19	4,840	15
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	16,058	11	3,094	2

- Comparison of the non-knits category (62) is indicated in table-D below. It shows our performance is better especially when we look at the category 620520 for men. However, for similar category for women 620462 Bangladesh has a significant lead. But looking at the overall share of the Danish market our share is quite low and can be improved:

Table-D

HS Code	Products	Bangladesh		Pakistan	
		Exports	Market share	Exports	Market share
'620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	47,002	20	17,707	8
'620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and ...	34,776	31	67,935	16
'620193	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres ...	13,102	8	1,489	3
'620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding ...	12,182	10	1,345	1
'620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or ...	10,031	8	1,348	9

- Finally the comparison of the home textiles category 63 is shown in the table-E below. Here Pakistan's performance is quite good and the market share in various categories is significant. There is a need for maintaining this performance in the future:

Table-E

HS Code	Products	Bangladesh		Pakistan	
		Exports	Market share	Exports	Market share
'630221	Printed bedlinen of cotton (excluding knitted or crocheted)	3482	10	15160	44
'630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	1528	3	20025	44
'630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	774	4	453	2
'630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	707	1	14886	29
'630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile ...	251	1	8019	67
'630291	Toilet linen and kitchen linen of cotton	171	3	7179	59

	(excluding of terry fabrics, floorcloths, polishing ...				
'630612	Tarpaulins, awnings and sunblinds of synthetic fibres (excluding flat covers of light fabrics ...	146	0	4498	69

- The purpose of undertaking this comparison with a similar exporter is to provide insights to our authorities and the industry to see how they can try to make use of the opportunities available and enhance our exports.

