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The Impact of Global Economic Policies on Business Development: A comprehensive study on how global trade agreements and economic policies influence business development decisions

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Contents

1. Introduction	6
1.1. Background and Rationale	6
1.2. Problem statement	10
1.3. Research Objectives and Questions	11
1.4. Scope of the study	12
1.5. Significance of the Study	14
1.6. Structure of the Report	15
2. Literature Review	17
2.1. Global Textile Industry	17
2.1.1. Overview of the Global Textile Industry	17
2.1.2. Aspects of the Textile Industry	18
2.1.3. Key Factors Influencing the Textile Industry	19
2.1.4. Key Processes in the Textile Industry	21
2.1.5. Major Players in the Global Textile Industry	23
2.1.6. Leading Textile-Producing Countries	24
2.2. Documents analysis: Textile Industry in Pakistan	26
2.2.1. The Textile Industry in Pakistan	27
2.2.2. Pakistan's Textile Industry in a Global Context	28
2.2.3. Importance of the Textile Sector in Pakistan's Economy	30
2.2.4. Economic Importance and Contribution to GDP	33
2.2.5. Key Players in Pakistan's Textile Industry	35
2.2.6. Governmental Policies, Trade Agreements, and Industry Reports on Pakistan's Textile Sector	36
2.2.7. Key Strengths and Weaknesses of Pakistan's Textile Industry	37
2.2.8. Global and Local Challenges for Pakistan's Textile Sector	38
2.2.9. Key Opportunities for Growth	42
2.3. International Trade Agreements: Policies, Documents, and Implications for Pakistan's Textile Industry	45
2.3.1. General Agreement on Tariffs and Trade (GATT)	45
2.3.2. General Agreement on Trade in Services (GATS)	46
2.3.3. Trade-Related Aspects of Intellectual Property Rights (TRIPS)	48
2.3.4. Trade-Related Investment Measures (TRIMS)	51
2.4. Regional Trade Agreements: Policy Documents and Industry Reports Analysis	52
2.4.1. South Asian Free Trade Area (SAFTA)	52
2.5. Overview of Economic Policies	54

6. Conclusion and Recommendations	112
6.1. Theoretical and Practical Implications	113
6.2. Limitations of the Study	114
6.3. Recommendations for Policy and Industry	114
6.4. Directions for Future Research	116
References	118
Appendices	132

Abstract

This study examines the impact of international and regional trade agreements and national economic policies on the business development of Pakistan's textile industry. Through a qualitative analysis of stakeholder perspectives, the research identifies four key themes: the influence of trade agreements, the role of economic policies, infrastructure and workforce challenges, and the need for market diversification and financial support. Findings indicate that while agreements such as GSP+ enhance export competitiveness, their benefits are often undermined by high taxation, rising energy costs, and macroeconomic instability. Additionally, compliance with international trade regulations poses a challenge, particularly in maintaining sustainability and quality standards.

The study further highlights weak industrial infrastructure and a lack of skilled labour as major impediments to growth. Stakeholders emphasize the necessity of investing in technology, automation, and skill development to remain competitive in global markets. The over-reliance on EU and US markets exposes the industry to external risks, necessitating exploration of emerging markets such as South America, Central Asia, and Russia. Furthermore, inadequate financial support and limited access to modern technology hinder business expansion and innovation.

This research contributes to trade and economic policy literature by offering a stakeholder-driven analysis of policy misalignments and industry constraints. It advocates for enhanced policy coordination, improved infrastructure, and targeted financial interventions to strengthen Pakistan's textile sector. The study also proposes future research directions, including longitudinal studies and digital trade integration, to provide a more comprehensive understanding of trade policy effectiveness in industrial development.

1. Introduction

1.1. Background and Rationale

The growth of the global textile industry has been on an upward trend for the last few decades. This trend is fundamentally transforming both the economies of several countries and the global economy as a whole. Here, the textile sector means the entire value chain, from fibers such as cotton and wool to clothing and apparel (Atkar et al., 2021). The most significant aspect of this industry is the intense competition, especially in Asia, where China, India, and Bangladesh are the largest exporters. The rise of female-driven fashion trends and markets has drastically added to the growth of the textile industry. Another factor that supported the growth of industry is advancement in textile manufacturing, processing, and designing technology. This growing trend is further added to by increasing demand for sustainable fabrics and eco-friendly production methods (Ghafoor & Iqbal, 2023). Moreover, the fast fashion market has also become a booming business across the world. This occurs due to the increase in production of various fashion apparel, the attention to online shopping, and the speedy adoption of new technology (Pavan & Samant, 2024; Sadhna et al., 2024).

Agriculture is considered the backbone of Pakistan's economy, where cotton is one of the major crops of the country. Pakistan is ranked as the 4th largest cotton-producing country in the world, with a production capacity of over 2.4 million tonnes in 2018 alone (Shuli et al., 2018). In seeking to tap into the increasing prospects that exist in the textile sector, especially the clothing market, textile firms in Pakistan are putting more effort into increasing their exports to the world market. In the last three decades, Pakistan has positioned itself as one of the largest manufacturers and traders of textiles in the world. However, the textile business has not been able to maximise its potential. There are a number of challenges that are faced by the textile industry; these include inefficient manufacturing processes, lack of invention of value-added items, and inadequate growth of advanced textile diversification (Safeer et al., 2019; Ullah et al., 2020; Rahman & Moazzem, 2022).

Along with whatever was discussed above, national policies and various trade agreements are also further negatively affecting the global position of Pakistan's textile industry. Textile companies are going through pressure from international trade agreements, particularly agreements with the EU and the regional players, which are in line with the WTO (Munir, 2023). The WTO has formulated the four main agreements that include GATT (General Agreement on Tariffs and Trade), GATS (General Agreement on Trade in Services), TRIPS (Trade Related Aspects of Intellectual Property Rights), and TRIMS (Trade Related Investment Measures). These agreements have drastically transformed the international trade rules with respect to the export and competition in the textile sector. The objectives of these trade agreements include encouraging exports, enhancing trade in services, protecting intellectual property, and promoting foreign direct investment. These agreements are a blessing for economies with the latest technology and obstacles for growing countries like Pakistan (Soomro & Ansari, 2022; Onwudiwe & Okechukwu, 2023).

Under the framework of the WTO trade agreements, the Generalized System of Preferences Plus (GSP+) status granted to Pakistan by the European Union holds critical importance for its textile sector. Due to this status, textiles from Pakistan have to pay lower tariffs on over 78% of their exports to the EU market. In addition, 80% of textiles and apparel imports from Pakistan to the EU are at preferential rates (EU Commission, 2024). Although this trade agreement offers Pakistan a comparative advantage over other regional competitors, it enables more effective access to the EU market. But the difficulty is faced by local textile companies to make full use of this opportunity with existing technology, production methods, and national policies (Sanchez-Triana et al., 2014). On one side, there is strong competition from other regional players. On the other hand, many textile producers in Pakistan have been unable to raise the quality of their products or diversify into high value-added textiles. Most of the textile companies in Pakistan are not able to meet the quality and variety in synthetics and eco-friendly fabrics, which are increasingly being demanded around the world (Mufti & Ali, 2024a).

Along with the global trade agreements, regional trade agreements are also of greater importance to Pakistan. Pakistan, being among the major producers and exporters of textile products, has to carefully consider the regional agreements on trade while making

2024). However, the interaction of state policies is often very complex and poses many limitations that curb the potential of the sector, especially in developing economies like Pakistan. The position and the ability of the textile producers to export their products are mainly determined by policies such as the trade agreements, tariffs, and even subsidies (Karim et al., 2024). Additionally, trade agreements such as GSP+ and SAFTA enable textile exporters to access markets, hence enhancing their competitiveness internationally. For example, GSP+ status is one of the factors that enables the exports from Pakistan's textiles to be competitive in the European market (Ali et al. 2020). In other countries, protectionist policies have put up such high barriers that they have been a hindrance to many exporters (Qureshi & Shah, 2020).

The textile business in Pakistan is significantly shaped by trade relations as well as the country's economic policies. A business development of a long-term nature has to aim at widening the production base, raising the standard of the goods produced, and accomplishing more value addition (Malik, 2024). However, the growth of the sector has been stunted by obsolete technologies and the emphasis on the low-end cotton and cotton-based fabrics and garment exports. The Pakistan textile businesses also need to enhance their innovativeness, ability to create more environmentally friendly products, and be more integrated in the global supply chain if they are to perform better in the international markets (Ataullah et al., 2014; Shaikh et al., 2023).

Moreover, business development is closely linked to the country's ability to adapt to changing global trends, such as the shift towards sustainability and the increasing demand for textiles made from recycled materials and renewable resources. Sustainability is the practice of meeting current needs without compromising the ability of future generations to meet their own needs, focusing on environmental, social, and economic balance (Elsawy & Youssef, 2023). Pakistan's textile industry has the potential to tap into these emerging markets, but achieving this requires both the will to invest in innovation and the effective implementation of supportive economic policies (Malik, 2024).

Global and regional trade agreements, economic policies, and business development play critical roles in shaping Pakistan's textile sector. Understanding their interplay is essential for

fostering growth and innovation in the industry. While trade agreements offer preferential access to foreign markets, they do not guarantee success unless paired with appropriate national policies and business strategies (Alvi & Shahid, 2018). For instance, economic policies that promote infrastructure development, technological advancements, and skill development can enhance the ability of businesses to innovate and meet global standards. At the same time, trade agreements that lower trade barriers open up markets for Pakistani textile exports, encouraging businesses to expand and improve production processes (Pakistan Bureau of Statistics [PBS], 2022; Hasan & Chishty, 2024). Therefore, the current study aims to set forth what these conflicting global and regional trade agreements, and national economic policies mean for the textile industry in Pakistan,

1.2. Problem statement

This study focuses on the notable challenges faced by the textile industry in Pakistan. The challenges, such as outdated technology, limited value-added production, and inconsistent policy implementation, are continuously hindering its ability to capitalise on global trade agreements like GSP+ (Khan et al., 2016). Pakistan, despite being the 4th largest textile producer globally, has struggled to diversify its textile offerings and modernise its production processes (Memon et al., 2020). The country remains heavily dependent on cotton, which limits its ability to meet the rising global demand for synthetic and eco-friendly fibres. Furthermore, the global competition from countries like Bangladesh and Vietnam, which have more advanced textile sectors, creates a challenging environment for Pakistan to expand its market share (Rahman & Moazzem, 2022; Husain et al., 2024). It was also believed that Pakistan's textile industry has been lagging behind due to a lack of access to global markets.

The granting of GSP status by the European Union in 2014 will drastically change the landscape for Pakistan's textile exports (EU Commission, 2024). This status has enabled Pakistan's textile sector to export significant volumes of its products to high-potential buyers across European countries (Pakistan Business Council, 2023). It was expected that Pakistan's textile exports must be boosted manyfold, but the reality tells a different story (Ahmad et al., 2024; Malik, 2024). Fluctuating cotton prices, energy shortages, and domestic economics are among the many other unforeseen challenges that have contributed to the industry's struggle

to gain a competitive edge (Mufti & Ali, 2024b; Dad et al., 2023). Moreover, it was highlighted that national policies are somewhat contributing to the current alarming situation.

Pakistan has made efforts to boost its global position in its textile sector through the introduction of the Textile Policy 2020-2025. But challenges such as inconsistent policy implementation and lack of focus on technological innovation remained there (Shaikh et al., 2023). The actions such as the reduction in energy subsidies and the discontinuation of export incentives—the ZRI Package—have further exacerbated the sector’s challenges (Hasan & Chishti, 2024). Regardless of its significance, there is no comprehensive research explaining how different monetary measures and fiscal instruments affect business strategies and performance in this sector (Abbas & Halog, 2021). Some studies have tried to explore the gap but have adopted a wider lens, focusing more on general policies that can be implemented. Thus, researchers are frequently overlooking the in-depth analysis required to address the current situation the textile industry is going through (Ali et al., 2020).

The thorough analysis of literature suggests that it is still unclear what factors and actors are actually affecting the export potential of the textile industry of Pakistan. Some researchers have suggested that the industry’s internal challenges are harming its potential to gain a competitive edge in the global textile market (Memon et al., 2020; Ullah et al., 2020; Rahman & Moazzem, 2022). Other researchers have highlighted the role of global and regional agreements towards the current substantial condition of the textile sector (Abbas & Riaz, 2013; Mufti & Ali, 2024a). The third group of scholars has identified national policies implemented by the government of Pakistan as key contributors to the downsizing trend in the textile industry (Ghafoor & Iqbal, 2023; Raza, 2024). Therefore, the current study will analyse these areas to identify the factors that are made responsible for the current challenging state of Pakistan's textile industry. In addition, the study will also explore to what extent a group of factors is involved in the worsening condition of Pakistan’s textile industry.

1.3. Research Objectives and Questions

Objectives

quantitative explanations about the influence of policies. Finally, even though it will discuss South Asia where appropriate, this investigation will largely focus on Pakistan to provide implementing evidence suitable for businesses in Pakistan.

1.5. Significance of the Study

The importance of this research lies in its ability to provide useful insights on how global and regional trade agreements and economic policies affect the textile industry of Pakistan. Apart from being a significant provider of employment and foreign earnings, the textile industry also acts as a major driver for industrialisation and economic development. This study thus seeks to inform policymakers and industry players on trade agreements, innovation policies, and government support that can be used to improve competitiveness and sustainability within the global textile marketplace (Memon et al., 2020).

In today's global economy, characterised by changing trade alliances and increasing rival competition, understanding the link between international and regional trade agreements and economic policies on local business growth is more important than ever before. From this perspective, this study will show how textile companies in Pakistan could be able to cope with emerging challenges and adapt themselves to different market conditions. Hence, through detailed analysis of policy impacts, this research will provide practical recommendations for businesses and decision-makers regarding market access improvement, promotion of innovation, and ensuring that government supports are consistent (Alvi & Shahid 2018; Ali et al., 2020).

Many existing studies have mainly focused on the broader economic effects of trade policies (Alvi & Shahid, 2018), with little research exploring the micro-level effects on individual firms. Therefore, this study will offer deeper insights into specific challenges and opportunities faced by textile companies, which will complement already existing research on the same topic. Thereby providing a more comprehensive understanding of industry dynamics (Aslam, 2023). The greater significance of these findings is that they are expected to apply across other developing nations that also have significant textile manufacturing sectors. The investigation

recommendations for textile companies operating in Pakistan. Additionally, connections are made between the study's themes and implications, comparisons are drawn with existing literature, and contributions are made to the growing body of literature in this field. These steps have helped to inform more comprehensive recommendations for various stakeholders.

Chapter 6 - Conclusion and Recommendations: The final chapter highlights the practical implications and limitations of the study. It further provides practical recommendations to enhance the competitiveness and sustainability of the textile industry in Pakistan and suggests areas for future research work.

the industry acts as a significant source of employment most especially for women. Nonetheless, there has been criticism of the labour content on all accounts due to the prevalence of poor working conditions, meagre salaries, and dangerous situations in most of the third world countries (Ghafoor & Iqbal, 2023). The disaster caused due to the collapse of the Rana Plaza in Bangladesh in 2013 brought to the fore the need for improved labour regulations and ethical responsibilities within this sector (Donaghey & Reinecke, 2018).

Many changes are taking place in the textile industry as a result of modernization and advanced technologies. Mass production as well as mass customization have been made easier by machine tools, computer technology, and better methods such as 3 D printing. Moreover, there are smart textiles that incorporate electronic modules into the fabrics and they are suitable for use in healthcare, sports, and military applications as emerging technology (Stoppa & Chiolerio, 2014). These inventions are steering the sector towards better performance levels, nonetheless, they also make big demands regarding investments and education as well as training.

Sustainable practices in textile industries cannot be overlooked either. It is one of the dirtiest industries in the world as it consumes a lot of water, produces a lot of chemical waste and has high carbon discharges. For the reason that, there has been a notable increase in the use of environmentally right materials which include recycled polyester and organic cotton and also new ways of production technologies were used (Mukhtar, 2023). Companies and brands also more actively implement the concept of a circular economy, increasing the attention to the issues of zero waste and recycling/upcycling (Macarthur, 2017).

2.1.3. Key Factors Influencing the Textile Industry

Interplays of several interrelated elements which have an impact on the growth, competitive edge, and sustainability of the textile industry shape its environment. These factors are essential not only for an understanding of how the industry operates but how it does so across various geographical areas and different global economic environments (Fodouop Kouam & Izunna Ekweozor, 2024).

International and regional trade agreements drastically affect a large part of the textile industry, which puts them at risk when there are changes of policies, tariffs or trade agreements to the international and regional actors (Karim et al., 2024). For instance,

schemes like the Generalized System of Preferences (GSP) allow developing countries exporting textiles to European community countries at a smaller cost than before which has really enhanced growth of that industry in other countries like Pakistan (Sanchez-Triana et al., 2014; Awan et al., 2015). Similarly, regional trade agreements such as the SAFTA is also positively working towards the development of trade in the South Asia. On the other hand, some other markets are also relatively conservative and put some import tariffs or impose anti-dumping duties which probably also restrict the accessibility to and the development of the given market. Some developments, such as US–China’s Trade War and Brexit, currently taking place in international trade, still provide a challenge to the textile exporters from countries (Johnson & Haug, 2021).

The cost and availability of materials comes out as one of the aspects that cuts across the entire textile industry. The inputs include cotton, wool, silk, and polyester, and changes in the prices of such raw materials impact the pricing of textile goods (Naqvi et al., 2024). For example, the prices of cotton may be influenced by aggressive weather, international policies, and how peaceful the nations that produce cotton are (International Cotton Advisory Committee, 2020). Such variations are of more concern in a cotton-producing country such as Pakistan where improvements and changes in the yield and quality of cotton have direct barriers and opportunities for its textile industry. As accustomed, the factor with regards to the other types of synthetic fibers is their dependence on climatic changes and their costs.

At the outset of this century, technological advancement began to play great importance in the improvement of efficiency, sustainability, and competitiveness of the textile industry. Facilities with such advanced automation technology, like computerized knitting/sewing are able to save on time and cost of labour quite effectively (Lo Scocco & Motta, 2024). In addition, more smart technologies are being deployed in production processes including the IOT & AI, scheduled to incorporate real time analysis and planning (Choi & Cheng, 2015). Such advances are very essential for Majority of textile SMEs in the bid to boost operational as well as the quality of products.

The textile industry is very much labour intensive and as such, labour costs are still a limiting resource especially in other parts of the world in nations of Pakistan, India and Bangladesh. Labor is still brisk in Pakistan, which gives it a remarkable fresh breath of competition (Ahmad 2020). But, issues of labour scarcity, unemployable, mismanaged interludes and

textile manufacturers have overcome these limitations utilizing better spinning machines, which work on yarn production tapes with more speed, precision and uniformity of yarn size (Hosseini & Rajabipour Meybodi, 2023). Automation has also cut down the labour hours and boosted the production.

