



Textile and Ready Garment Industry in OIC Countries

August 2016



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❖ 1. Executive summary

Overview

The textile and readymade garment market is a fast-growing market in the Organisation of Islamic Cooperation (OIC) economy. The industry activities are mostly concentrated in China, India and other developing and OIC countries such as Bangladesh, Indonesia, Pakistan and Vietnam. Additionally, in the recent years, several designers and ecommerce platforms have gained popularity in the readymade garment segment in OIC countries. These designers have impetus not only in countries with high Muslim population but also in other parts of the world, such as Singapore and the UK, where Muslims are a minority.

Markets

Bangladesh, Turkey and Pakistan are the top three exporters of textile products among the OIC countries, whereas the UAE, Turkey and Bangladesh are the top three importers. Apart from Islamic countries, the apparel market has also grown in non-Islamic countries such as France, Germany, India, Italy, Russia, the US and the UK.

Exports and imports

Textile and readymade garment exports

- In 2015, the top 5 textile exporting OIC countries exported goods worth USD86.9bn, which accounted for almost 83.1% of the total OIC textile exports. Together, Bangladesh and Turkey accounted for more than half (55.8%) of the total OIC textile exports.
- The share of OIC readymade garment exports, as percentage of global readymade garment exports, increased from 14.7% in 2012 to 15.4% in 2015. In 2015, the OIC countries exported readymade garments worth USD69.3bn. In 2015, both global and OIC exports declined by 4.5% y-o-y and 1.4% y-o-y, respectively.

Textile and readymade garment imports

- In 2015, the top 5 textile importing OIC countries imported goods worth USD51.1bn, which accounted for almost 53.1% of the total OIC textile imports. Other countries that constitute the top 10 exporters include Egypt, Malaysia, Nigeria, Pakistan and Iran. These top 10 countries together accounted for 71.6% of the total OIC textile imports.
- In 2015, the OIC countries imported readymade garments worth USD35.6bn. The OIC imports increased by 29% y-o-y, and global imports decreased by 1.2% y-o-y. The share of readymade garment import by OIC countries, as a percentage of global imports, increased from 5.4% in 2012 to 8.7% in 2015.

Key initiatives implemented by OIC countries

Some of the key initiatives implemented by OIC countries in policy, technology, environment and social areas include: focus on R&D and strengthening competitiveness; bilateral ties with countries / regions to promote export of textile products; use of technology to manufacture greener products; enhancing workplace rights and industrial relations; promoting social dialogue and harmonious industrial relations; and regulations related to conservative Muslim clothing.

Opportunities for decision-makers

The broad opportunity areas for decision-makers within the textile industry in OIC countries include:

- Increased interest in modest clothing industry: Several readymade garment designers and retailers foresee a significant opportunity in the modest apparel industry, which stays true to the spirit of modesty. Additionally, customers, public figures and bloggers have increasingly shown interest in modest clothing.
- Growth in untapped verticals: There is significant scope in developing new labels and products in verticals such as teenage attire, menswear, maternity wear, sports apparel, work attire and plus-size fashion.
- Growing opportunity of versatile/innovative clothing: Apparel manufacturers have invested in developing innovative Muslim clothing as they foresee significant potential in the market. The opportunity areas include detachable elements and use of innovative fabrics in a range of verticals.

- Growing ecommerce readymade garment market: The readymade garment ecommerce market, which is witnessing significant growth, provide unlimited opportunities for market growth.
- Growth in retail sector: The retail sector is booming due to consumerism, increasing disposable income and government-led efforts, thus providing immense growth opportunities for the textile sector.
- Growing demand of technical textile: The technical textile industry, which finds application in specialty and industrial fabrics, medical textile and protective apparel, is also increasing proportionally relative to the whole textile industry

