

### **Unity in procurement leads to growth in exports**

LAHORE: It is time that Pakistani exporters started to jointly import inputs through a single buying house on the pattern adopted by big brands to guarantee quality and lowest prices.

All big brands outsource their apparel requirements through their appointed buying houses that place orders to different producers in Pakistan, India, Bangladesh and China. They negotiate the minimum price with the largest producer and offer the same price to all other on the basis of the requirement of their principle.

They also inspect the quality before goods are shipped. This relieves the principle company of the hassle of dealing with numerous suppliers spread in six to seven countries. It is not only cheaper, but the spread of orders ensures smooth supplies for them.

In Pakistan, the export amount of almost all the players is very low. Nishat Mills Limited with exports of \$341 million is the largest exporter, while Unicol Limited with exports of \$39 million is the 100th largest exporter.

Thousands of small exporters manage between \$200,000 to \$90,000 annual exports. Barring very large exporters, those exporting apparel worth \$4 million are not in a position to import input like buttons, zips or dyes at competitive rates.

They buy inputs in small quantities so their cost increases much above their domestic and global competitors. They do succeed in exporting, but at very thin margins and find it hard to scale up. The orders they get are usually the overflows that bigger players could not execute.

In the past, an attempt was made to unite the producers that supply to the same brand to negotiate orders jointly, and also procure the inputs jointly to bring down cost and improve their margins.

Some Lahore-based exporters successfully carried out this exercise for a long time, but most members started opting out of the arrangement as they grew in size.

Those that failed to grow substantially were left stranded, as the unwritten partnership was broken. Time has come to revive the spirit of unity again to ensure the existence of smaller units and increase in exports.

It is a pity that our exporters are ready to deal with foreign buying houses, but are wary of the intentions of their Pakistani counterparts in procurement of quality inputs at lower rates. This is providing huge advantage to the Indian and Chinese companies from where we usually buy the inputs.

Pakistanis must understand that whatever inputs they buy from India are also supplied to their Indian competitors at much lower rates because they are large buyers and take advantage of the economies of scale.

They cannot go to Japan, China or other East Asian countries where the freight charges are very high compared with India. But because of relative higher costs, they get only those orders that the larger Indian suppliers could not execute.

If all small exporters join hands to procure main inputs jointly, the volume of order would greatly increase. They would be able to get discount on larger orders.

Moreover, they would be in a position to explore the other economies that might lower their rates on the strength of large orders. This would create a competition between foreign suppliers and the costs would come down.

Depending solely on Indians is like giving them monopoly on input supplies. Pakistani exporters through unit must seek alternate supply sources, as Indians are exporting almost every item that we produce and export from Pakistan.

Procuring inputs in small amounts would provide advantage to Indian exporters of similar item.

They would gradually increase their capacities to slowly deprive the Pakistani exporters of the overflow of orders that at the moment they cannot execute.

This process has perhaps already started, as exports from Pakistan remain stagnant and exports of the same items from India are increasing. The state should also play a facilitating role in forging unity among small exporters for procurement of inputs.

Mansoor Ahmad