- C. Weaving/Knitting:** These are processes that form fabric out of yarn. Apart from stitching, weaving consists of joining two sets of yarns, while knitting consists of stitching the yarns together (Mamdouh et al., 2022). Machines are, therefore, required for these processes, and in line with the changing times, more complicated patterns and faster production cycles are now made possible due to the or market looms. In Pakistan, where labour costs are relatively cheaper, manual production of fabrics harnessing the traditional weaving method is still widely practiced but automatic looms are more common for large volume production.
- D. Dyeing and Printing:** These activities are critical towards contributing to the overall appearance of the cloth by adding specific colours and patterns. This process deepens the fabric into dye solutions or applies dye patterns as needed on the fabric. Dyeing as one of the fabrics finishing processes is water and energy consuming and hence it is one of the processes that has so many adverse effects on the environment during fabric production (Nayak & Padhye, 2018). More recently, digital printing technologies have become popular for their effectiveness in precision of the output, efficiency in resources and less environmental degradation. Heed has been taken up by textile manufacturers to use environmentally dysregulated effects –biodegradable dyes and cyanoacrylate free printing technologies.
- E. Finishing:** Finishing operations focus on almost all the last steps of textile manufacture whereby to finish a fabric entails more than leaving it clean. Well-known examples of finishing treatments include whitening/bleaching, softening, and waterproofing. In addition, finishing alters the fabric, hence making it fit for the desired end purpose like in wearing clothes or using home textiles or industrial textiles (Stoppa & Chiolerio, 2014).
- F. Cutting and Sewing:** The last operation in the sequence of manufacturing textiles is firstly cutting the cloth into desired shapes and then converting the cut pieces into a finished product like garments or other fabrics such as curtains (Lu et al., 2017). Whether this process can be highly labour intensive or highly automated depends

simply on the resource available to the manufacturer. In Pakistan, a lot of the cutting and sewing activities are manualized especially for and/or because of exports garments manufacturing. However, modern factories are adopting automated sewing machines in the export garment manufacturing industries to increase efficiency and minimize mistakes.

Every single one of these key processes is important not only in determining quality and cost of production, but also in enhancing or reducing the negative impacts on the environment during production of textiles. With changes in the industry, there are also changes in the ways and means in which these processes are done thanks to new technologies and measures for preserving the environment.

2.1.5. Major Players in the Global Textile Industry

The global textile business is a billion-dollar industry, with a range of players from large multinational corporations to small and medium-sized enterprises (SMEs). Upon conducting the industry analysis, it was revealed that the internal strategies employed by the large players straddle many domains such as fiber production, textile production, and duplication of the fashion industry which enhances the scope and growth of the industry.

There are a number of key players in the world's textile and apparel industry, notable being Inditex (The company that owns Zara, H&M and Nike, among Others). Such companies control the retail portion of the chain of textile management and carry out massive activities involving procurement, creation, and distribution. For example, Inditex has a very efficient supply chain that allows them to take a newly designed product from the drawing board to the shelves in the shortest time, thereby remaining competitive (Ghemawat & Nueno, 2006). H&M is more judicious by utilizing so-called cheap production in Bangladesh or Vietnam, which has given this company a global expansion potential at competitive prices (Tuan et al., 2024).

On the fabric supply side, Luthai Textile in China and Arvind Limited in India are firms that manufacture textiles. These companies focus on mass production and distribution of textiles to popular high-end apparel brands. A case in point is Luthai Textile which has operations that go up the supply chain from yarn making down to fabric dyeing and finishing, which grants

the company more power over the quality and speed of the production process (Euromonitor International, 2021). In contrast, Arvind Limited is known for the advancement in designing and manufacturing denim and incorporates high-end denim into brand names like Levi's and Calvin Klein.

However, companies like cotton growers in the US and India remain important players in the supply chain of the raw materials. For example, US based Cotton Incorporated is involved in R&D concerning the cotton growing and processing which makes sure that quality cotton is supplied to the world market (Cotton Incorporated, 2020). In the same way, in Pakistan, Fazal Cloth Mills and other cotton suppliers offer the domestic market with valuable raw materials for the textile market and thus the significance of the raw material in the global supply chain is stressed.

The role of Small and Medium Enterprises continues to be crucial for the textile industry, especially in developing countries. These smaller organizations would tend to explore certain niche markets, for instance, traditional textiles or eco-friendly fabrics. Although they employ a significant portion and add to the local economy, they however face problems of scaling up owing to lack of capital and technology (World Bank, 2019). In Pakistan and Bangladesh, for instance, SMEs are quite active in exporting garments, often as a subcontractor for big brand manufacturers.

The survey stresses that it is this interrelationship of these entities, i.e. MNCs, textile producers, raw material suppliers, and SMEs that helps to build a highly competitive global picture that is also rampant with integration. For all of the players one way or the other, market demand and market-based strategies are important, so are market risks such as costs of raw materials, or protective tariffs and other trade restrictions (Karim et al., 2024).

2.1.6. Leading Textile-Producing Countries

According to industrial data, the major regions where the majority of the textile works are located are the Asian continent which is rather engaged in production as it has cheaper manufacturing costs. Leaders in this trade are China, India, Bangladesh, Vietnam, and Pakistan

who have managed to conquer global markets, each of them with some advantages and some obstacles (Tuan et al., 2024).

China could be distinguished as the largest share market in terms of production and sales of textiles. The country has over the years been a leader in the textile exports with approximately 35% of the sales coming from this sector (World Trade Organization [WTO], 2022). This industry is dominated by investment in its well-built infrastructure, as well as a large population and available raw materials such as cotton and synthetic fiber. Investments in automation and technology in the textile sector in China have allowed for the mass production with very low production costs (Gu et al., 2021). Coupled with this have been increasing wage rates as well as trade disputes involving us with China leading to offshoring of production plants by some firms over the last few years.

India is the second-largest textile economy in the world and is one of the leading producers of cotton in the world contributing 23 % of the world's cotton production (Ministry of Textiles, India, 2021). The country has a legacy related to textile manufacturing including traditional handlooms and contemporary bulk production. India's textile sector is managed historically in that it has both a small cottage industry and a large corporate manufacturing industry. But at the same time, factors like old equipment and environmental laws have been barriers to more exports than what was possible.

Bangladesh is a fast growing and important destination for garment production, especially for the ready-made garment industry (RMG). Low cost of labour, as well as favourable trade policies such as Generalized System of Preferences (GSP) benefits extended by European union located the country as a major exporter of garment industry. Although Bangladesh made great strides as a textile industry, this sector, in Bangladesh, has ethical issues and environmental issues such as a Rana Plaza disaster of 2013 (Clean Clothes Campaign, 2016).

Vietnam has quickly taken advantage of its integration into the global textile supply chain and emerged as a major participant due to its trade agreements such as CPTPP and EVFTA (Tuan et al., 2024). Most of these agreements eased tariffs on textile products, and this has had a positive impact on Vietnam's export orientation. As the country sought to enhance production efficiency and sustainability, global brands looking to shift their supply chains have invested in the country (Vietnam Textile & Apparel Association [VTAS], 2020).

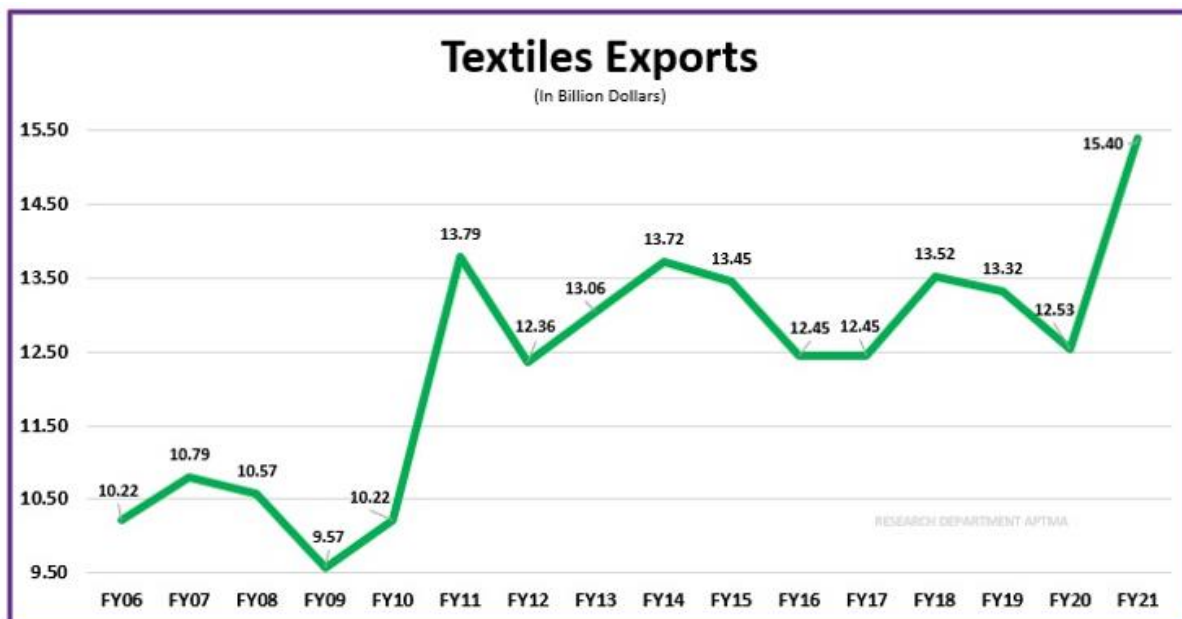


Figure 3. (Source: APTMA, 2022)

2.2.3. Importance of the Textile Sector in Pakistan’s Economy

Pakistan is primarily supported by the textile sector, as it is the one contributing almost 8.5% to the gross domestic product of the country and making use of nearly 40% of the industrial workforce. It is particularly important in earning foreign exchange, textiles being the largest contributor, comprising about 62% of total exports of the country (PBIT, 2018; **International Monetary Fund [IMF], 2023**). This sector's integration into the global value chain makes it important from both enhanced competitiveness and countries’ economic development perspectives. Pakistan exports its textile products mainly to the US, UK, China, Germany, and Spain. In July and March of 2021-2022, Pakistani textile exports recorded \$14,242.623 million, a rise of 25.43% as compared to the previous years (Batool, 2023). The following Figure 4 suggests that the Pakistan textile industry has high potential for growth, but due to many internal and external factors, the industry is not able to reach its full potential.

logistics are necessary for the timely export of textile products, while financial services assist in transactions as well as investment determinations (Zafar et al., 2022).

Governmental policies and renowned initiatives are instrumental for the support of economic contribution. To keep industry competitive in the global marketplace, Pakistan's policies remained focused on improving infrastructure, providing financial incentives, and enhancing the skill development of employees from various backgrounds (Naughton, 2019; Park & Dossani, 2020; Anjanappa, 2024). To give an example, the implementation of the Textile Policy 2020-25 that focuses on value addition increase, growing exports, and modernising the sector is expected to enhance its economic impact further (Ghafoor & Iqbal, 2023). These include cost reduction for doing business, subsidies for technology upgradation, and facilitating access to inexpensive credit (Ministry of Commerce, 2020).

Besides, among the various efforts by the government is the gaining of GSP Plus status that is helping the country, particularly the textile industry, to enter and penetrate the European market and avail opportunities for more growth and markets. This means that Pakistani textile products are now able to be exported at competitive prices since they will have a relatively lower customs duty rate applied to them. Briefly explained, government initiatives have played a vital role in ensuring the sustainability of growth within this industry, which is still one of Pakistan's biggest economic contributors (Abbas & Halog, 2021).

The textile industry in Pakistan is, simply, a very important economic driver when it comes to GDP, some exportation, and employment. Able to maintain its central role in the economy despite numerous challenges through resilience and adaptability, plus supportive government policies. The significance of this industry puts it at the centre of comprehensive economic advancement; hence, it has extensive interrelations with other sectors in Pakistan. This means that for future improvements in terms of the economic values on which this industry is founded, modernisation of infrastructures as well as investments should be part and parcel of these processes aiming at making textiles more competitive.

2.2.5. Key Players in Pakistan's Textile Industry

There are a number of players in the Pakistan textile industry that cover a large range of production and value additions across the country's textile industry. These include big corporate integrated mills and medium- as well as small-sized enterprises (SMEs) engaged in several activities regarding the supply chain of textiles, including spinning, weaving, dyeing, and finished garment production. For instance, Nishat Mills, Gul Ahmed Textile Mills, and Kohinoor Textile Mills have been some of the big names that have positioned themselves in the local and foreign markets (PBIT, 2018; see appendix BC). As an example of a vertically organised company in this industry, Nishat Mills is involved in the production of threads, fabrics, and clothing (Kazmi & Takala, 2014). This company is a key supplier of cloth and garments to many countries and the largest player in textile exports from Pakistan.

This sector is SME-dominated, as in the value-added segment of ready-made garments and home textiles. Sectors such as garment manufacturing have enabled firms like Sapphire Textile and Artistic Milliners to cater to specialised markets through product differentiation. For example, Artistic Milliners has gone a long way in producing environmentally friendly jeanswear and has been able to excel as a green maker (Meredith, 2024). The volume of the textile industry in Pakistan is estimated by the fact that it has extensive production and the capability to add value at every stage of processing (see Figure 7).

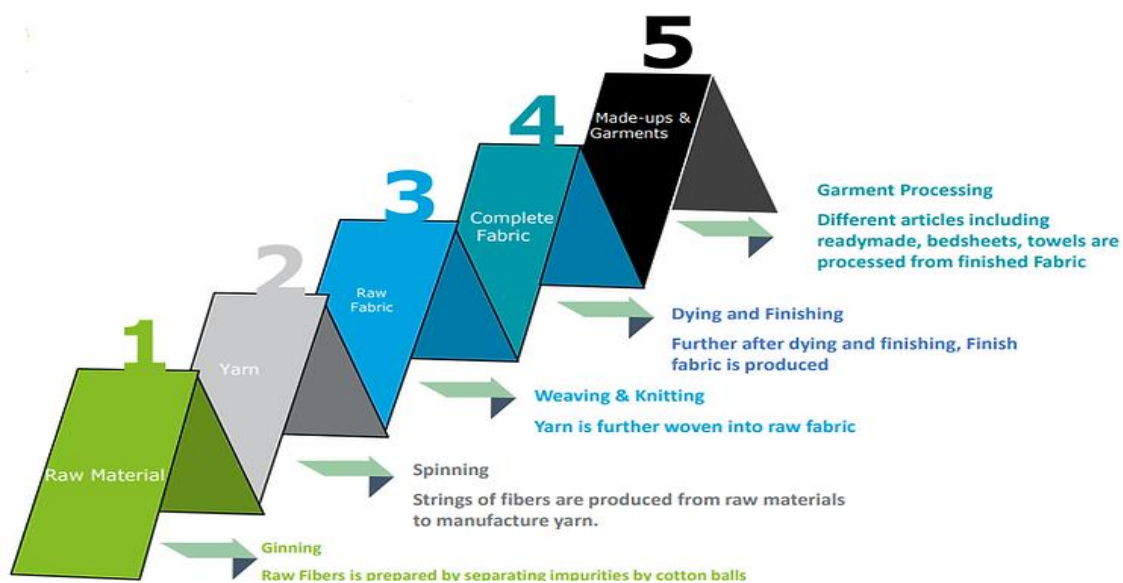


Figure 7. (Source: Batool, 2023)

to have more edge as compared to similar products manufactured by other developing countries (Munir, 2023). Nevertheless, regardless of these initiatives, there are barriers that are particularly noticed in the supply of energy and, to some extent, in dealing with the regulations.

2.2.7. Key Strengths and Weaknesses of Pakistan's Textile Industry

The textile sector in Pakistan has a number of strengths that answer why it is one of the important industries in the Pakistani economy. Its strongest asset is the ability to use local cotton, which is the most important raw material of the industry. Pakistan ranks fifth among cotton-producing countries in the world, and this God-given source provides a lean manufacturing advantage to local stakeholders (Akhtar et al., 2024). In addition, the sector has built a long supply chain, including spinning, weaving, and making garments where the degree of production management and quality control has been raised.

The industry's other strength lies in the value addition. It is responsiveness to global trends. There has been impressive advancement in the production of niche products such as technical textiles, home textiles, and green textiles that are far more profitable than the traditional garment manufacturing and are sought after all around the world. Interloop Limited, for example, has successfully embraced most of the changes in technology, especially with respect to innovation, in hosiery and performance textiles (Interloop, 2024).

Despite the many opportunities in the field of textiles, the industry seems to have some severe weaknesses that limit its growth and competitiveness. One such challenge is the inadequate energy provision, which has resulted in regular power interruptions, which in turn increases the general costs of production. This issue is further exacerbated by the high prices of energy that lower the advantage of the industry, especially when compared to its regional competitors like Bangladesh and Vietnam that have low energy costs (PBIT, 2018; Shahid & Wazir, 2020).

One more critical weakness is the low added value for the industry, focused on such basic materials as raw cotton and grey fabric (Husain et al., 2024). There is an urgent requirement

for resources in research and development to enhance the quality and international competitiveness of the industry in branded and technical textiles. Also, the industry is also faced with the challenge of old equipment and technology, especially in the spinning and weaving sectors, that cause inefficiency and wastage (Atkar et al., 2021).

2.2.8. Global and Local Challenges for Pakistan's Textile Sector

Pakistan's textile industry, despite being one of the country's key sectors, confronts many major obstacles that affect its expansion and competitiveness. These energy-related disruptions not only affect the continuity of operations but also reduce the overall productivity of the sector (Saghir et al., 2019; see Figure 8). In this scenario, depending on expensive but sometimes unreliable alternative energy solutions exacerbates financial stress for textile firms, thereby rendering them less competitive compared to their international peers benefiting from more reliable and cheaper sources of energy (Zaidi & Salam, 2020). Energy challenges must be met head-on in order to sustain production levels, cut costs, and enhance competitiveness globally within the industry. To ensure that Pakistan's textile sector remains viable and grows in the future, sustainable and renewable energy must be pursued (Kumar et al., 2022).



Figure 8. (Source : Husain et al., 2024)

Obsolete machinery and outdated practices are still used by most textile factories, a problem that is also critical. The industry's productivity is low because it holds on to old machines and their practices. Moreover, the lack of modern technology utilisation affects both the production process's efficiency and product quality, which leads to its failure as a global competitor. In order to improve efficiency, higher product qualities and international

2.2.8.1. External Challenges: Global Competition and Trade Barriers:

On a general perspective, the most important external concern for the textile industry in Pakistan is the competition from the international market, mainly China, Bangladesh, India, and Vietnam. These countries not only mastered the art of boosting production but also trade with countries with innovative trade policies and bear lower costs of production, making the industries in these countries more competitive (World Bank, 2024). An example is Bangladesh, which is one of the top contenders of Pakistan in terms of textile production and has managed to gain a zero-import tax for a majority of its textiles to both EU and USA markets, mainly due to its LDC status (Rahman, 2014). Although Pakistan benefits from the Generalised Scheme of Preferences, also known as GSP+ of the EU, its rise is stunted as there are some trade restrictions in other important markets like that of the United States of America.

Tariff and non-tariff measures that come under trade barriers have also been challenging for the textile industry. This enforces overregulation on developing economies such as Pakistan, making it nearly impossible for the country's textile producers to achieve the required standards. Meeting such norms usually calls for capital-intensive replacement of equipment and processes (Malik, 2024). Rising international relations tensions between Pakistan and India, especially in trade, have made it hard for materials restrained to those markets.

The other setbacks include the rising volatility in global cotton prices. Since Pakistan is a dominant producer of cotton, any fluctuation in cotton price worldwide would also impact textile manufacturers costs in Pakistan (Voora et al., 2023). For example, the spike in global cotton prices in the last few years is affecting the profitability of Pakistani textile companies and limiting their ability to fight the competition of producers from countries with alternative raw material sources or synthetic materials (Rahman & Moazzem, 2022).