2. Introduction

Overview

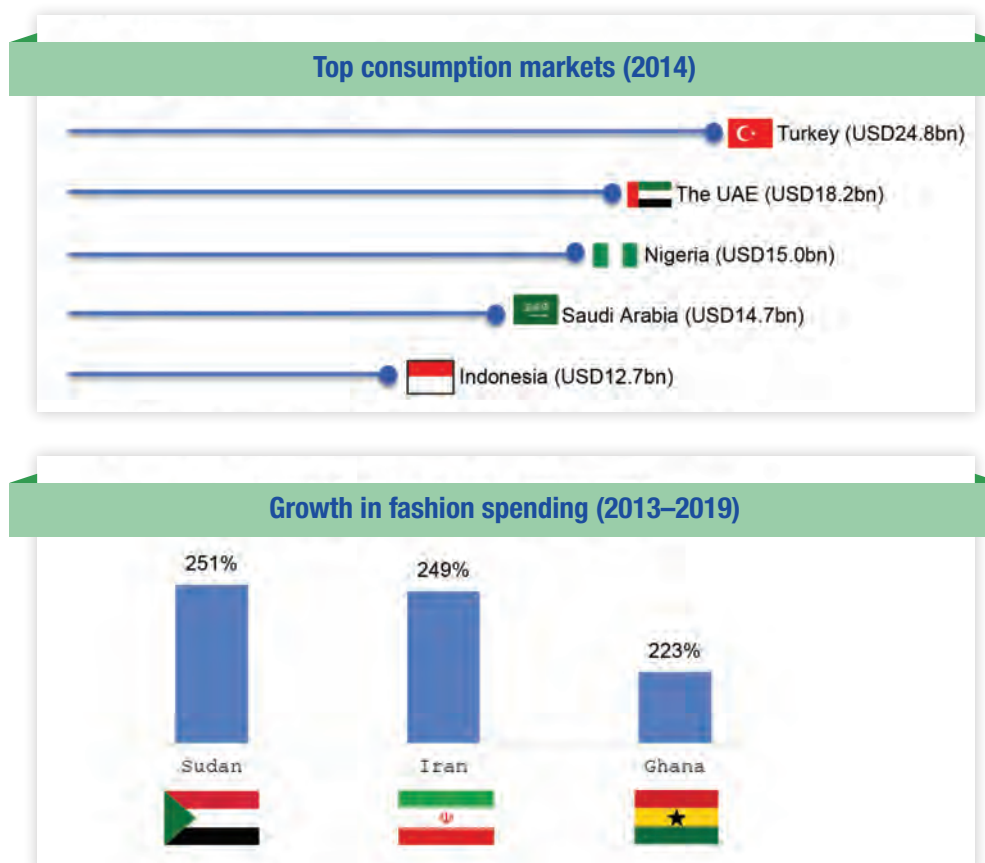
The textile and clothing market is a key sector of international trade that provides significant growth opportunities particularly in developing countries. The global clothing market is expected to increase at a CAGR of 2.9%, from USD2,119bn in 2014 to USD2,515bn in 2020¹.

The textile and clothing manufacturing activities are mostly concentrated in China, India and other developing countries such as Bangladesh, Indonesia, Pakistan and Vietnam. However, a large portion of textile manufacturing in China is moving to very low-cost countries in Africa, as well as Bangladesh, Cambodia, Indonesia, Mauritius, Malaysia, Pakistan, the Philippines, Sri Lanka, Vietnam and others².

Currently, there is growing demand for clothing for men and women in the thriving OIC economy. In 2014, the 57 countries that form the OIC accounted for 7.9% of global value sales of apparel and footwear. This share is expected to grow up to 8.4% in 2016, up to 8.8% in 2017 and up to 9.1% in 2018³.

Key markets

Below are the key apparel consumption markets, highest projected markets, and major exporters and importers to and from OIC countries⁴:



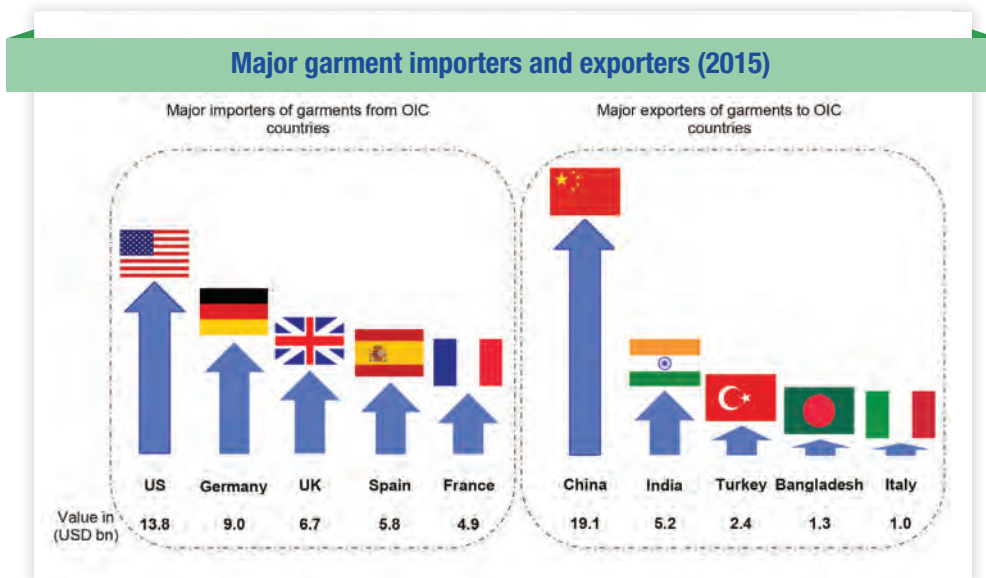
*The clothing market also includes footwear market