2.2.8.2. Internal Challenges: Energy, Infrastructure, and Labor Issues:

Third world countries, particularly Pakistan, are endowed with a major economic resource in terms of textiles; however, there are structural weaknesses within the country in the development of this industry. A critical factor is the failure of power supply. Shortages in

electricity and gas on frequent occasions render production schedules impossible, driving up costs for the manufacturers of textile products. Most of the firms are compelled to use costly standby generators, which also reduces their competitiveness in the international market (Ali & Mahmood, 2024). In Pakistan the prevailing energy prices are also much higher in comparison to regional rivals like Bangladesh and India, which have cheaper prices because the government provides incentives or better energy policies are in place.

Inadequate transport and logistical services to back up the production activities aggravate production inefficiencies (Chishti et al., 2008). An old system of road networks & ports on the one hand and urban congestion on the other make it very hard to achieve one point in the supply chain, whereas the chain itself needs to be completed in time (Tadesse et al., 2022). Such logistical challenges appear to be particularly more severe for SMEs that do not have capital to take care of these issues that affect their markets both at home and abroad.

Employee productivity is yet another internal factor that has been a challenge to the textile industry. Although Pakistan has an abundant manpower pool with cheaper rates, the skill levels of that workforce are low, especially when compared to countries like China and Vietnam, where more effort is put towards training the workforce and adopting modern technology to improve efficiency in production (Sector, 2016; PIDE, 2020). The skills gap of the workforce is even poorer in the more value-added sectors of the textile industry, such as fashion designs and technical textiles that require more advanced skills and technologies. Also, some parts of the textile industry were characterised by poor working conditions and limited workers' rights, which resulted in modest investment into people, thus inhibiting productivity improvement (Dharejo et al., 2023).

The need for sensitisation of the workers is yet another internal challenge towards development. Many textile factories in Pakistan are running with old machinery, which affects their output quality and quantity. It is true that large, vertically integrated companies have begun moving toward modern technologies, but most of the SMEs that make up the great part of the industry have no such capital for such a development. This technological lag makes it hard for the industry to compete in the higher-end markets where more competitiveness and superior efficiency and quality are needed (Akhtar & Urooj, 2024).

2.2.9. Key Opportunities for Growth

2.2.9.1. Access to Global Markets Through Trade Agreements:

Due to improved global market access due to trade agreements, the prospect for the growth of the textile industry in Pakistan seems very attractive. Trade arrangements such as the Generalised System of Preferences Plus (GSP+) enable textile exports of Pakistan to be more competitive with limited barriers, especially access to large markets like the European Union (Munir, 2023; Husain et al., 2024). Pakistan has been able to use GSP+ provisions by exporting several textile items at lower costs, which could not have been done before since local players could not enter the European market with such products (see Figure 9). This preferential treatment allows exporters of textiles from Pakistan to have a lead because their prices are more competitive than other countries that do not have the GSP+ facility.

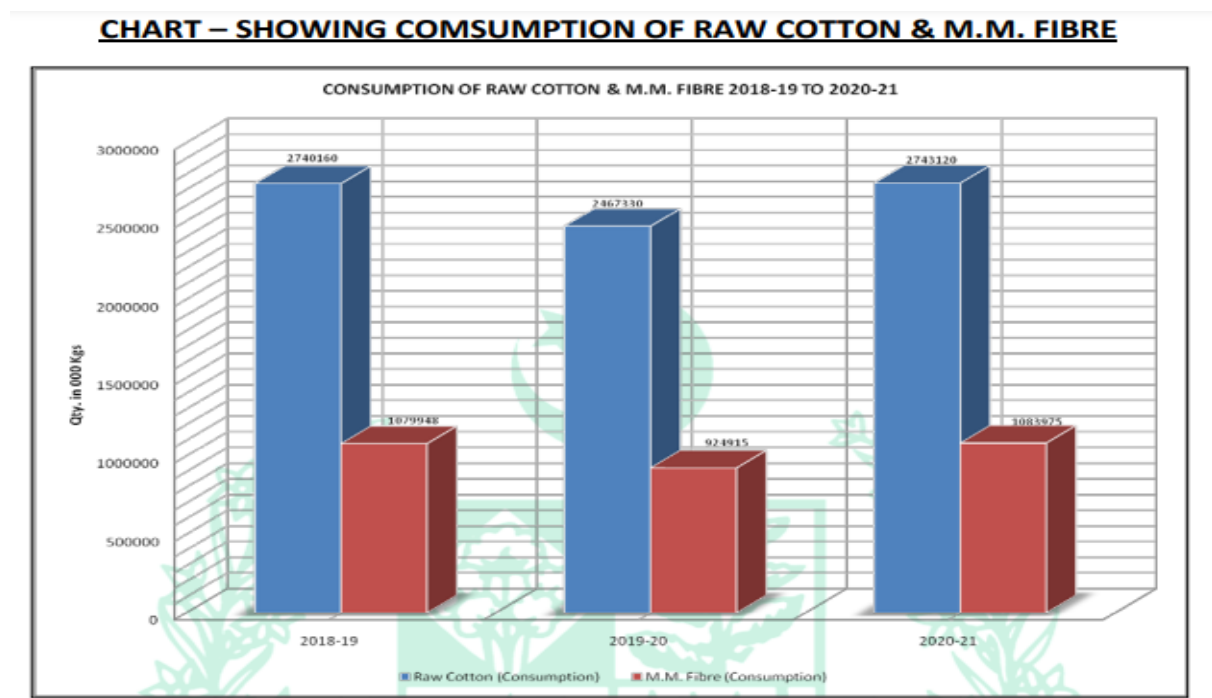


Figure 9. (Source: CTO, 2021)

On top of that, Pakistan is now looking for additional textile trade agreements with other regions as well such as China, the Middle East and South East Asia, that could also do great on exporting. Inter alia, the China Pakistan Economic Corridor (CPEC) provides a better opportunity for expansion of the exports since it aims at improving the infrastructure and

manufacturing processes, albeit at a slow pace when viewed against the backdrop of aggressive competitors like China and India (Farrukh Shahzad et al. 2024; Haq et al., 2025).

The government of Pakistan has been aware that the key to being competitive in the market is through technological improvement and therefore has developed various regulations that enhance the ways of doing business through technological advancements. Specifically, the Textile Policy 2020–2025 provides for several measures that foster the incurrence of risks that are necessary for innovation, such as retraining programs for upgrading machinery and creating new advanced manufacturing techniques and R&D investments and many others (Ministry of Commerce 2020). Such policies are hoped to provide the kind of technological improvements that are likely to increase the level of output as well as the value added to the output, thereby enhancing the competitiveness of Pakistani textiles in the foreign markets (see Figure 11).

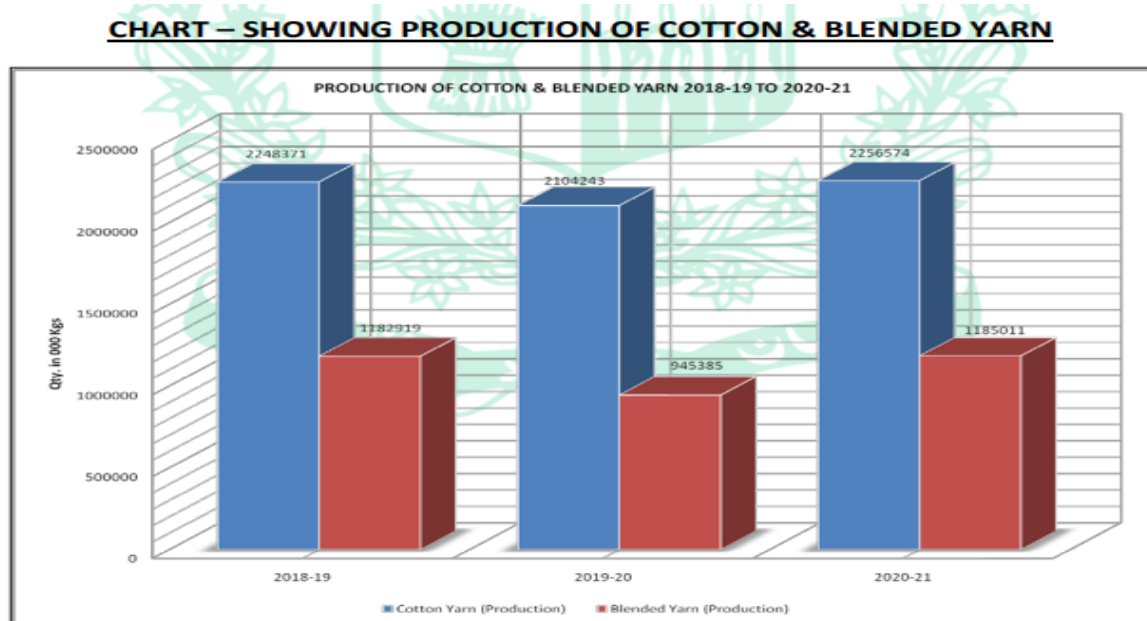


Figure 11. (Source: CTO, 2021)

Furthermore, the consolidation of different e-commerce channels opens doors for the small and medium enterprises in the textile sector to harness opportunities. Using digital marketing and especially online sites like Alibaba and Amazon, smaller textile firms are able to punch above their weight and reach consumers overseas directly, that is, without going through the cumbersome traditional trade (Zhang & Hänninen 2022). Not only does this digital shift

facilitate market penetration for businesses, but it also allows the bulk customisation of goods, which enhances the competitive advantage of companies.

Nevertheless, the concerns of manufacturers regarding the course of the implementation of the innovation policy do not overestimate the stress effect on consumers. The case is not always so, and a digital skills move may even look a little rounder than expected; for example, it is common in the textile industry. Framework rationalisation by development education and training efforts will in this case help in maximising the utilisation of particular technologies in the particular industry.

2.3. International Trade Agreements: Policies, Documents, and Implications for Pakistan's Textile Industry

2.3.1. General Agreement on Tariffs and Trade (GATT)

The General Agreement on Tariffs and Trade (GATT) is a cornerstone of international trade policy. Established in 1947, GATT aimed to promote free trade by reducing tariffs, eliminating trade barriers, and fostering economic cooperation among nations (Okoh & Okechukwu, 2023). With its principles of non-discrimination and reciprocity, GATT served as the precursor to the WTO, which incorporated its provisions in 1995 (Tarar & Bhatti, 2022). For Pakistan, GATT has played a crucial role in providing a framework for integrating its textile industry into the global market.

A significant milestone in leveraging GATT principles came with Pakistan's inclusion in the European Union's Generalized Scheme of Preferences Plus (GSP+) program in 2014 (ILO, 2023). The GSP+ is aligned with GATT's core objectives, promoting trade liberalization while encouraging sustainable development and adherence to international standards (Okoh & Okechukwu, 2023; Gnanon, 2024). As part of this agreement, over 78% of Pakistan's exports to the EU receive preferential treatment, with approximately 80% of textiles and clothing entering at reduced tariffs. This has strengthened Pakistan's position in one of the largest markets for its textile products (EU Commission, 2024).

opportunities to diversify into service sectors complementary to traditional industries such as textiles.

The textile industry, while primarily dealing in goods, indirectly benefits from GATS through services like logistics, marketing, and trade facilitation (Mukherjee, 2002). Effective service provisions reduce transaction costs, enhance supply chain efficiency, and ensure timely delivery, critical factors in competing in international markets. Additionally, GATS has created an environment that fosters the growth of service-related industries such as design consulting, digital marketing, and financial services, which are increasingly intertwined with the textile sector's export performance (Kirkpatrick, 2006; Gnanon, 2021).

GATS agreement principles, such as Most Favoured Nation (MFN) treatment and transparency, are very much in consonance with the aims of preferential trade agreements such as the European Union's Generalised Scheme of Preferences Plus (GSP+) (Baker, 2021). Under GSP+, the tariff on Pakistan's textile exports to the EU markets is in most cases lower than the tariff applicable in the EU countries. These are augmented by GATS provisions dedicated to providing sufficient services associated with it and to ensuring fair and transparent trade practices in those services. These agreements together provide an environment in which goods and services reinforce each other in the enhancement of the export potential of Pakistan.

One key aspect of the mechanics of GATS in the context of the textile sector in Pakistan is the promotion of offshore outsourcing and technology transfer. For Pakistan, this means additional tariff reduction on imported services that allow for GATS expansion within the country's economy (Chanda, 2005). For instance, foreign technical consulting services assist domestic producers in complying with ecological production methods, which is a prerequisite for maintaining GSP+ status. Likewise, cooperation with foreign design companies allows manufacturers in Pakistan to produce more complex products that meet the needs of the international market, instead of just exporting raw materials (Frederick et al., 2019).

Moreover, Khan and Mahmood (1996) argue that GATS provisions assist in improving the global competitiveness of Pakistani textiles more so by lowering the entry barriers in the

services sector. For example, better international banking and insurance services make it easier to export and therefore mitigate foreign risk. This is especially true of small and medium enterprises (SMEs) in the Pakistan textile sector, where obtaining funds to carry out bulk exports is usually hard.

Nonetheless, GATS provides guidelines for making the integration of services into Pakistan's textile exports more effective. There exist numerous service industries that, if developed, vertical integration of the quality of the sector will be perfected. In this regard, partnerships between the government and the private sector (PPPs) can be critical in reconciling the requirements of GATS with domestic industrial policies. For instance, PPPs could be used to create locational centres where the export process would be simplified.

2.3.3. Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The TRIPS agreement, in the perspective of the WTO, which was put into effect in 1995, establishes minimum standards for the protection and enforcement of IP rights and has a major influence on developing countries such as Pakistan, especially on its textile sector. The TRIPS agreement then aims at fostering innovation and protecting the resultant products, which can be beneficial for the textile sector of Pakistan by promoting value addition and protection of intellectual property (copyrights) in terms of innovations in textile designs and brand names of products.

TRIPS is expected to facilitate Pakistan's textile industry, which has centred mainly on a primary form of textile such as yarn and unspecified mass fabric, to progress towards a more sophisticated value-adding production activity. The signatories of the agreement are declared to comply with its stipulations; this means that the industries and businesses will be able to afford trademarks, copyrights, and patents for technical textiles, which will increase their competitiveness globally. There are also strong reasons to believe that these will be useful under preferential trade agreements such as the EU's GSP Plus, which aims at not only improving exports but also adherence to measures like international standards on trademarks and patent law of the countries involved.

The European Union (EU) grants zero-tariff imports of Pakistan's textiles under the Generalised Scheme of Preferences Plus (GSP+). But this special trade status is conditional on Pakistan's compliance with 27 international treaties, including those that deal with intellectual property rights (IPRs). In order to be eligible for GSP, it is crucial to respect the terms stated in the TRIPS agreement. It signifies to the EU that Pakistan is willing to observe the standards set for patenting and copyright practices anywhere in the world (European Commission, 2024).

The key benefits of TRIPS compliance could help Pakistan attract foreign direct investment in its textile sector. The international market and buyers are looking for markets where patenting of their designs and code is ensured, and TRIPS is the WIPO legal instrument that provides such protection. Such a framework would protect such innovations as eco-friendly dyeing, technical textiles, and advanced manufacturing processes. Such protection encourages the transfer and sharing of technologies, and that opens opportunities for revamping and increasing the efficiency and production of the cotton textile industry in Pakistan (Carpentier et al., 2024; UNCTAD, 2019).

Furthermore, it is the responsibility of TRIPS to advocate for the protection of geographical indications (GIs) since they are of particular relevance to Pakistan's textiles and garments sector. These could include products like handwoven fabrics and traditional embroidery and quilt making, which would thereafter be protected with the assistance of GIs and raise the status of these goods in the international market (Abbas, Riaz, 2013). As an example, strengthening protective measures for "Multani Ajrak" or "Sindhi Rilli" could allow for more foreign sales through TRIPS agreement protection, among other things. Nonetheless, these and other similar objectives cannot be attained owing to Pakistan's failure to implement TRIPS. Relevant institutions' lack of awareness or education on IP laws, poor enforcement of the laws, and inadequate institutional capacity are major limitations (Imdad et al., 2024). The amount of counterfeiting and piracy in the garment and textile industry is very high, and this leads to low sales and investments in it.

Regardless, Toqueera and Mehboobb (2014) argue that their expenditure for securing and enforcing IP rights may be very high for small and medium-sized enterprises in Pakistan's

textile industry. As a result, they often do not have enough skilled manpower to help them with the tedious procedures that are involved in the registration of the intellectual property rights both in the country and outside the country. In order to meet these difficulties, Pakistan needs to improve on its IP system by easing the application for patents and trademarks and providing training for textile industry manufacturers (Correa & Yusuf, 2016). This is further stressing the need for participation of both the public sector and the private sector in achieving TRIPS compliance and the objectives of the industry.

The interrelationship of TRIPS, GSP+, and the particular policies of Pakistan can effectively be the strategies for the expansion and growth of the textile sector. There is room for brand awareness and creation (Correa & Yusuf, 2016) through innovative designs in TRIPS; GSP+ opens the doors to the rich EU market without the payment of tariffs, and other economic policies such as tax holidays and subsidies can assist the sector in its efforts for modernisation (European Commission, 2024). By balancing these three factors, it seems that Pakistan has the opportunity of transforming its textile industry into a more stimulated and competitive one. For instance, it could be expected that policies that stimulate R&D in textiles will increase the likelihood of adopting TRIPS-compliant practices in the respective industry. Similarly, policies that result in lower lending rates to SMEs could help in spending resources for IP and value-added goods production.

If efficiently implemented, the TRIPS agreement has the promise of changing the face of Pakistan's textile industry through innovation, protection of intellectual property, and enhanced competitiveness internationally (Toqueera & Mehboobb, 2014). If combined with trade liberalisation arrangements such as the GSP+ and other appropriate economic policies, TRIPS could enable the subsector to break from conventional parameters and tap the potential. However, there are casual associations between policies and outcomes, and hence the achievement of these goals will require relevant reforms, capacity enhancement, and effective compliance measures of IP laws so that every stakeholder in Pakistan's textile industry is able to enjoy the TRIPS benefits.

particularly the European Union and the United States, exposes it to vulnerabilities from global demand fluctuations. SAFTA offers an opportunity to diversify export markets by enhancing trade within South Asia.

The trading agreement between Pakistan and SAFTA, as Khan (2014) indicated, is also significantly influenced by trade with neighbouring countries of India, Bangladesh, and/or Sri Lanka. Pakistan relates to these countries as South Asia, and Pakistan is located strategically in a region where the South Asian countries can be India's neighbouring states. Tariffs on raw materials like cotton and yarn are reduced, which lowers production costs, making it more feasible for Pakistani producers to compete in the region. Pakistani producers, by the same token, may also begin to look for export markets in the regional markets for their value-added products, for instance, garments and home textiles, rather than placing too much reliance on the EU markets (Pickles & Smith, 2011).

In a way, SAFTA is targeting free trade in regional trade, and the target in this case is smaller markets; however, to some extent, its effectiveness is increased when it is complemented with GSP+. It has been noted that GSP+ provides Pakistan with a beneficial footing and market access to Europe, where 78% of exports to the EU market of Pakistan are benefitting from the reduced rate of tariff (Khan, 2017b). But I would view the fact that SAFTA and GSP+ would make it easier for Pakistan to open more sophisticated oceans by first traversing the twin difficult waters of trade within Asia and GSP+.

Furthermore, even the SAFTA can be viewed in relation to other trade agreements such as CPEC, which would offer the Pakistanis better penetration into the South Asian regions along with the global market (Rathore et al., 2023). With such integration in place, it is guaranteed that the textile industry will not only extend its concentration on the region but at the same time enhance its globalization. The SAFTA agreement strengthens the possibilities for the further penetration of Pakistan's textile industry and its competitive ability in the South Asian markets. The combination of the inclusion of SAFTA with instruments like GSP+ creates bridges for expansion linking regional initiatives to the global ones. This would be possible if the region manages to overcome its structural barriers and enhance cooperation aimed at regional integration (Raza, 2024).

accessibility, the success of such initiatives is greatly influenced by the viability of supply-side policies (Khan & Shah, 2017).

Supply-side policies have an industrial focus by targeting exports and the supply of goods and services rather than import substitution (Xiao & Xiao, 2017). For the textile sector, these policies consist of industrial policy, industrial clustering, R&D investments, and enhanced logistics systems. Such initiatives are particularly relevant under agreements like GSP+, which require compliance with high environmental and labour standards. In this regard, Pakistan has instituted measures aimed at enhancing energy efficiency and modernisation of manufacturing capabilities to make Ugandan products conform to international quality standards.

There are many issues with the implementation of supply-side policies, so it is understandable why one would take it slow with those, e.g., Notable public-private partnerships and adequate funding for research institutes do not sophisticate the labour force in terms of enabling the industrial base to exploit globalisation opportunities (Jeelani et al., 2021). For instance, the utilisation of low-value exports, such as raw cotton and yarn, and reliance on GSP+ have adverse trade-offs that undermine the potential benefits that could be acquired in the long run. Also, not adopting advanced technology and underdeveloped supply chains makes competitiveness hard in the European Union and the United States markets, which are highly in market demand (Xiao & Xiao, 2017).

Supply-side improvements can amplify the benefits of trade agreements by enhancing the quality and variety of export products. In conjunction with fiscal and monetary policies, the supply-side measures ensure that resources flow into the textile manufacturing industry for improving production technologies (Khan & Shah, 2017). But the incoherence among these policies quite often compromises the overall competitiveness of the textile industry at the world level; therefore, there appears to be a clear call for a much more integrated approach to the policy.

2.6. Interaction Between Trade Agreements and Economic Policies

Trade agreements open external markets; economic policies provide the internal framework required for businesses to capitalise on these opportunities. Fiscal policies, such as targeted tax incentives and subsidies for the textile sector, aim to reduce production costs and encourage investment in value-added manufacturing. Monetary policies, including lower interest rates and favourable exchange rate management, support liquidity and enhance the sector's financial stability. Supply-side policies complement these efforts by addressing structural bottlenecks such as outdated technology and inadequate infrastructure (Xiao & Xiao, 2017; Khan & Shah, 2017).

For instance, energy costs are subsidised according to the Pakistan Textile Policy 2020-2025, which is essential for the industry to access GSP+ in the EU (Pakistan Ministry of Commerce [PMC], 2022). However, constant neglect in the application of policies and poor policy coordination tend to frustrate their intended potentials. What is important to note is that trade agreements and economic policies are integral to each other but also in conflict. On the one hand, the Government of Pakistan is encouraged by the adoption of preferential trade agreements to reform such things as labour rights and the environment (Chaudhary, 2024). These measures are often achieved with the help of economic policies designed to ensure compliance requirements, thus enhancing the global competitiveness of the textile industry.

Moreover, the gap that is observed between the implementation of policies and the trade facilitation adversely impacts the synergies. For example, while GSP+ stresses the use of sustainable practices, the budgetary and other supply-side conditions in Pakistan more often than not provide insufficient incentives for the incorporation of environmentally friendly technology (Khan & Shah, 2017). Similarly, monetary instability, such as fluctuating exchange rates, creates uncertainty for exporters, reducing the benefits derived from preferential trade agreements (Bibi et al., 2014).

There is a need for far-reaching coherence of economic policies to ensure that the benefits of the trade agreements are managed to the fullest extent. The taxation incentives have to first take into account the need to invest in green technologies and value-added manufacturing

that would be competitive. A central focus on currency stability is required so as to raise the confidence of exporters, while supply-side measures must close the gaps in infrastructure and technology (Park & Dossani, 2020). Besides, it will be necessary to construct a coherent policy framework that marries trade facilitation with industrial policy for the purpose of addressing long-term issues. These relations between trade agreements and economic policy have been important factors in the competitiveness of Pakistan's textile sector (Akhuand & Abbas, 2023). Pakistan can fill the gaps and make the synergies work to develop these mechanisms to secure long-term business development whereby the textile industry continues to contribute to economic development in the international marketplace.

2.6.1. Key Secondary Data Sources for Understanding Trade and Economic Policy Impacts

To comprehensively analyze the impact of international and regional trade agreements on Pakistan's textile industry, this study relies on a range of secondary data sources. These include official policy documents, trade agreements such as the Generalized System of Preferences Plus (GSP+), and regional frameworks like the South Asian Free Trade Area (SAFTA). Government reports from institutions such as Pakistan's Ministry of Commerce (2023), the State Bank of Pakistan (SBP, 2023), and the Ministry of Commerce (MoC, 2025) provide crucial insights into economic policies, taxation structures, and industry incentives. Additionally, industry reports from the All Pakistan Textile Mills Association (APTMA, 2023) and the Pakistan Textile Exporters Association (PTEA, 2024) serve as valuable resources for understanding sectoral performance, production trends, and global competitiveness. International databases from the World Trade Organization (WTO, 2022), the World Bank (2022), and the International Monetary Fund (IMF, 2023) further provide comparative perspectives on trade policies and economic trends. These sources collectively help evaluate the role of policy interventions in shaping the textile sector's growth trajectory (Malik et al., 2025).

These secondary sources will be systematically analyzed in the findings chapter to assess how trade agreements and economic policies influence the business development of Pakistan's textile industry. Content analysis is used to evaluate policy documents and trade agreements, identifying key provisions, compliance requirements, and associated challenges. Statistical reports and economic data are examined to detect patterns in export performance, industry

world. Thus, these agreements facilitate trade and allow Pakistani entrepreneurs access to new markets with lower duties, hence increasing the likelihood of exporting.

2.8. Role of the Textile Industry in Pakistan's Economy

Pakistan's economy cannot be talked about in totality without making a strong reference to the textile industry because of the latter's significance to national output, employment creation, and earnings in foreign exchange (Shair et al., 2024). It is the largest manufacturing industry in the country, which has substantial benefits for the economy and forms an important part of Pakistan's industrialisation, trade relations, and socio-economic development.

The textile industry is the cornerstone of Pakistan's manufacturing sector, accounting for over 8% of the Gross Domestic Product (GDP) and around 60% of the country's total exports (Pakistan Ministry of Commerce [PMC], 2022). It remains the largest export sector, with products such as cotton yarn, fabrics, and garments being primary contributors to foreign exchange earnings. In particular, the textile and garment sector's dominance in export value reflects the global competitiveness of Pakistan's textile products, especially in markets like the European Union, the United States, and the Middle East. Despite facing challenges such as outdated machinery and energy shortages, Pakistan remains the fourth-largest exporter of textiles globally, with significant market shares in both raw and finished textile products (Hale & Anderson, 2021).

Moreover, the European Union awarding GSP Plus status to Pakistan in 2014 has been another important factor in enhancing textile export merits. By virtue of this preference aggregation trade agreement, able to export textiles to EU Commission Reports more than 80 percent of its textile production at lower or no tariffs. Such tariff reduction offered Pakistan a clear competitive edge. Tariff reductions in 2022 led to a higher level of greater, it is to say, exporting activity, or exports of textile products to the EU, highlighting the vital role trade agreements have in enhancing the export potential of Pakistan. Sale expansion is hindered by the dominance of low-value-added products and enclaves of textiles. These issues are the

hindering factors for the industry to utilise the said agreements to the maximum extent possible.

The textile sector also serves as a major source of employment, directly employing millions of individuals across various stages of production, from cotton farming to garment manufacturing. It is estimated that the sector employs over 15 million people, accounting for approximately 40% of the total workforce in Pakistan's manufacturing sector (World Bank, 2022). The industry plays a significant role in poverty alleviation by providing livelihoods to a large segment of the population, particularly in rural areas where textile production and cotton farming are major economic activities. Women, in particular, have benefitted from employment in textile-related sectors, although gender disparity in labour force participation and pay remains a persistent issue.

Furthermore, the growth of the textile industry can expand by channelling towards value-added products such as quality clothing, home textiles, and fashion items. Pakistan has an advantage in growing value-added products since the country has an abundant supply of raw materials like cotton that provide a better profit as compared with other textiles. There is also a need for purposeful spending on research and development of designs and a skilled workforce in order to transform the textile industry into a high-end export-orientated sector.

Thus, the overall influence of the textile industry on Pakistan's resources is quite important and diverse. Although it has some obstacles—the energy crisis, technology, and international competition—there is considerable room for the development of the sector. By capitalising on trade mechanisms such as GSP+ and promotion of best practices and value-added processes (Li et al., 2019), Pakistan will be able to elevate the position of the textile sector further in the context of exports as well as economic growth.

2.9. Theoretical Framework

This research aims at examining the issues that are responsible for the low performance of the export of textiles from Pakistan in the light of the regional and international trade benefits available to Pakistan. Previous studies recognise the potential of Pakistan's textile industry on

emphasises understanding the meanings behind specific phenomena (Saunders, 2007). It will allow the study to explore how stakeholders interpret the impacts of trade agreements like GSP+ on business practices, policies, and the broader textile industry environment in Pakistan.

In terms of research approach, the inductive approach is chosen. This approach involves generating theories or concepts from the collected data, rather than testing pre-existing hypotheses, which is characteristic of the deductive approach (Eriksson & Kovalainen, 2008). The inductive approach allows the study to develop a deeper understanding of the interplay between trade agreements, economic policies, and business practices in the textile industry, based on empirical insights gathered through interviews and document analysis. It is particularly suited for qualitative research where the goal is to develop insights into phenomena rather than to test existing theories (Azungah, 2018).

3.2. Research Design: Contextual Analysis

This analysis employs a contextual analysis of global and regional trade agreements and economic policies to assess their impact on business growth in Pakistan's textile industry. The contextual analysis is a specific socio-phenomenological approach that integrates an industry or phenomenon with its deeper societal, political, economic, and policy framework, thereby enabling a comprehensive analysis of its external factors (Silverman, 2021). Contextual analysis, as distinct from within-case study analysis, which focuses on a single bounded system (Yin, 2009), facilitates the study of the impact of national and international trade and economic policies on entire industry phenomena.

This approach presents the textile industry as a single, entire context unit rather than a bounded case to be studied. This design allows the researcher to capture the various perspectives constructed by different stakeholders regarding trade and economic policies and agreements using qualitative approaches. Interviews and text evaluation combined with qualitative research provide an understanding of how significant economic powers shape business activity in this industry (Flick, 2022).

3.3. Research Method

The research method for this study is qualitative in nature, as the aim is to explore and understand the complexities of how regional and global trade agreements and national economic policies influence business development in Pakistan's textile industry. Since the focus is on gaining deep insights into the experiences and perceptions of industry stakeholders, qualitative methods are the most appropriate choice (Creswell & Creswell, 2017). Qualitative research allows for flexibility in exploring the nuances and intricacies of participants' viewpoints, particularly in contexts like trade agreements and economic policies, where interpretations can vary widely among stakeholders.

3.4. Research Strategy

The analysis strategy relies on contextual analysis, which uses Pakistan's textile industry as a context of study rather than as a bounded case. Contextual analysis is particularly useful in determining the impact of global trade agreements or a country's economic policies on business growth in a specific industry (Silverman, 2020). This enables the consideration of the wider economic and trade conditions that impact the textile industry, rather than solely focusing on the industry as a bounded case (Flick, 2022). The approach taken in this research helps to understand the influence of international trade frameworks on business development by bounding the analysis to the textile industry of Pakistan and framing it within the existing policy and economic conditions. This approach ensures that the research is context-focused by paying attention to the wider scope of the industry, the drivers' opinions, and the policies' effects, rather than a defined case study (Creswell, 2013).

This strategy involves an in-depth analysis of how global trade agreements, such as the GSP+ granted by the European Union, SAFTA completed among South Asian nations, and national economic policies influence the operational and business decisions within the textile sector. By using this strategy, the research will be able to gain a nuanced understanding of the challenges and opportunities faced by the textile industry and how external policies shape its ability to expand in the global market.

The data collected was analysed using thematic analysis, a widely used qualitative technique that identifies and interprets patterns within the data (Braun & Clarke, 2006). This strategy helps identify recurring themes related to the impact of trade agreements and national fiscal, monetary, and supply-side policies on business development practices. It allows for a detailed examination of how textile businesses navigate the international market in response to external policy changes and trade agreements, providing insights into the specific barriers and opportunities within the sector.

3.5. Data Collection

Data collection in this research study involves two key approaches: primary data through interviews with relevant professionals in the textile industry and secondary data through document analysis of reports and industry sources (Sutton & Austin, 2015). This combination ensures that the research covers both firsthand findings and historical data, offering a thorough comprehension of how trade agreements and economic policies influence business development in Pakistan's textile sector.

3.5.1. Primary Data: Interviews with Textile Industry Professionals

The interviews focus on understanding the perceived impact of trade agreements and economic policies (including monetary, fiscal, and supply-side policies) on business development in the textile sector. The primary data for this study is collected through semi-structured interviews (Adeoye-Olatunde & Olenik, 2021) with textile professionals in various departments in Pakistan's textile industry. This includes individuals involved in decision-making processes related to production, promotion, supply chain management, and export to regional and global markets.

It is noteworthy here that interviews are collected from stakeholders who are directly involved in the phenomenon that the author is interested to explore (Roulston & Choi, 2018). Therefore, the focus of interviews in this study is on the individuals who are directly engaged with trade agreements or economic policies related to the textile industry. The aim is to

gather qualitative insights into the strategic decisions these stakeholders make in response to changing global and domestic trade dynamics, as well as the challenges they face.

Semi-structured interviews were conducted via Zoom, allowing for in-depth discussions while maintaining flexibility in responses. A semi-structured approach is preferred as it allows flexibility while ensuring that key areas of inquiry are covered. This interview format facilitates exploration of new insights as they emerge during the conversations (Bryman, 2016). Furthermore, interviews provide an opportunity to understand stakeholders' personal experiences and perceptions of how trade agreements and policies influence their operations. Moreover, the interview questions were structured around key themes, including the impact of International Trade Agreements, Influence of Regional Trade Agreements, National Economic Policies, Challenges and Opportunities in textile industry, and Future Outlook.

3.5.2. Secondary Data: Document Analysis of Reports and Industry Sources

In addition to primary data collected through interviews, secondary data is also gathered through document analysis of various reports and industry sources related to Pakistan's textile industry. These documents will provide context and further insights into the impact of international trade agreements and economic policies on the industry (Bowen, 2009). Secondary data includes government reports that detail trade agreements, such as the GSP Plus and SAFTA, and their provisions for textile exports. Other key documents include textile industry reports and policy papers published by organisations like the Ministry of Commerce, Pakistan's Board of Investment, and international organisations such as the World Bank, WTO, and Asian Development Bank. These reports offer statistical data, policy outlines, and analyses regarding the textile sector's performance and its challenges in international markets (Dunn, 2015).

Additionally, research articles and academic studies on the textile industry in Pakistan are also reviewed. These articles provide a deeper understanding of the trends, challenges, and opportunities faced by the industry (Morgan, 2022), particularly concerning international and regional trade policies and agreements. Documents that outline the trade agreements

themselves, such as those related to the WTO and Pakistan’s specific bilateral and multilateral agreements, are analysed to understand how these agreements impact the sector. The document analysis approach helps triangulate the findings from primary data and offer a more in-depth understanding of the macroeconomic and policy frameworks influencing the textile industry (Armstrong, 2021). It also ensures that the research captures a variety of viewpoints from both policy and industry reports, contributing to a well-rounded analysis of how trade agreements and economic policies shape business development in the textile sector.

3.6. Interviewee Demographics

This study seeks to understand the interplay of global, regional, and national trade policies on the business development choices of Pakistani textile firms. To gather industry-specific information, interviews were conducted with seven marketing managers from leading textile companies in Pakistan. The interviewees had between more than two to twenty-five years of experience in the industry to ensure a balance of emerging and senior professionals. These professionals were identified on LinkedIn as well as through personal networks in the industry. The interview subjects had direct exposure to trade deals, supply chain management, and regulatory affairs, thus providing the necessary context on how external economic factors impact business decision-making. This study employs a multi-level perspective to improve its empirical rigor. Qualitative research conducted with well-informed subjects meets the trustworthiness criteria because such respondents add value to concepts, frameworks, and theories with practical experience (Creswell & Poth, 2016). The demographic information about the participants, as presented in Table 1, exemplifies the comprehensiveness of the data collection approach employed for this study.

Table 1. Interviewee Demographics

No.	Name	Position & Company	Years of Experience	Mode of Interview	Duration
1	Rao Shahid Raza	Head of Sales & Marketing, Nagaria Textile Mills	25 years	Video Zoom Meeting	18 min
2	Mirza Zia Hussain	Marketing Executive / Sector Head, MK Sons	25 years	Video Zoom Meeting	58 min

3	Mariam Aslam	Sr. Manager - Product Development & Innovation, FEROZE 1888 Mills	13+ years	Video Zoom Meeting	25 min
4	Fahim Ahmed	DGM Sales & Marketing, Al Rahim Textile Industries	18+ years	Video Zoom Meeting	26 min
5	Muhammad Saqib Tahir	Sr. Deputy Manager - Yarn Marketing, Ibrahim Fibers Ltd	17 years	Video Zoom Meeting	18 min
6	Muhammad Ubaid Ullah Saad Berg	Senior Engineer, Ibrahim Fibers Ltd	3+ years	Video Zoom Meeting	11 min
7	Abdul Manan Shaikh	General Manager - Marketing & Merchandising, Orient Textile Mills	18+ years	Video Zoom Meeting	34 min

3.7. Data Transcription Process

To maintain the integrity of the data gathered, the transcription process was carefully conducted with automated tools, accompanied by an added layer of manual checks on the transcribed interviews. For the initial phases of the interviews, verbiage from the Zoom meetings was automatically converted to text using Restream Transcribe Video to Text (Restream, 2025). Each transcription was further validated by reviewing each of the video recordings, allowing any inaccurate transcripts to be modified. Moreover, through these processes, transcripts were further scrubbed to remove restatements, filler phrases, and other irrelevant information while retaining the necessary context and essence of the conversations. This two-stage process ensured higher accuracy when capturing the views of the participants during the interviews, thereby increasing the accuracy achieved through thematic analysis. Automation coupled with manual approaches to transcription has been proven to enhance data validity in qualitative studies (Davidson, 2009).

3.8. Sampling Strategy

Given the qualitative nature of the study, a purposive sampling strategy was employed to select participants who have relevant knowledge and experience regarding Pakistan's textile

industry and its interaction with trade agreements and economic policies. Purposive sampling is a targeted approach that ensures the inclusion of individuals who can provide valuable insights into the research topic, particularly when dealing with complex issues such as international trade and industry-specific challenges (Palinkas et al., 2015). Moreover, purposive sampling is predominantly important in contextual analysis research as it supports an attentive exploration of challenges in a particular targeted industry (Etikan et al., 2016; Yin, 2009).

The primary participants for the interviews include managers from textile manufacturing companies, especially those involved in the export value chain. By engaging these participants, this research captures diverse perspectives on the impact of trade agreements and national policies on operations and international competitiveness in the textile industry (Bryman, 2016). Moreover, government policy documents and publications provide valuable insights into trade agreements and economic policy formulation, offering a comprehensive understanding of the current landscape. The important source of these documents is the Ministry of Commerce and Pakistan's Board of Investment. These documents provide insight into the governmental perspective on how trade agreements and policies influence the textile sector's growth and development.

In addition to the above resources, other relevant documents are also reviewed based on their direct relevance to the study, ensuring they come from credible sources such as commerce associations, trade observers in national and international environments, and reputable international organizations. Official reports and documents that provide robust data on trade agreements and national policies are considered in the document analysis from the above sources (Lejárraga & Shepherd, 2013). Hence, the purposive sampling strategy ensures that the research captures the perspectives of individuals and sources with key knowledge and authority in the topic under observation (Campbell et al., 2020). This approach provides comprehensive insights into how trade agreements and policies influence business development within the textile industry.

3.9. Data Analysis

Data analysis in this qualitative study follows a thematic analysis approach, which is commonly used for analysing qualitative data such as interview transcripts, industry reports, and policy documents (Braun & Clarke, 2006). Thematic analysis allows the researcher to identify, analyse, and report patterns (themes) within the data, providing a detailed understanding of the topics covered (Guest et al., 2012). Initially, the interview transcripts were reviewed multiple times to familiarise the author with the data and identify recurring themes. Coding has been performed, which involves tagging significant statements with keywords that represent the ideas within the data (Saldaña, 2021). The actual statements of interviewees are slightly updated (without changing meaning or content) in order to make the statement more understandable.

Triangulation is used to enhance the credibility of the results by comparing data from different sources (Creswell & Creswell, 2017). This technique ensures that the conclusions drawn are supported by multiple perspectives, improving the validity of the study. By following this approach, the study provides a thorough analysis of the role of trade agreements and policies in shaping the textile industry in Pakistan. Moreover, comparative analysis was included to contextualize the findings from Pakistan's textile sector against regional industry trends, even though it was not a direct topic in the interviews.

3.10. Textile Industry Description

The targeted industry for this research is Pakistan's textile industry, which is a significant part of the country's economy, contributing around 8.5% to the GDP and employing millions of people (Naeem & Siddique, 2024). With textiles making up almost 60% of Pakistan's total exports, the textile industry is essential to the export economy (Fu & Khan, 2024). However, despite its importance, the industry is dealing with multiple challenges. These include outdated technology, low levels of value-added production, and reliance on cotton-based products. In addition, the industry is impacted by inconsistent policies, energy constraints, and changes in cotton prices (Gulzar & Mehmood, 2022). The European Union's GSP+ scheme offers notable opportunities for Pakistan's textile industry to access the European market at

reduced tariffs. However, to fully benefit from these opportunities, the industry must overcome internal obstacles, including resource efficiency and technology modernisation.

3.11. Ethical Considerations

Ethical considerations are critical to ensuring that the research respects the rights of participants and maintains academic integrity. Informed consent is obtained from all interview participants, ensuring they are fully aware of the study's objectives, the nature of the data collection, and how their responses will be used (Cohen et al., 2017). Participants are made aware that their involvement is voluntary and that they can withdraw from the study at any time without facing negative consequences.

To ensure confidentiality, participants' personal information is ethically analysed and securely stored. Data is handled in line with ethical guidelines and only be accessible to the researcher. The researcher also upholds the right to privacy and not disclose any sensitive information without explicit consent (Homan, 1991).

4. Findings

4.1. Data Presentation and Analysis

The interviews and document analysis provided some primary data that helped the author to understand in detail the influence of international and regional trade policies and the economic policies of Pakistan with respect to the textile industry. This section also discusses the key trends that were identified in the primary data with respect to the interviews and then moves on to insights that were acquired through secondary data that contributed to the knowledge of business development in the textile industry.

4.1.1. Key Trends Identified in Primary Data (Interviews)

Theme 1: Impact of International & Regional Trade Agreements on Business Development

The influence of international and regional trade agreements on the business development of Pakistan's textile industry is complex, with both lucrativeness and restrictive regulations. Interviewee discussions reflect the importance of agreements like GSP+ and SAFTA, which allow trade but also require some level of adherence. Most respondents noted that the focused market of GSP+ facilitates trade for Pakistan, particularly in the European market. A recurring theme in the responses is the competitive advantage that Pakistan gains from GSP+ in the European market. **Abdul Manan Shaikh** stated:

"These trade bodies like GSP plus, always have a positive impact on developing economies like Pakistan. They aid in enabling us to remain competitive in the European market. If GSP+ is removed, we will become non-competitive against India and Bangladesh because our prices will rise by 9% to 10%."

This is consistent with Soomro and Ansari (2022), who contend that trade agreements such as GSP+ tend to increase the competitiveness of exports for developing nations due to significantly lower cost spending in the competing region. Fahim Ahmed added:

"Pakistan benefits from GSP+ because we don't have to pay tariffs when exporting to Europe. If this status is lost, it will significantly hurt our competitiveness."

Gnangnon's (2024) assertion that tariff concessions under schemes like GSP+ are beneficial for exporters from emerging economies corresponds to this claim. However, a benefit of these agreements is that they come with compliance requirements that many firms find difficult to achieve. **Mariam Aslam** quoted:

“Our biggest challenge is compliance with international trade regulations. The EU has strict quality and sustainability standards, which we must meet to continue benefiting from trade agreements.”

This supports the reasoning of Qureshi and Shah (2020) that preferential trade agreements facilitate a member country by removing some tariffs, but in exchange, set non-tariff barriers like sustainability and labour laws that are difficult for developing countries to comply with (De Melo & Nicita, 2018). Moreover, compliance-related issues can reduce possible utilisation of these agreements, leaving firms with little scope to exploit them.

While trade agreements seem to portray clear benefits, smaller regional trade agreements like SAFTA have lost traction owing to political and structural problems. This problem was noted by **Zia Hussain**, who said this:

“The regional trade potential is huge, but political tensions with India and Afghanistan limit our ability to use agreements like SAFTA effectively. Our industry is too dependent on US and EU markets.”

This corresponds with the studies conducted by Ur-Rashid and Khan (2024), which argue that the political disagreements have considerably affected the performance of SAFTA, which is meant to improve trade among South Asian countries. Hussain's assertion is also in tandem with Frederick et al. (2019), that the market for fabrics in Pakistan is rather dependent on Western countries due to regional and international trade instability. Trade agreements do increase the scope for business engagement. But they also set new challenges with respect to monitoring and enforcing compliance. As **Mariam Aslam** mentioned:

“GSP+ has allowed us to increase sales in the EU by 5% over the last decade. However, meeting compliance and technical regulations has been a major challenge.”

This aligns with Sanchez-Triana et al. (2014) and Mukhtar (2023), who argue that although trade preferences offer incentives for exports. Meeting labour laws, environmental regulations, and documentation requirements can be very costly for firms located in developing countries.

The findings show that even though international agreements such as GSP+ offer favourable incentives, the risks associated with their withdrawal as well as the stringent compliance requirements pose significant challenges. Agreements on a regional level, such as SAFTA, continue to remain ineffective because of intrastate politics, while Pakistan’s trade agreements with China do provide a measure of stability but also increase the risk of over-reliance. These findings enforce that relevant stakeholders in Pakistan must work to strategize on managing trade diversification, compliance mechanisms, and intra-regional trade obstacles to achieve sustainable growth in the country’s textile industry.

■ **Theme 2: Role of Pakistan’s Economic Policies in Business Development**

Policies pertaining to the economy significantly influence the surrounding business scope of Pakistan's textile sector. Key operational cost factors, stringent fiscal policies, and unsatisfactory government support featured prominently in the narratives of interviewees. Those challenges have a deep impact on the sector's competitiveness, especially in the global export market. One of the main concerns captured from respondents is how Pakistan's comparatively high-cost structure in doing business affects the global competitiveness of textile exports. **Abdul Manan Shaikh** noted:

“High utility prices, increasing taxation, and rising income tax on businesses make it harder to maintain competitive pricing in the export market.”

This is in line with what Shahid and Wazir (2020) found, where they claim that the burden of high energy cost and taxes in Pakistan adversely affects the cost of doing business compared to regional competitors like India and Bangladesh. Shaikh’s claim is further validated by

Akhuand and Abbas (2023), who note that businesses are less able to compete at an international level due to high taxation, which creates uncertainty. Additionally, high interest rates are another critical challenge facing exporters. **Fahim Ahmed** stated:

“Interest rates increased from 7% to over 21%, which directly impacted working capital and made it harder for exporters to survive.”

This highlights issues that were also raised by Husain et al. (2024), who argue that high interest rates as part of tight monetary policy reduce the supply of credit to businesses, which is largely needed for investment and economic growth. Higher costs of loans constrain firms and restrict cash flows, which are especially damaging for an industry that depends on continuous bulk production coupled with international trade. While many exporters have been provided with certain facilities to encourage exports, the interviewees expressed their concerns about the extent to which these facilities would help. **Muhammad Saqib** states:

“The government provides some rebates on exports, but they are not enough to offset rising production costs.”

This is in line with what Ghafoor and Iqbal (2023) found, where they claim that although numerous export rebates are available to Pakistan, the slow payments and gaps in coverage make it ineffective. In addition, Dad et al. (2023) are of the opinion that the overarching challenges of policy inconsistency and lack of sustained focus render these initiatives futile. One of the biggest shortcomings of developing policies is the non-involvement of the business sector. **Fahim Ahmed** observed:

“The biggest policy issue is that decision-makers in trade agreements don’t consult textile industry experts. As a result, policies are often impractical and don’t help exporters.”

This speaks to larger issues raised by Malik (2024), which state that, within Pakistan, there appears to be a lack of industry-specific economic input, resulting in regulations that are impractical for businesses to actually abide by. The absence of cooperation between policymakers and industry actors renders trade policies virtually useless, missing important fundamentals such as the cost of production and competitiveness of exports. According to

document analysis, among the major issues seen by the textile industry are the costs of electricity and gas, which have a very negative impact on the overall competitive state of Pakistan's textile exports to the global market. In this context, **Abdul Manan Shaikh** pointed out that:

“High fuel and energy costs are a major challenge. Electricity and gas prices have doubled in the last few years, increasing production costs.”

This is consistent with the work of Arrfat (2019) where the author emphasises that Pakistan's energy sector inefficiencies and increasing tariffs are counterproductive to industrial output as they elevate expenses while simultaneously constricting the country's export capabilities. In the same way, Chaudhary (2024) emphasise that businesses face a threat to their financial health as a result of ever-shifting policies on energy pricing, which discourages investment and makes long-term planning impossible. Respondents suggested that an increase in the government funding of the imports of raw materials and new technologies could solve this. **Zia Hussain** stated:

“If the government subsidizes raw material imports and machinery purchases, Pakistan's textile sector could compete better with India and China.”

The targeted subsidies on vital raw materials and modern machinery would greatly improve the productivity and global competitiveness of Pakistan's textile exports, as Alvi and Shahid (2018) argue. China and India, for example, have successfully implemented these policies, allowing industries to scale operations and reduce expenses.

In this regard, the economic policies of Pakistan, especially those concerned with taxation, interest rates, and energy pricing, seem to impose considerable problems for the textile sector. Government rebates are offered, but the escalation of costs is countered minimally, and in the absence of consultation, policy measures are ineffectively implemented. Extremely high operational expenses, particularly utility expenses, greatly constrain the sector's competitiveness in international markets. Nonetheless, subsidising raw materials, lowering interest rates, and greater inclusion of industrial input in policymaking would mitigate these challenges significantly and promote sustainable business growth in the textile industry.

■ Theme 3: Interaction Between Trade Agreements & Economic Policies

A major issue that must be discussed is how certain trade policies work in favour of the textile sector, but the domestic policies work against them. Using GSP+ as an example, it can be said that Pakistan was able to access certain global markets. However, due to the internal policies, the GSP+ taxation system was highly inefficient because of the unchecked inflation and constant currency exchange rates that were more harmful than beneficial. This blend of ineffective policymaking seems to reflect the conflicting nature of trade agreements that have already been mentioned above.

One of the main issues brought up by interviewees is that although trade agreements give the textile industry opportunities, domestic economic policies frequently erect obstacles that outweigh those advantages. **Abdul Manan Shaikh** stated:

“Trade agreements like GSP+ are helpful, but if economic policies such as high taxation and expensive energy persist, they abolish the benefits of these agreements.”

As identified from the discussions made by Chishti et al. (2008), exports from Pakistan suffer in competitiveness because there is too much focus on production inefficiencies. Furthermore, the authors believe that such loss is being incurred despite preferential trade agreements being in place. Along the same lines, trade agreements are more effective within countries having domestic policies that work with the trade agreements, as Khan and Shah (2017) point out. The failure of relevant stakeholders in Pakistan to effectively manage inflation and control exchange rates further complicates this issue. As Rao Shahid noted:

“The government’s inability to control inflation and manage exchange rates has impacted the benefits we get from trade agreements.”

Deteriorating exchange rates coupled with inflationary pressure from currency depreciation will severely undermine the advantage from pre-existing trade agreements and is heavily quoted from the research of Shair et al. (2024). The costs of doing business in these volatile economies are difficult to manage for textile exporters looking to set optimal price ranges for their products. Shair et al. reinforce this perspective.

Along those lines, Shair et al. (2024) and Mariam Aslam have stated that while such trade agreements, including GSP+, permit trade with no customs duties, the high cost of local production prevents exporters from offering competitive rates.

“GSP+ gives us duty-free access to the EU, but since our production costs are so high, we still struggle to meet price targets.”

This supports in-depth study by Karim et al. (2024), which highlights that even in the absence of tariff issues, the enforceable characteristics of trade agreements are severely damaged by rising costs of electricity, weak tax policies in provinces and the centre, and poorly operated supply chains in Pakistan. The volatility in exchange rates remains another important determinant of trade agreements. As Fahim Ahmed pointed out:

“The exchange rate volatility impacts trade agreements. When the rupee depreciates, we benefit in exports, but high import costs offset those gains.”

This is a well-documented issue in trade literature. As studies conducted by Mufti and Ali (2024b) show, while a depreciation of the currency tends to improve exports, in balance, Pakistan’s high purchase of foreign raw materials and capital goods negates any gains that may be earned. This volatility results in unstable profit margins for firms, which constrains their operational and strategic focus to the short term. Interviewees suggested that the lack of synergies between trade deals and domestic policies remains the most important factor. In this context, **Zia Hussain** enforced:

“Trade agreements and national policies should complement each other. However, in Pakistan, they often contradict—one policy helps exporters, while another increases their costs.”

This statement reflects the broader inefficiencies in Pakistan’s trade and economic policymaking. Research by Khan and Shah (2017), and Chaudhary (2024) confirms that trade policies and economic policies in Pakistan often function in isolation, leading to contradictions where incentives offered by trade agreements are counteracted by domestic financial constraints, such as high taxation and rising energy costs.

The results show that although trade agreements, such as GSP+, provide favourable chances to Pakistan's textile industry, their promise is not fully realised due to the absence of coordination with the rest of the domestic policies. Taxation, inflation, and energy prices significantly lower the value of preferential trade agreements, making international competition virtually impossible for exporters. Exchange rate fluctuations also contribute to the volatility and inconsistencies in trade gains. Economic policymakers need to integrate their policies so that they can achieve trade objectives instead of negating them if they wish to reap the full benefits of international trade agreements.

Theme 4: Infrastructure, Skilled Workforce & Investment Challenges

The structural issues that the textile business in Pakistan faces greatly limit its competitiveness at a global scale. Other issues, such as the lack of access to competent labour, a weak industrial infrastructure, and a lack of funding for automation and technology, create even more barriers. These challenges not only reduce an organization's level of productivity but also make business transactions and economic strategies intended to improve the industry ineffective. One of the frequently mentioned issues by the interviewees is the dire condition of the Pakistani industrial infrastructure, especially in key textile cities like Karachi. According to **Abdul Manan Shaikh**:

“Pakistan’s industrial infrastructure is weak. Karachi’s industrial areas lack of proper roads, and there is no dedicated transportation system for textile workers.”

This aligns with findings by Tadesse et al. (2022), who argue that inadequate infrastructure results in higher transportation costs, supply chain inefficiencies, and delays in export deliveries, ultimately reducing Pakistan's competitiveness in global markets. Similarly, weak logistics networks create bottlenecks in trade. **Abdul Manan Shaikh** pointed out:

“We lack efficient cargo transportation system. Countries like India and Bangladesh have better logistics, which gives them an advantage in trade.”

The findings of Park and Dossani (2020) indicate that Bangladesh has a logistics infrastructure that allows for efficient operations, such as port facilities and fast customs clearance. Therefore, it is no surprise that their textile sector thrives. On the other hand, the inefficient

cargo clearance operations in Pakistan raise the expense and duration of completing international orders. An equally significant problem is the lack of qualified labour for the textile industry. These deficiencies have been emphasised by **Abdul Manan Shaikh**.

“The biggest gap is in skill development. We have very few textile institutes, and they are not aligned with industry needs.”

This reflects a broader issue identified by Malik (2024), who found that Pakistan’s vocational and technical education programs are outdated and fail to equip workers with the skills required by modern textile manufacturing processes. In contrast, countries like China and Vietnam have invested heavily in technical education, creating a workforce that can efficiently operate advanced textile machinery. Investment in technology and automation is crucial for maintaining competitiveness in the global textile market. However, Pakistan has lagged in this area. As **Muhammad Saqib Tahir** noted:

“If Pakistan invests in new technology and automation, we could become more competitive in the global market.”

The research done by Gu et al. (2021) and Haq et al. (2025) demonstrates that China, Turkey, Bangladesh, and other leading exporters of textiles have improved their productivity and cut down their labour expenses by employing the use of automation and digital manufacturing. Due to dependency on ageing machinery and manual labour techniques, Pakistan has higher spending on production but at the same time suffers from low productivity and therefore faces challenges in competition within global markets.

The investment gap, skilled workforce deficit, and the absence of technological infrastructure are the biggest gaps in Pakistan's ability to develop its textile industry. Outdated industrial infrastructure, along with ineffective supply chain management, increases expenses incurred and delays exports. This further reduces the availability of proficient workers due to a lack of prerequisite self-sufficient training programmes. Moreover, lower investment in modern technology and automation capital limits productivity and international competitiveness. Infrastructure, education, and technology development are crucial to address these shortcomings so that Pakistan’s textile sector can withstand competition in the global market.

- **Theme 5: Future Outlook & Policy Recommendations**

So that a competitive advantage can be sustained in the long run and globally, Pakistan's textile industry needs to develop a market innovation-centric modernisation and diversification financial strategy. Respondents pointed out the need to penetrate new areas, enhance sustainability promotion, and obtain finances from the government.

Pakistan's textile exports have traditionally been dependent on the EU and US markets, making the industry vulnerable to external economic fluctuations and policy changes. **Zia Hussain** stressed the importance of expanding to new regions, stating:

“Pakistan must explore new markets like South America, Central Asia, and Russia to reduce dependency on the EU and US.”

This corresponds with the study conducted by Fodouop Kouam and Izunna Ekweozor (2024), which advocates for the expansion and diversification into previously untraditional markets to support an over-reliance on selective trade partners. Nations like Bangladesh and Vietnam have incorporated strategies towards emerging markets to expand their global footprint while reducing trade complications.

The absence of any cohesive attempts to market and sell Pakistani textiles globally remains their biggest hurdle. As pointed out by **Fahim Ahmed**:

“We need a trade body that actively promotes Pakistan's textile industry abroad. Our exports will suffer if we don't market ourselves better.”

This observation is supported by research from Li et al. (2019) and Nabi and Mia (2025), who found that countries with well-established trade promotion agencies, such as Bangladesh and China, have significantly enhanced their global textile exports by effectively branding their products and facilitating trade fairs and international marketing campaigns. Pakistan's textile sector could benefit from a dedicated promotional body that strengthens its global presence.

Sustainability has become a key factor in global textile trade, with increasing consumer demand for eco-friendly products. **Mariam Aslam** emphasized this shift, stating:

“Sustainability and innovation are key for the future. Customers now demand eco-friendly textiles, and Pakistan must adapt.”

Memon et al. (2020) explain how major exporting countries’ manufacturers have shifted towards sustainable approaches, such as organic cotton farming, the conversion of cotton into textiles, the implementation of water recycling systems, and a reduced usage of synthetic chemicals, due to international market standards and the normalisation of stringent regulations. They also argue that without sustainability measures, Pakistani textile manufacturers will not be able to penetrate the more developed, environmentally conscious European and North American markets.

To compete with technologically advanced textile exporters, Pakistan needs significant investment in modernizing its production facilities. However, financial constraints make it difficult for manufacturers to upgrade machinery. **Fahim Ahmed** stated:

“The government should facilitate long-term, low-interest loans for textile manufacturers so they can upgrade machinery and improve efficiency.”

According to a study by Naughton (2019) and Anjanappa (2024), countries like India and China have successfully implemented government-backed financial incentives, including low-interest loans and subsidies, to help textile manufacturers adopt modern technology, thereby improving efficiency and reducing costs.

The future growth of Pakistan’s textile industry depends on strategic efforts to diversify markets, enhance global branding, embrace sustainability, and secure financial support for modernization. Expanding into emerging markets such as South America and Central Asia can reduce dependency on Western economies, while stronger trade promotion efforts can increase global visibility. Moreover, integrating sustainable practices will be crucial in maintaining export competitiveness, and government-backed financial programs can enable the adoption of advanced manufacturing technologies. Implementing these strategies will ensure a more resilient and globally competitive textile industry in Pakistan.

4.1.2. Insights from Secondary Data (Document Analysis)

- **Impact of Global Economic Policies on Export Growth in Pakistan's Textile Sector**

The role of international economic systems, especially the trade agreements in Pakistan's context, in the development of the textile sector has emerged as a pronounced aspect in both secondary data and interviews. Among the policies that have a significant bearing on the growth of this sector is the GSP+, which has been beneficial to Pakistan by allowing limited quotas on textile imports into the European Union (EU) market (Hasan & Chishty, 2024). This policy has contributed significantly to the increased growth rate of exports of Pakistani textiles to European markets, as it was intended. The WTO claims that it is the GSP+ that has made it possible for Pakistan to raise the level of its textile exports to the EU since it has reduced the taxes on the exports, thus making the textiles from Pakistan cheaper than the competitors in that crucial exporting market (Munir, 2023). This fact is also supported by the State Bank of Pakistan (2023), which emphasises that the textile sub-sector continues to be the main foreign exchange earner for Pakistan, arguing that in this case, GSP+ has been instrumental in increasing the volume of exports.

The PBS (2022) maintains that the award of GSP+ status is correlated with a 13% increase in textile exports. The tariff cuts enabled Pakistani textile firms to penetrate more effectively into the EU market, which in turn brought about higher volume and value of exports. The increased export volume can be explained by the low tariff policy, which enabled Pakistani textiles to be sold at relatively lower prices and increased the presence of Pakistani textiles in the European market (Khan, 2017a). Interview feedback also supports this conclusion. Most of interviewees stated that owing to the GSP+, the Pakistani textile exporters were able to reduce tariffs and thus obtain a competitive edge. He remarked that the tariff reductions caused Pakistani textiles to become more competitive in international markets such as the EU, which is known to have buyers who are quality-orientated and price-sensitive (Soomro & Ansari, 2022). In short, the secondary data provides corroboration of the interview data, indicating that GSP+ has been an important engine of growth in the export of textiles from Pakistan. The GSP+ status has increased tariffs and improved access to the EU market, positively impacting the textile-export-driven economy of the country (Fu & Khan, 2024).

- **Regulatory Challenges and Compliance with International Standards**

Another significant theme emerged from the secondary data, which is the aspects of cross-border regulatory requirements and adherence to international standards, especially in regard to the issues of labour rights and environmental and social sustainability. International trade has been expanding but at the same time has been subjected to more rules and regulations. For companies in the textile industry in Pakistan, meeting regulatory standards for exports to the EU and the US markets, which are very sensitive to labour treatment and environmental preservation, has emerged as a critical issue (Fu & Khan, 2024).

As the World Bank observes, such international trade practices make it compulsory for participating countries to raise the bar on labour practices, social accountability, and environmental protection (Hatayama & Batchuluun, 2024). These are often given in the form of clauses in a trade deal or are tendencies on the part of the international buyers who are becoming more ethical and paying attention to production processes. Consequently, the Pakistani textile industry finds itself on the international scene pushing from all angles to conform to certain rules that are generally accepted and which in many cases involve major changes to the way the business is run and the money spent on operating over a period of time.

According to PBS (2022), over 30 percent of textile exporters struggle to meet compliance obligations, the most pressing issues being those related to labour and the environment. The association stated further that compliance with these international standards requires further expenditure on technology, infrastructure, and labour relations management, which raises the cost of operations and impacts negatively on the competitiveness of Pakistan textiles in the international market (Soomro & Ansari, 2022; Malik, 2024).

The cost that SMEs will incur in order to comply with the international standards will raise overheads; hence the requirement will need to be reviewed. The need to conform with a range of labour and environmental laws is an additional cost to the firms and makes it very difficult for them to be competitive against manufacturers in countries that do not incur as much cost on compliance (Jeelani et al., 2021; Chaudhary, 2024).

■ **Government Policy and Incentives to Support Textile Exports**

Pakistan government unveils new measures to further develop the manufacturing sector, and with it potentially the implementation of new trade tariffs and the elevation of the American dollar's dominance throughout the world. Governance policies and incentives enhancing textile exports find mention as a constant even amid developing market economies such as Pakistan. The textile sector is more competitive in world markets due to financial assistance, export support, tax concessions, and cheap credit. The findings from the secondary data confirm that these government programs are important in revitalising the sector during the economically difficult times.

According to Ghafoor and Iqbal (2023), there is a chance of diversifying the economies, as direct intervention through the provision of funds and even assisting to perfect conditions for the beneficiaries through the provision of export subsidies is critical, especially for the growth and sustenance of the global competitiveness of the textile sector in developing countries. In Pakistan, the PMC (2022) introduced various initiatives to develop the textile sector. One key initiative is the implementation of the Textile Policy 2020-2025, which offers incentives like lower export duties, as well as direct aid to exporters. In the fiscal year of 2022, the government set aside 16 billion PKR to subsidise textile manufacturers, as a result enabling companies dealing with the global market to withstand the tension.

This is in agreement with the insights shared by the respondents of the survey, especially Zia Hussain, when he said that government support is necessary for competitiveness in the textile sector. If such support is lacking, there may be limitations in regard to competition in global markets, particularly if the businesses are struggling with issues such as increasing costs of raw materials or an altered global supply chain. The secondary data validates this, adding that financial incentives mitigate some of the operational and financial constraints to the growth and export performance of textile firms, thus ensuring their success on foreign markets.

Policies of government, for example, the Textile Policy 2020-2025, the PKR 16 billion subsidies, etc., have great effects on the viability and competitiveness of textile exports of Pakistan (PMC, 2022). In addition to providing direct subsidy, these policies also act as a boost to the

exporters as they underlie a stronger policy posture towards the development of the sector over the longer term.

- **Economic Instability and Currency Depreciation**

Pakistan's textile sector faces with currency depreciation, as well as general economic instability. In particular, the behaviour of the exchange rate, specifically the value of the Pakistani Rupee (PKR) in terms of other currencies, forms an integral part of the cost structure of exporting industries as it raises the level of domestic input costs and renders exports uncompetitive.

As noted by the IMF (2023), the devaluation of the currency has far-reaching consequences for the economies of developing countries as it increases their dependence on foreign sources for basic materials. In Pakistan, it has been shown that the PKR dropped by 16 percent relative to the US dollar, according to the State Bank of Pakistan, in 2022. The drop-in exchange rates increased the cost of importing key raw materials such as cotton and chemicals needed for the textile industry. Consequently, the costs of production rose, losing out some benefits of the competitive edge provided by trade deals, like the GSP+.

This theme resonates with the insights shared by interviewees remarking that currency fluctuations have an impact on the cost structures of textile manufacturers. The secondary data confirms that economic factors, especially devaluation of the currency, have a negative influence on the ability of the sector to be competitive in the international markets (FBIS, 2018). Although a weaker PKR may result in certain positive effects, such as increased opportunities for exports due to cheaper prices, these benefits are offset by increased raw materials import costs (Shair et al., 2024). Overall, the secondary data shows the influence of currency exchange movements on the textile sector and shows the currency controls and policy prescriptions needed to ensure the future development and competitiveness of the industry (Hasan & Chishty, 2024).

- **Technological Advancements and Industry Modernization**

The technology argument and the need for modernisation of Pakistan's textile sector come out clearly from the secondary data. As the competition in the marketplace increases, the investment in high-tech technologies is important for augmenting productivity, cutting down shipping and production costs, and sustaining market competitiveness. Khan et al. (2021) stress that its range of automation and digital printing technologies can greatly expand productivity and efficiency in the textile sector. But according to PBS (2022), only one-fourth of Pakistan's textile manufacturers have adopted these technologies, with a wide disparity existing between the large enterprises and small ones. This technological gap tends to affect the greater competitiveness of the industry, especially as other players in the globe utilise more advanced processes in manufacturing similar products (Akhtar & Urooj, 2024).

To fill this void, the government has tried to implement the Technology Upgradation Fund (TUF) scheme, which provides encouragement to the industries in changing over to new technologies (Lo Scocco & Motta, 2024). However, many of the small companies have to contend with the substantial gap that may exist in terms of the initial cash outlay for the adoption of technology and, as a result, are unable to upgrade themselves and compete with technologically more advanced and financially bigger companies (Farrukh Shahzad et al. 2024). This remark goes in the same line as the information collected in the interviewees who said that in many ways, bigger companies are automating and upgrading their production lines while smaller companies are hampered from investing in more advanced technologies. The secondary databases also bring out the fact that the nature of the technological gap that exists between the large and the small companies is still a major concern, and more work has to be done to boost the use of advanced manufacturers' technologies in the industries.

- **Environmental Sustainability and Global Demand for Sustainable Practices**

Sustainability is increasingly becoming an issue for the global textile industry owing to local regulations and the global market that demands that such practices are environmentally friendly. This issue of sustainability, especially when it comes to business practices, has

received quite a lot of attention, not only due to the international pressures of buyers but also due to environmental standards (Abbas & Halog, 2021).

Hoque et al. (2023) cite that the international clients in the international market are no longer just looking for services, but they want the textile companies to be environmentally friendly, especially in the use of energy and management of waste. Accordingly, the Pakistan Environmental Protection Agency states that many international standard-leading textile companies are working in Pakistan (Mukhtar, 2023). Such companies have incorporated technologies such as sewage treatment plants and renewable energy sources to reduce their adverse impact on the environment and meet the global pressure for sustainability.

This corresponds to what was elaborated by Mariam Aslam during his interview when he gave insights on the growing emphasis on sustainability in the sector. The secondary data shows that although the Pakistani textile industry is slowly embracing the transition towards sustainable practices, the rate of change is still low. The inability of many enterprises to fully meet the international requirements of business sustainability indicates that the problem of sustainability is still topical for the sector (Fu & Khan, 2024; Malik, 2024).

▪ **Supply Chain Disruptions and Global Trade Barriers**

The pandemic severely affected the international division of labour, especially in the import-reliant-based industries like textiles. Pakistan's textile industry remains plagued by such disruptions whereby meeting production schedules and export deadlines seems elusive. (Malik, 2024).

According to Zheng (2024), the COVID-19 pandemic resulted in huge deficits in the global supply chain, especially in the low-skilled labour materials such as textiles, with adverse consequences on the availability of raw and other materials and schedules for production. APTMA (2023) reports that such interferences, combined with the high cost of raw materials, resulted in the easing up of the rollout of exports, these companies delaying production by at least 25-30 percent during the years 2020-2021.

Abdul Manan Shaikh's interviews also support this data through interviews as he mentioned the delays caused in the production and export due to the disruption of the global supply chain. Supporting evidence further showed that the global trade barriers and the last episode of pandemic caused supply chain issues that have had an unprecedented impact on the ability of Pakistan to export textile products in a timely manner and compete favourably on a global scale (Tarar & Bhatti, 2022; Malik, 2024; Chaudhary, 2024).

▪ **Labor Force Availability and Skill Gaps**

One of the most challenging obstacles for Pakistan's textile sector is the lack of professional human resources, and at the same time, the need for even more advanced professional expertise continues to grow for the use of modern textile equipment and furthering the processes of industry advancement.

Chaudhary (2024) emphasized that the lack of qualified workers, especially for technical and managerial positions, is a major obstacle to modernisation as well as international competition in the textile industry. The PBS (2022) confirms this challenge, arguing that for 40 percent of textile producers, finding passionate skills is hard, which makes them turn from sophisticated technologies to being average and out-of-date through global changes.

This observation supports the insights from some interviewees, who pointed out that it is difficult to recruit a skilled workforce. The other side of the data supports this view, stressing that, at best, a slightly qualified workforce in fact presents a big counterforce to the modernisation of the textile industry. The changing landscape of the market, which is characterised by automation and new production techniques, puts pressure on the availability of the workforce and raises other concerns of the international market.

4.1.3. Triangulated Thematic Analysis: Combined Insights from Interview and Documents

Theme 1: Impact of International and Regional Trade Agreements

International and regional trade agreements have a significant positive or negative impact on Pakistan's textile industry. The country's GSP has grown significantly with GSP+ due to enhanced competition in exports, and it has also gained duty-free privileges in Europe.

Interviews reveal the significance attached to the agreement, as industry participants have managed to sustain cost-effective production and market share. This perception is consistent with official reports that suggest 35% of textile trade with the EU is GSP dependent (PBS, 2023). The challenge lies in the strict compliance requirements that the EU has in place. While interviewees highlight the practicality of labour and sustainability compliance, reports suggest that policy operational inefficiencies greatly restrict the effectiveness of such trade agreements (Hasan & Chishty, 2024).

Even when the advantages provided by international agreements are clear, regional trade agreements like SAFTA continue to be underutilised. Evidence collected from interviews demonstrates a notable hesitance towards supporting regional trade partnerships, especially considering the continuous political tensions with neighbouring countries (Khan, 2014). Some stakeholders claim that the ongoing disputes with India and Afghanistan significantly restrict the useful scope of SAFTA and place dependence on the Western market. Documentary evidence, on the other hand, suggests that the matter is one of structural deficiencies and policy divergence, arguing that the existence of trade restrictions and inconsistent regulatory environment has greatly stifled intra-regional trade (International Trade Centre, 2023). This lack of consensus implies that while concerns about geopolitical issues are important, there remains an enormous gap created by inefficient policies that, if addressed, would result in more favourable trade conditions for the region.

China-Pakistan trade agreements have emerged as a contentious discussion point in primary and secondary data. Some reports portray these agreements as facilitating stability in the region and providing relevant economic support amidst a decline in trade within the region. One of the most frequently cited claims is that the China-Pakistan Free Trade Agreement (CPFTA) aids in bilateral trade by covering textile exports in times when other countries are not too keen on importing goods from Pakistan. Nevertheless, most interviewees are deeply concerned about the increasing dependency of Pakistan on the Chinese markets, as it creates a scenario where there are “long-term spending vulnerabilities, trade deficits, and exposure to too many variations in the Chinese economy” (Arslan et al., 2025). This discrepancy in these findings suggests that trade agreements with China are quite beneficial in the short run, but if trade imbalances arise, a diversified trade policy must be implemented.

Overall, the results are indicative of the double-edged sword that trade agreements are for the textile industry in Pakistan. Although GSP+ continues to offer competitive advantages, the compliance requirements and slow policy implementations severely restrict its opportunities. Political and structural hurdles have rendered regional trade agreements almost non-exploitable, whereas PTAs with China come with both Opportunities and challenges at the same time. A more effective and balanced approach, addressing international, regional, and bilateral trade as well as regulatory deficiencies, could improve and sustain Pakistan's trade position and economic health over the long term.

Theme 2: Economic Policies and Their Influence on the Textile Sector

High operational costs, along with taxation and energy prices, serve as important constraints for Pakistan's textile sector. Economic policies are especially detrimental to the textile sector, as utility costs are exceedingly high, and taxes are on the rise. This, they say, erodes the competitiveness of the sector compared to other countries (Shahid & Wazir, 2020). In addition, energy costs in Pakistan are almost twice those of its regional competitors, which is further highlighted by other reports. Bangladesh has lower production costs due to state subsidies and optimal energy policies (Asian Development Bank, 2024). Although government rebates and export incentives do exist, there is consensus among primary and secondary sources on their ineffectiveness in alleviating the financial burdens placed on manufacturers. Such incentives provide some economic relief to the industries, but ultimately, they are not sustainable in the face of structural changes in the economy (Fu & Khan, 2024).

The evaluation of documentary evidence alongside interview insights reveals a significant discrepancy between the two sources. According to industry users, there is limited consultation on the formulation of economic policies, as government decisions tend to disregard real-world issues in the textile manufacturing sector (Arfat, 2019; Chaudhary, 2024). This has an impact on policymaking, resulting in beneficial policies being created but very little being implemented that would actually benefit businesses. On the other hand, these reports focus on issues such as fiscal policy gaps and foreign exchange limitations as the primary economic problems hindering the stability of the industry (State Bank of Pakistan, 2023). This strategy suggests that, although it acknowledges barriers to development, does not appear to

consider the broader industry context in policymaking, thereby intensifying the conditions of that industry.

A topical divergence emerges in the views on the accessibility of finance. Studies have described tax refunds that are overdue as a form of inefficiency, which affects the cash flow and sustainability of operations (PBS, 2022). However, the interviewees express concern about the fiscal policies in place and how the increase in interest rates is affecting their working capital as well as their investment strategies. With borrowing costs heaving from 7% to over 21% in recent years, manufacturers struggle to secure affordable credit, limiting their ability to modernize production facilities and compete in international markets (Husain et al., 2024). This is consistent with the wider literature on the economy, which argues that the absence of coherent and consistent fiscal and monetary policies leads to uncertainty regarding business activities and therefore deters long-term investments and growth in industries (State Bank of Pakistan, 2023).

Briefly, even if both primary and secondary sources agree on the negative impact of economic policies on Pakistan's textile industry, the emphasis differs. Interviews capture the regulatory discrepancies and their impact on firm-level operations as mismanagement of the economy, while document analysis provides a more overarching macroeconomic view. Bridging this gap requires a more inclusive policy-making approach that actively involves industry stakeholders to develop sustainable economic strategies fit to the textile sector's needs.

Theme 3: Interaction Between Trade Agreements and Economic Policies

The laws governing trade and other economic policies have a major impact on the global competitiveness of Pakistan's textile industry. Primary and secondary sources alike suggest that trade agreements alone can be ineffective if they are not supported by an appropriate domestic economic policy. Respondents are worried about the contradiction between policy measures that seek to promote exports and those restrictive policies that tax exports and raise input costs to unacceptable levels (Shahid & Wazir, 2020). This is also pointed out by secondary reports, which elaborated on GSP+ production costs, inflation costs, and fiscal inconsistency as many other factors working against protective trade agreements (Haq et al., 2025). These inconsistencies neutralise the estimated economic benefits of trade agreements

and limit the achievement of cost-free, preferential, regulated access to the market and tariff cuts.

The instability of exchange rates becomes one of the most important issues when considering trade policy implementation and effectiveness. As is the case with both interviews and reports, it is acknowledged that while currency depreciation makes exports competitive in the markets, it tends to increase the cost of imported inputs, such as raw materials and machinery, which further increases the total cost of production (Shair et al., 2024). This problem is fully captured in trade literature, with some studies observing that the benefits associated with a weakened currency are largely cancelled out by increased spending on imports and inflation (Khan & Rehman, 2021). In particular, interviewees emphasise that businesses at the sector level are unable to make long-term investments and forecasts because of the instability caused by constantly shifting exchange rates and increasing economic instability in the sector.

Understanding interviews versus documents in detail varies, especially in terms of the economic limitations that are imposed. Reports provide sufficient information and details about inflation, taxation, and fiscal deficits and offer a macroeconomic overview of the structural conflict in the textile industry (Shahid & Wazir, 2020). Conversely, the interviewees provide explanatory justifications of how these robust economic conditions operationalise into problems, including unstable tax increases, slow government payments, late energy provision, and frequent changes in energy pricing that interrupt the normal sequence of production. This gap highlights the growing need to consider businesses at the grassroots level in the formulation of policies for reasonable economic planning.

Another critical change concerns the understanding of how policies can be predicted. Reports appear to adopt a structural view, analysing policy gaps and systematic inefficiencies over a long period within the country's economic policies (PBS, 2023). On the other hand, interviewees point out the realisation whiplash caused by extreme tax hikes or the withdrawal of government subsidies or other forms of incentives, which leads to uncertainty in the business environment and erodes investment confidence. This indicates that the effort to achieve sustainable industrial development, while extensive structural shifts are required for economic growth, does demand a stable motivation with regards to policies.

In short, as stated in the following analysis, trade agreements are beneficial in theory, but the practical aspects are stifled by unstable policies, enormous production expenses, and great multi-economic instability. In order for the agreements to bring about real economic benefits, trade policies should be more comprehensive in providing leverage to the textile industry while imposing economic restraints.

Theme 4: Infrastructure, Skilled Workforce & Investment Challenges

Modernisation, skilled labour, and investment have left a gap in the Pakistani textile industry and are often considered to be negative. Primary and secondary sources point to the emergence of greater barriers to competitiveness in the export market as a direct consequence of weak industrial infrastructure and highly inefficient logistics. Interview respondents pointed out the persistent problems of low levels of transportation and delays in the processing of shipments, which exacerbate production costs and worsen the country's position as a reliable supplier in the global markets. At the same time, the documents reviewed presented a narrative that competitor countries, such as Bangladesh, have built more advanced port facilities and logistics systems, which allow them to surpass Pakistan in terms of export efficiency (Rahman & Moazzam, 2022; Nabi & Mia, 2025). Thus, the Pakistani textile industry will be behind competitors as long as infrastructure development does not pick up significantly.

The skills gap in the workforce exacerbates issues within a given sector even more, as both interviewees and reports have noted. Experts from the industry express concern and frustration regarding the current training programmes on offer, which they feel do not cater to a modern-day textile manufacturing environment. Due to inadequate instruction on new textile processes, automation, and quality control, the advancement and innovation within the region are stifled. In any case, reports seem to agree on the need to further invest more in vocational education and industry training in order to improve productivity and sustain industrial development in the region, claiming that such investment is necessary for long-term growth of the region's economy (Malik, 2024). Other studies show that countries with a strong system of vocational education, such as Germany and China, tend to have higher labour productivity and innovation, which is an indicator that Pakistan should learn from.

The difference between the insights from the interviews and the documentary evidence lies in what the people interviewed suggested to solve the investment problems. Interviewees emphasised that it is crucial for the government to target subsidies towards modern machinery and raw materials procurement, as these areas seem to be neglected. Without these financial subsidies, many small and medium-sized enterprises (SMEs) face challenges in increasing their technological capabilities. On the other hand, reports examined the investing issue more deeply and identified structural barriers, such as the inconsistency of policies, the high cost of borrowing, and a rigid bureaucratic system, both domestically and externally, to investment in the sector (Pakistan Business Council, 2023). Providing subsidies can indeed be effective in the short term. However, there are deeper systemic issues that need to be addressed in order to make the investment sustainable.

Alongside macroeconomic insights regarding foreign investment shifts and the efforts towards adopting new technologies, interviewees focus on the operational struggles resulting from old equipment and low levels of automation. Entrepreneurs note the effects of non-competitive and inefficient production processes, such as high labour costs and poor product consistency, which greatly affect competitiveness (Ahmad et al., 2024). In regard to Pakistan's needs, it has been reported that countries such as Vietnam and Turkey, which focused on exporting technological provisions, were able to attain more efficient and increased exports (Fibre 2 Fashion, 2023; Tuan et al., 2024). These shifts suggest that policy gaps can be closed with greater respect for the interrelationship between the industry and the recommendations put forth, along with greater investment in the infrastructure and workforce of the region, so that the change in investment activity into the textile industry is beneficial.

Theme 5: Future Outlook and Policy Recommendations

The textile industry in Pakistan is hindered by poorly developed infrastructure, a shortage of investments in new technology, insufficient funding, and a lack of skilled workers. Both primary and secondary sources emphasise the inefficient industrial infrastructure and logistics that are stifling the competitive edge of exports. The respondents reveal persistent problems of a lack of transport infrastructure and slow shipment processing, which increases the cost

of production and erodes the trustworthiness of Pakistan as a supplier. This is supported by documentary evidence, which shows that other nations, such as Bangladesh, have far better infrastructure, including more developed ports and better logistical systems, enabling them to have more exports (Husain et al., 2024; Nabi & Mia, 2025). If there is no significant investment in the industry's infrastructure, the textile sector of Pakistan will not be able to compete in international markets.

The skills gap in the workforce is a problem that is more complex than most people think, as both the interviewees and reports covered in this paper demonstrate. Industry specialists state that there is a disconnect between the training being given and the requirements for modern-day textile manufacturing. The absence of a skill set in automation and quality control in advanced textiles negatively impacts productivity and innovation in the sector. These reports do suggest, however, that there is a need for better investment in vocational education and context-specific training to improve the workforce and sustain industrial growth in the long term (Malik, 2024). Comparative analyses show that German and Chinese vocationally educated students, like those from other countries, consistently achieve higher rates of labour productivity and innovation, which presents a strong context for Pakistan's adoption of such policies.

An important point of contention between the interviews and the documentary evidence is how the investment problems are solved. The interview with interviewees argued that the government's targeted subsidies should be provided immediately to enable access to modern machinery and important raw materials, and claimed that without financial aid, SMEs are unable to attain the required technological upgrades. On the other hand, some reports tend to take a wider approach towards examining investment barriers by focusing on more policy malpractices, interest rates, and red tape that inhibit investment into the region by both local and international players (Pakistan Business Council, 2023). These subsidies could provide some level of relief in the short run, but the systemic investment barriers need to be addressed if sustainable development is to be achieved.

Besides, while implementing document analysis techniques, the respondents pay more attention to the operational challenges associated with obsolete equipment and automation

levels within the firm. The interviews with Managers of various firms revealed inefficient production processes and their practical consequences, such as high labour costs, as well as uncontrolled product quality, which reduces competitiveness. It has been noted in reports that the developing countries of Turkey and Vietnam, which invested in technological development, have attained higher efficiency and growth in exports compared to others, suggesting that the same modernisation efforts are also required from Pakistan (Sector, 2016; PIDE, 2020). Bridging the gap between what policies state and what the industry requires needs to be done through a multidimensional approach, where both short-term financial aid and long-term systematic changes for the development of infrastructure, a skilled workforce, and targeted investments in the textile industry would be made.

To achieve global competitiveness, Pakistan's textile industry requires innovation, diversification of business activities, and significant policy changes. Both primary and secondary sources stress the need to expand into emerging markets, such as South America and Central Asia, in order to reduce dependency on Western markets. Reports illustrate the ability of Vietnam and Turkey to expand their export markets, which serve as a model for Pakistan (International Trade Centre, 2023). Interviewees also support this view, stating that more effort should be directed towards forming trade agreements and conducting marketing activities in these markets.

Sustainability and innovation stand out as principal themes shaping development in the industry. Targeted interviewees highlight the increasing importance of environmentally friendly textiles and the need to invest in sustainable textile production processes. Reports support this view by pointing out the growing international legal obligations for protecting the environment in the manufacturing industry (Malik, 2024). Without modern, purposeful investments in sustainability, Pakistan is in danger of losing access to the most markets, which are increasingly becoming environmentally sensitive.

The reports call for a system of funding that is government-backed and rolled out incrementally to accompany technology support (Zafar et al., 2022; Ghafoor & Iqbal, 2023). However, some interviewees voiced a much more dire concern, which was low-interest financing for the purchase of machinery. This highlights the gap between the country's

macroeconomic policy planning and the life-threatening financial condition of the country's stakeholders. Reports and interviews presented opposing views on the scope of the financial reforms, discussing investor confidence and stating that the low-level financial conditions pose an urgent threat to businesses opening up in the new market.

However, competing in the global market is only possible by simultaneously addressing set financial limits during the conservation efforts put towards the modern diversification policies which in turn create a "sustaining industry". As a result, the two policy measures can be interdependent. For Pakistan to be able to incorporate modernisation policies into the textile sector, policy investment alignment should be implemented to most importantly set the foundation of creating a globally competitive industry.

4.2. Summary of Key Findings

This research identified several critical factors influencing the economic growth of the textile sector in Pakistan, in relation to international and local trade agreements, national business policies, and other relevant issues. It was observed that certain trade treaties, for example, GSP+, have had a positive effect on textile exports by providing tax-free access to European markets (Fu & Khan, 2024; Abdul Manan Shaikh). Conversely, compliance with strict EU guidelines and ongoing political unrest in South Asia have hindered the development of regional trade agreements such as SAFTA (Raza, 2024). Participants noted that the withdrawal of GSP+ would result in an increase of 9-10 percent, rendering Pakistani exports less competitive compared to those of India and Bangladesh (Abdul Manan Shaikh).

The policies of Pakistan have significantly worsened the impact on the growth and competitiveness of the textile sector. The high prices of utilities such as gas and electricity pose a barrier to production for many industry players, making Pakistani goods significantly more difficult to compete in the global arena (Shahid & Wazir, 2020; Abdul Manan Shaikh). Export levies and internal taxation, including sales and income tax, impose harsh taxation on businesses, thereby reducing profit margins and increasing disincentives for investment in modernisation and expansion. Furthermore, the rate of interest has increased sharply, and this is another primary concern. The renewed interest in advanced financing options has

caused the rate of interest to surge from 7% to more than 21%. A large proportion of textile manufacturers in Pakistan struggle to obtain sufficient capital for day-to-day operations and maintain a reasonable level of stock, resulting in underwhelming business performance. Similarly, interviewees remarked that there is a lack of engagement with industry professionals while crafting economic regulations, and their policies fail to meet the basic requirements of exporters.

In addition, the financial stability of textile companies is already weakened by inflation and changes in exchange rates. The depreciation of the Pakistani rupee results in increased expenditure on the import of raw materials and machinery, which raises the entire production cost (Shair et al., 2024). Although depreciation of a currency may, at times, be advantageous to exporters by enabling them to offer lower prices for their goods, the concomitant increase in the cost of local production certainly cancels out these benefits. These financial uncertainties make it even more impossible for Pakistani textile manufacturers to defend themselves against regional rivals like India and Bangladesh, who have more stable economic conditions and receive unreserved government support.

This research work also examined the relationship between trade agreements and economic policies, noting the paradox where trade agreements provide export incentives while domestic policies are inflating production costs (Arslan et al., 2025). Inadequate infrastructure, along with a lack of a skilled workforce and insufficient modern investment, exacerbates these issues (Alvi & Shahid, 2018). Interviewees observed that inefficient transportation infrastructure, coupled with obsolete industrial plants, is an impediment to productivity and hikes costs relative to competitors like China and Vietnam. Particular attention was given to the lack of specialised training institutes in textiles, which results in an absence of trained personnel for the industry (Hayes, 2023).

The research work also stresses the need for future strategies to ensure sustainable growth of the textile industry. Market diversification, according to interviewees, was identified as a crucial step, with calls for expanding exports beyond the EU and US to emerging regions such as South America and Central Asia (Safeer et al., 2019; Ullah et al., 2020). Sustainability and innovation were also highlighted as essential for maintaining competitiveness, given the

increasing global demand for eco-friendly textile products (Memon et al., 2020). Interviewees emphasised the need for government-backed financial support, such as long-term, low-interest loans, to enable textile firms to upgrade technology and improve efficiency. Collectively, these findings emphasise the importance of a coordinated policy approach that aligns trade agreements with supportive economic policies to drive long-term business development in Pakistan's textile industry.

5. Analysis

5.1. Comparative Analysis of Pakistan's Textile Sector

While interviewees did not explicitly compare Pakistan's textile industry with other markets, the need for a broader perspective emerged from policy documents and export data. Hence, this section integrates secondary data to benchmark Pakistan against competitors.

5.1.1. Benchmarking Against Leading Regional Competitors

We can straight away begin by differing some of the growth and expansion reasonings that have bailed out the textile industry in Pakistan. Moving specifically to this sector's domain in the Sylheti region, we must inform you that despite many opportunities existing, there still seems to be a prominent skill gap, especially in the areas of international and global strategies.

India

Among the biggest competitors, India still overwhelmingly exports more, as they have been able to create a closed supply chain from raw cotton production all the way till finished clothes. Statistics from 2024 say India exported about 6.2 million tonnes in cotton alone, resurfacing them as one of the major exporters of raw cloth materials. Such commodities at lower costs would be catastrophic to the competitors and add an edge to South Asia's largest textile industry. More so even today, India continues to procure and adopt smart automated technologies in order to continue reducing their production costs. These features put together have allowed them to padlock their existing clientele while stringing in new customers. Almost as the complete antithesis was presented during an interview with Fahim Ahmed, Pakistan's outdated equipment and partial supply-and-demand chains have invariably resulted in higher operational costs, forcing them to become uncompetitive on an international stage.

There are other schemes, such as PLI in India, which pay you if you ship a certain number of goods, which directly lowers your per-order cost, and this has also acted as a subsidy in the short term, allowing quick adoption of technology even for the textile industry. Such a PLI

scheme is also available in Pakistan, but due to excessive bureaucracy and political instability, it has caused major delays counterproductively.

Bangladesh:

The ready-made garment (RMG) segment is at the heart of Bangladesh's textile sector, making it so that it remains one of the global leaders in the exportation of apparel. Bangladesh has surely surpassed Pakistan as the leader for these garment exports, and according to the World Bank's statistics, Bangladesh exported over 42 billion dollars, more so than Pakistan's textile exports of 19 billion dollars. One of the reasons for this success is the labour cost, as Lopez-Acevedo and Robertson (2016) explain; it is much less than Pakistan's by a good margin. This enables Bangladeshi companies to be able to sell their finished garments at economical rates. However, there are concerns about the exploitation of workers in these underpaid positions. Regardless of the increased competitiveness this causes, however, those concerns are not arguments raised in Pakistan, as many of the labour abolitionists are prevented due to policies like GSP, where Pakistan implements GSP more and more international standards.

Also, it would appear that remaining more developed in the value chains is an additional edge for Bangladesh, most notably said things about working with international brands like H&M and Zara (Rana et al., 2021). In direct contrast to that, Pakistan's entire export portfolio is massively under the influence of goods such as raw cotton or other basic textiles that do not allow Pakistan to grow active profit margins through other means, effectively locking them out of competition versus other countries (Chaudhary, 2024).

Vietnam:

The responsibilities of textile producers in Vietnam have increased significantly owing to their free trade agreements (FTAs), such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) (Tuan et al., 2024). Why has it happened? This is because the mentioned treaties enable Vietnam to tap into dominant markets, which, in turn, allows it to place its exports of value-added items at competitively low prices. On the other hand, a meagre amount of Pakistan's exports is channelled through a variety of markets (Kikuchi et al., 2018). The textile sector's micromachines in Pakistan are responsible for the country's over-reliance on the European

Union and US markets. Hence, any change in their demand patterns as well as trade policies renders this sector unprotected.

The country's focus on high-value textiles as well as sustainable manufacturing practices has naturally made it a development centre for brands conscious of the environment. On the other hand, in the case of green manufacturing, a lack of interest in its emergence for Pakistan translates to being able to compete in a market that values sustainable approaches less.

5.1.2. Analysis of Export Trends and Market Penetration

Export trends indicate a mixed picture for Pakistan's textile sector, so it would be premature to suggest that the country is on the verge of a major boost. It is true that the country's share of exports to the EU has increased following its GSP+ status, yet in relation to other rivals, Pakistan's global share appears to be relatively stagnant. During 2015-2024, Pakistan's textile sector, on average, recorded a 3.2% growth in its exports, which is a far cry from Bangladesh's 8.6% and Vietnam's 11.2% in the same period (Textile Insights, 2024; Asian Development Bank, 2024).

- **Export Product Mix:** Pakistan's textile exports are concentrated on low-value fledged products comprising cotton yarn, grey fabric, and cotton knit, which contribute about 65% of its export mix (Sector, 2016; Husain et al., 2024). This lack of diversification precludes Pakistani firms from entering the more picturable segments of the market, such as branded clothing, napery, and graduated into. In contrast, Bangladesh and Vietnam have been able to go ahead with their upward value transition, as they are now able to export finished garments and more advanced textiles.
- **Market Penetration:** Pakistan ranks high in terms of EU (15.3%) and US (25%) exports but the main drawback is that its export markets are highly skewed towards a few regions (European Commission, 2024; Pakistan Bureau of Statistics, 2023). Such concentration of markets is indeed a disadvantage as it makes the sector vulnerable to risks, in such instances, the region's trade policies and economic collapse come into focus. In order to ensure sustainable growth, there is a need to make an entry into other markets such as

China, the ASEAN countries, and Africa (Malik, 2024). Further, the interviews pointed out some deficiencies in Pakistan's logistics and port facilities, which delay the delivery times and consequently, lessen Pakistan's competitiveness in world markets. Meanwhile, Vietnam and Bangladesh are reported to have spent a lot on ports and transport infrastructure development to enable faster and cheaper exports.

- **Technological Adoption and Productivity:** The failure of Industry 4.0 technologies to penetrate the economy is an important impediment to Pakistan's competitiveness. According to Islam et al. (2021), Pakistani companies also need improved access to finance and technical resources to address this technology gap and improve productivity. Firms in Bangladesh and Vietnam are now producing quality goods at a lower cost by utilising automatic production, digitalisation of supply chain networks, and smart manufacturing.

5.2. Connecting Themes and Implications

This study's intertwining of the relationships between international trade agreements, domestic economic policies, and underlying factors of the Pakistan textile industry reveals an intricate network of compromises. Interconnected issue themes of trade agreement impact, economic policy constraints, infrastructure, and labour force problems, along with the nexus of policy and trade intersections, have been intertwined. As Malik et al. (2025) notes, while GSP+ allows duty-free access for Pakistani textile manufacturers to the EU market, the benefits are greatly undermined by production costs, the energy crisis, and inflation. For example, Abdul Manan Shaikh (Interview 7) argued that removing GSP+ would raise export costs by 9-10%, which would lower Pakistan's competitiveness relative to India and Bangladesh. As Mariam Aslam (Interview 3) pointed out, even with GSP+ compliance, meeting stringent EU mandates is extremely difficult. This highlights that without accompanying effective national policies, trade agreements alone cannot enhance competitiveness (Khan, 2017a; Fu & Khan, 2024).

There is an important relationship between Pakistan's economic policies and the perceived usefulness of trade agreements. Some respondents, like Fahim Ahmed (Interview 4), emphasised that the increase in interest rates from 7% to over 21% has drastically limited the

working capital available to exporters, making trade liberalisation impractical. In the same way, high taxation alongside increasing costs of energy cancels out the favorable impact of tariff restrictions in taxation, as exemptions on tariffs benefit businesses and mitigate losses (Ali et al., 2020). This corroborates previous findings which point out that while expanded access to markets through trade agreements is advantageous, domestic policies render self-undermining competitiveness (Ghafoor & Iqbal, 2023). Zia Hussain (Interview 2) suggests that the absence of corresponding action in industry, such as subsidised energy rates and reduced regulations for quicker business permit procedures, has led to a disjointed and ineffective maze of policies. This neglect adds weight to the argument made that these agreements require prior, aggressive national reforms for optimal results (Rana et al., 2021).

Additionally, the challenges within the industry are worsened by its structural and infrastructural constraints. Pakistan is unable to compete in the global markets due to a weak industrial infrastructure, a lack of skilled workers, and the presence of old technologies (APTMA, 2023). Abdul Manan Shaikh (Interview 7) pointed out the dilapidated state of industrial zones in Karachi, whereas Fahim Ahmed (Interview 2) noted the deficiencies in cargo transport, further diminishing Pakistan's trade edge. These gaps are in line with reports published by international organizations like the World Bank, which asserts that infrastructure deficits in developing economies act as the most important hindrances to trade efficiency (Sulser, 2018). Moreover, as pointed out by Mariam Aslam (Interview 3), the lack of investment in worker training also stifles Pakistan's ability to climb the value chain. These are policy gaps that suggest, without specific policy changes, the country's textile industry will remain stuck in a bind, irrespective of the lenient trading environment and potential (Ali et al., 2020).

Finally, this highlight provides a key insight – Pakistan's textile industry needs to rethink its approach to diversification and sustainability. For instance, Zia Hussain (Interview 2) expressed the need for interim markets such as South America and Central Asia, which could help lessen reliance on the EU and US. This supports other studies which argue that economic resilience within an export-dependent economy requires market diversification (IMF, 2023). Furthermore, sustainability is now a competitive necessity as buyers from other regions are focusing more on purchasing sustainable textiles (Malik, 2024; Dad et al., 2023). Pakistan

needs to adapt, or else it may risk being left behind in a transforming global trade landscape. Therefore, the other focus of these findings is that trade policy, economic reforms, and structural changes need to work in synergy to provide comprehensive depth and direction to remain competitive and sustain growth in the long term.

5.3. Comparison with Literature

The results of this research both corroborate and, in some cases, contradict the existing literature on the effects of international trade agreements and economic policies on business development. Earlier studies emphasise that trade arrangements like GSP+ and SAFTA are capable of increasing access to the market and augmenting export competitiveness (Ali et al., 2020; Malik, 2024). This study corroborates these accounts, as interview participants stressed the importance of GSP+ for pricing competitiveness in the European market. However, the findings address a critical gap in the literature as well; although trade agreements offer tariff preferential treatment, there are domestic economic restraints, such as excessive taxation, unstable exchange rates, and high inflation, that severely limit the advantages of these agreements. As Fahim Ahmed (Interview 4) pointed out, increasing interest rates have severely limited exporters' ability to continue operating, a problem that is not fully addressed in the literature (Tanveer & Zafar, 2012).

The study also strengthens earlier findings on the relationship between economic policies and trade agreements in developing countries, particularly in the context of economic discord in developing countries. Previous studies contend that trade liberalization policies are enacted in a vacuum, meaning that no corresponding reforms are made within the country, resulting in a gap between the policy and industrial reality (Ghafoor & Iqbal, 2023). This study corroborates that view since participants pointed out that very high fuel and energy costs, in addition to a poorly designed tax regime, undermine the competitive benefits available from trade agreements. Furthermore, while Ali et al. (2020) have argued that policy priorities for Pakistan's economy should give greater attention to industrial incentives, other interviewees, such as Zia Hussain (Interview 2), noted that policies tend to be framed in isolation from the industry. This means that there is more than sufficient reason to believe that the government

continues to operate far removed from realities on the ground, which deepens concerns raised by APTMA (2023) about insufficient collaboration between industry and government.

Another important area of comparison under consideration is infrastructure and human resource development in the context of export competitiveness. As noted in the World Bank (2022) and the IMF (2023), spending on industrial infrastructure, especially in textiles, logistics, and workforce capacity, is critical for attaining sustained growth in exports. This is consistent with the literature, as interviewees Abdul Manan Shaikh (Interview 7) and Mariam Aslam (Interview 3) highlighted deficiencies in Pakistan's industrial zones, transport networks, and industrial training centres, which are critical for competitiveness. Nonetheless, while prior studies focus on infrastructure as a logistical problem, this research uncovers what appears to be a more foundational problem - Pakistan's lack of modernization in its textile industry with the use of advanced technology and automation, as noted by Interview 6. This contribution to the literature suggests that, in addition to building adequate roads, bridges, and supply chains, Pakistan needs to incorporate advanced IT and automated systems to remain competitive.

The results offer updated perspectives on the debate regarding market diversification and exportation sustainability within the textiles industry. Some studies focus more on the need to reduce the dependency on traditional markets (Alvi & Shahid, 2018). This study supports that argument because several interviewees, such as Zia Hussain (Interview 2), wanted to expand into South America and Central Asia. However, this study also contributes to the literature by highlighting the competitive aspect of sustainability in global business. Earlier research notes the increased desire for eco-friendly textiles, but this study argues that the Pakistani textile industry has yet to determine how to incorporate sustainability into their growth plan (Khan, 2017a), despite receiving international pressure from buyers (Malik, 2024). These findings suggest that Pakistan needs to respond quickly by adjusting their trade policies and industrial policies in accordance with the emerging global sustainability benchmarks in order to maintain their competitive edge in international markets for an extended duration.

5.4. Contribution to Literature and Novelty of Research

This study fills the gaps present in the literature pertaining to issues such as international trade agreements, economic policies, and business development in Pakistan's textile industry. Prior work has predominantly concentrated on the macroeconomic evaluation of trade liberalisation and policy utility using techniques from econometrics (Jawaid & Waheed, 2018; Dad et al., 2023); little attention was paid to an industry perspective. While other studies do annotate the advantages of trade deals like GSP+ (Ghafoor & Iqbal, 2023), they miss out on analyzing the challenges that domestic economic policies inflict. Incorporating first-hand experiences from stakeholders in the textile sector, this research demonstrates that rising taxation, energy prices, and volatility in exchange rates severely undermine the benefits of trade agreements. This study enriches the literature by elucidating the ways in which structural deficiencies in domestic policies in Pakistan's economy undercut the potential benefits of trade agreements.

The nuanced examination of the gap between trade agreements and domestic economic policies is a key contribution of this study. As noted, there is a growing recognition of the need to coordinate policies to optimally harness trade and its associated benefits, but little has been done empirically to document the consequences of policy incoherence at the level of industry competitiveness (Ghafoor & Iqbal, 2023; Malik, 2024). This study demonstrates that counteracting policies, such as high interest rates and limited government subsidies, which contradict trade incentives like duty-free exports under GSP+, result in lost benefits. These findings demonstrate the greater need for an integrated policy approach where trade agreements are purposefully aligned with economic policies rather than being in conflict with each other, thereby forcing a unilateral strategy, which prior studies have explored too little.

Moreover, this research contributes to the discussion of infrastructure and the development of human capital by focusing on modernisation and logistic efficiency as factors that improve competition at a global scale. While other studies highlight the infrastructure constraints in Pakistan (World Bank, 2022), this research builds on the argument that underdeveloped skills, coupled with outdated manufacturing techniques, contribute to these limitations. The results indicate that, in addition to infrastructural development, the textile industry in Pakistan

requires significant investment in automation and digital technology to compete with India and Bangladesh. This adds a unique perspective to the debate by emphasising the need to change the approach towards growth policy in the industrial sector, which has not been adequately addressed by researchers.

Ultimately, this research addresses the global textile exports diversification and sustainability conversation, which is underdeveloped. Differing from prior studies that focused on Pakistan's business dependency on the EU and US markets (Majeed et al., 2019; Dad et al., 2023; Malik, 2024), this research showcases proactive stakeholder market engagement strategies for Central Asia and South America. Furthermore, while literature does recognise the increasing global market for sustainable textiles (Khan,2017a), this study sheds light on the direct industry perspective regarding Pakistan's unsustainable lack of preparedness for this change. By synthesising these insights, this research not only fills existing gaps in literature but also provides a blueprint for how Pakistan's textile industry adapts to shifting dynamics in international trade and sustainability.

6. Conclusion and Recommendations

The results from this study demonstrate the intricate interconnections involving trade agreements, economic policies, and the specific issues confronted by industries in the case of Pakistan's textile sector. For instance, SAFTA and GSP Plus international trade contracts grant some level of market access, but realised benefits are seriously limited due to high production costs, inconsistent policies, and lack of support from the government. Stakeholders highlighted significantly rising taxation, energy costs, and interest rates as primary hurdles to export sustainability, which, paradoxically, undermines the objectives of trade agreements which are supposed to enhance international competitiveness. This highlights a critical disjunction between trade liberalisation attempts in Pakistan and the economic policies of the country, demonstrating suboptimal inefficiencies within the world of policy formulation.

Also, the aftermath of macroeconomic volatility focused on trade agreements has evolved as a prominent issue. For instance, the depreciation of the Pakistani rupee has had some advantages. However, volatility in exchange rates increases import costs for raw materials and machinery, which erodes these benefits and makes the trade environment unsustainable. This is worse than a firm's stagnation problem because they are unable to manage to make rational investment choices due to the constant shifting of policies. The results also showed an absence of a consultative approach towards policy formulation because policymakers are out of touch regarding the nature of dialogue between industry stakeholders and trade decision makers. In the absence of industry expertise, the policies are devoid of real-world context, making decisions on the region's strategic advantages very weak.

The study also notes the missing infrastructure and technologically deficient workforce as significant gaps in the country's industrial framework. The infrastructure for transportation and logistics, as well as the industrial parks specifically for textiles, are not currently situated in Pakistan. This has ceded dominance to policy-friendly countries like India, Bangladesh, and Vietnam in the lower part of Mansfield's Ladder of Industrial Development. This means Pakistan's policies need a complete overhaul, paired with ample funding, to ameliorate the policies and fill the gaps in order to make Pakistan competitive in the international market.

6.1. Theoretical and Practical Implications

From a theoretical standpoint, this study contributes to the discussion regarding the impact of trade policy by revealing contradictions in Pakistan's governance system. Earlier literature predominantly focused on the macroeconomic impact of trade deals and neglected the micro-level realities of business constraints (Shahid & Wazir, 2020; Dadet al., 2023; Ahmad et al., 2024). This study aims to incorporate stakeholders' views to explain how policy misalignment erodes industrial competitiveness. It reinforces the stance that trade liberalisation, in the absence of adequate self-legislated domestic reforms, proves obsolete; a point of view well accepted across the development economics discourse (Rodrik, 2018).

The findings imply, from a practical perspective, that reforms in trade policy cannot stand alone – they must be integrated into a system of economic stabilisation with an industrial policy alignment. In this context, textile exporters need to undertake more sophisticated strategic diversification in relation to market and product development. Tapping into non-conventional export markets such as South America and Central Asia will reduce reliance on the EU and US, thereby lessening the risks of changing regulations, trade barriers, and other protective measures. Furthermore, tackling sustainability and digitalisation is essential for long-term competitiveness, as the world progressively moves towards eco-friendly and advanced digital textile products.

On the policy level, the industrial policy needs to be reframed in light of the findings to improve trade policy coordination. There is a need for an all-encompassing industrial policy strategy that cuts across trade, tax, energy, and labour and promotes competitiveness instead of mechanistic export incentivisation. Strengthened intra-departmental cooperation is required between the Ministry of Commerce, Ministry of Finance, and Textile Development Authority to nurture a single economic policy framework centred on industrial development. In the absence of such changes, Pakistan risks becoming increasingly peripheral in global trade, particularly in the context of its textile industry.

6.2. Limitations of the Study

Like any study, this one comes with some important practical and contextual methodological insights, and they should be taken seriously. The predominant approach of this piece of research is qualitative, as it heavily relies on interviewing relevant stakeholders. These interviews are rich in contextual narration; however, they do not consider quantitative macroeconomic dimensions at a large scale. Subsequent research should consider corroborating qualitative results with some level of postmodern econometric evaluation that uses trade volume and financial performance statistics, in addition to policy evaluation metrics.

Furthermore, the range of available data represents an additional limitation. Trade policies and economic environments are constantly in motion due to shifts in geopolitics, volatility in regulatory frameworks, and world economic activity. With a focus on time, the results will always be valid for a given moment within the industry, which makes conducting long-term studies essential for understanding how policies evolve. In addition to this, concentrating on the textile industry narrows the scope of the study, making it much harder to apply these conclusions to other export-orientated industries, such as agriculture, information technology, and even pharmaceuticals, which may have different ways of interacting with policies.

There is affordance of stakeholder bias in the data collection. In particular, industry representatives may have expressed government policy views dominated by sectoral interests and exaggerated shortcomings while dampening inefficiencies within the industry itself. Including government officials, some trade analysts, and representatives from labour unions would have balanced the overall picture regarding policies and their effects. More targeted policy evaluation frameworks will result from advanced policy assessment in more research policies employing all relevant stakeholders to test and improve these findings.

6.3. Recommendations for Policy and Industry

One of the most difficult issues mentioned in this study is the lack of alignment between trade agreements and domestic economic policy frameworks. Take, for example, the GSP+, which

provides some level of access to markets. Its merits are, however, offset by prohibitive production costs, ad hoc regulations, and macroeconomic volatility. Trade policy also requires integrated economic governance at the level of decision-making. Coordinated leadership across ministries, particularly Commerce, Finance and the Textiles Development Authority, is needed to ensure that policies to encourage investment and stabilise energy prices are enacted alongside trade liberalisation. In the absence of unified policies, Pakistan's textile sector will continue to face the perennial challenge of structural weaknesses even with access to international markets.

The textile sector of Pakistan remains significantly less competitive due to its infrastructure and skilled labour force. Stakeholders noted that inefficient logistics systems, deficient industrial parks, and lack of access to dependable power sources stifle productivity. The government, in this regard, needs to enhance the industrial infrastructure, especially around key textile towns like Karachi and Lahore, using PPPs and focused infrastructure spending. Also, workforce development policies must be added because industry-specific training voids stifle productivity and innovation. It will be necessary for the Pakistani workforce to become competitive in the global market by forming advanced-level competence vocational training programmes with the stakeholders from the textile sector and educational institutions.

The research underlines the dependence of the Pakistan textile industry on EU and US markets, where the industry is prone to the volatility of demand and changing regulations. To reduce this risk, there is a need for active market diversification. Strengthening relations with South America, Central Asia, and Russia can offer new avenues for business and help decrease reliance on traditional markets. At the same time, business sustainability, which aims to protect the environment, needs to be focused on as global consumers are shifting towards purchasing sustainable textiles. Subsidies designed for the green economy will encourage more manufacturing and practices of the circular economy as well as more certification promotion like OEKO-TEX and GOTS, which will increase the national competitiveness of the sustainable fashion industry of Pakistan.

One of the important constraints for textile producers is the lack of inexpensive funding and advanced technology. The credit gap has a negative effect on business automation, energy-

saving production systems, and innovation driven by scientific research. The state needs to increase the scope of subsidised long-term loans to high-priority sectors, such as powerful loans to exporters of textiles for modernising equipment to increase productivity. Moreover, the modernisation of technology in the industry should be stimulated by granting tax benefits for research and new technology for developing and modern designing products.

6.4. Directions for Future Research

Although this analysis is very useful in explaining the workings of the textile industry, its conclusions might not hold true for other export-orientated industries. Additional research should broaden the scope to include agriculture as well as information technology and pharmaceuticals to see if similarly obtuse trade policy inconsistencies exist. By taking a cross-industrial comparison framework, it is possible to establish which industries bear the brunt of the tough trade policies and design targeted policies for those sectors.

As time goes by, agreements are made on different issues or at least the policies of a country. Because of this, policies have lasting ramifications, which implies that cross-sectional analyses are shortsighted. Subsequent research should utilise a longitudinal approach, studying the impact over years of the agreements made, the policies put in place, and the industry's performance. Primary research also needs to include qualitative approaches by incorporating quantitative approaches such as econometric analysis of financial data at the firm level, which would strengthen the empirical basis for assessing the impact of the policy. The use of stakeholder testimonies alongside quantifiable metrics of trading outcomes would provide a more nuanced and balanced evaluation of policy effectiveness.

The impact of digitalisation and e-commerce on international trade is growing, but their relevance to Pakistan's textile industry is still not adequately addressed. Further studies should focus on how digital trading platforms, blockchain technology, and AI-enabled supply chain management systems can make Pakistan's textile exports more competitive. Also, studying the impact of digital advertising on capturing new markets could expose unconventional avenues of trade growth. Future works focused on the relationship between

digital trade and textile exports could help develop policies aimed at the adoption of technology and mitigation of restrictions for entering global markets.

These research directions will help build on the current findings and provide a more robust understanding of trade policy dynamics and industry competitiveness in Pakistan.

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Appendices

Semi-structured interview

Interview Guide

Interview Questions

Section 1: Background Information

1. Can you briefly describe your role in the textile industry and your organization's main business activities?
2. How long has your organization been involved in textile manufacturing or exports?
3. What are the primary markets for your textile exports (e.g., EU, US, regional markets)?

Section 2: Impact of International Trade Agreements

4. How have international trade agreements, such as WTO provisions or GSP+, affected your business operations or affected market access?
5. What benefits have you experienced from preferential trade agreements like GSP+ in terms of market access or competitiveness? – please share some examples.
6. Have any international trade regulations posed challenges to your business? If so, what were they, and how did you address them?

Section 3: Influence of Regional Trade Agreements

7. To what extent have regional agreements, such as SAFTA, impacted your access to regional markets?
8. Are there specific regional agreements or provisions that have facilitated or hindered your business development?
9. What role do you see regional collaborations playing in enhancing the growth of Pakistan's textile sector?

Section 4: National Economic Policies

10. How have fiscal policies (e.g., taxes, subsidies) influenced your operational costs or competitiveness?
11. What impact have monetary policies (e.g., interest rates, exchange rates) had on your business?
12. How effective do you find supply-side policies, such as infrastructure development or skill enhancement programs, in supporting the textile sector?

Section 5: Challenges and Opportunities

13. What are the biggest challenges your organization faces in benefiting from trade agreements and economic policies?
14. How do you think the government or policymakers could better support the textile industry in aligning with international trade agreements?
15. Are there opportunities within the current trade and policy frameworks that your organization plans to leverage?

Section 6: Future Outlook

16. How do you perceive the future of Pakistan's textile industry in the context of evolving trade agreements and economic policies?
17. What recommendations would you provide to enhance the effectiveness of trade agreements and economic policies for textile firms in Pakistan?

Thanks for your time and support