1 - 'State of the Global Islamic Economy 2015–2016' developed and produced by Thomson Reuters in collaboration with DinarStandard, 2015

2 - 'Apparel, Textiles, Clothing & Fashions Industry Market Research', plunkettresearch.com, accessed on 17 Aug 2016

3 - 'Islamic Clothing nears 10% of Global Market', Euromonitor, muslimvillage.com, 18 Aug 2015

4 - Refer to footnote 2



The OIC Five-year Plan of Action has been prepared, focusing on strengthening economic and commercial cooperation between OIC Member States, for enhancing production efficiency competitiveness and added value for cotton.

Cotton plays an important role in the socio-economic development of many OIC countries, particularly in West and Central Africa, where more than 16 million people are involved in cotton production and recently the region became the second largest exporter of cotton after the United States with almost 15 percent of the international market. It is a major cash export product in a significant number of OIC member countries. It is of crucial importance as the major source of foreign exchange and government revenue in countries such as Benin, Burkina Faso, Mali, Chad and Togo. In those countries, cotton accounts for between 5 and 10 percent of GDP and exports of cotton fiber account for over one-third of all exports income and for over 60 percent of income from agricultural exports.

3. OIC countries and textile industry*

3.1. OIC textile industry and its growth

Overview⁵

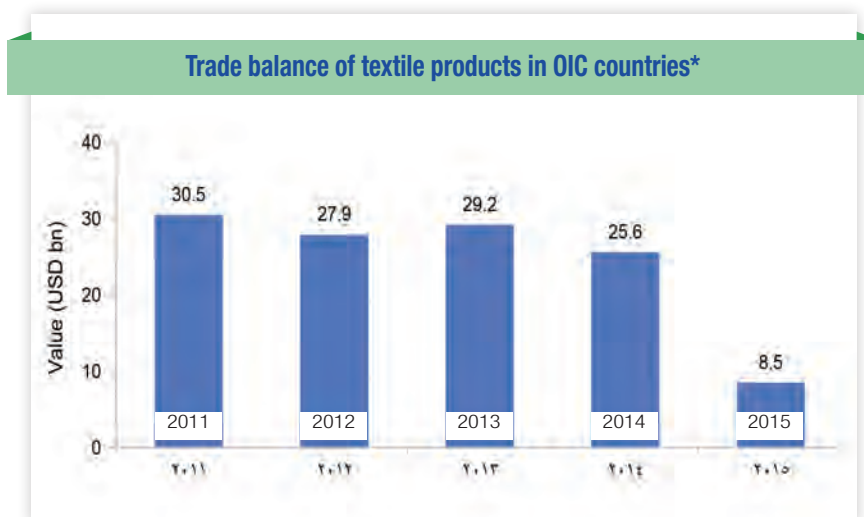
The textile and clothing sector is a fast-growing market of the OIC economy. Bangladesh, Indonesia and Pakistan have become key textile and clothing manufacturing countries in the OIC as well as the global textile and clothing market.

Textile market analysis⁶

In 2015, the OIC textile exports were worth USD104.6bn, accounting for 13.4% of the global textile export. Among the OIC countries, Bangladesh, Turkey and Pakistan are the top 3 textile exporting countries. The group trades with other countries from cotton products to readymade garments.

OIC market⁷

The OIC market has been able to maintain a positive trade balance for the past few years. The graph below shows the trade balance of textile products in the OIC countries for the past five years:



Key findings: In 2015, the OIC countries were able to maintain a trade surplus of USD8.5bn, with an export value of USD104.6bn and an import value of USD96.1bn. The trade balance of textile products in these countries decreased at a CAGR of 27.3% during 2011–15. Bangladesh and Turkey were the top exporters, whereas the UAE and Turkey were the top importers among the OIC countries.

3.2. Contribution of textile industry to OIC economies⁸

In 2014, the 57 countries that form the OIC accounted for 7.9% (USD167.4bn) of global value sales of the apparel* market, forming just 1% of the GDP (USD16.2tn) of OIC countries. In the near future, contribution is expected to increase, as the market is expected to grow at a faster rate compared to the GDP of OIC countries.

*For definitions of the textile and readymade garments trade data, please refer to the appendix.

5 - 'Inside the Booming Muslim fashion industry', aljazeera.com, January 2016

6 - 'Spending by Muslim population on clothes to rise to \$322b by '18', islam.ru, Sept 2014 / 'State of the Global Islamic Economy Report', 2015–2016, report developed and produced by Thomson Reuters in collaboration with DinarStandard

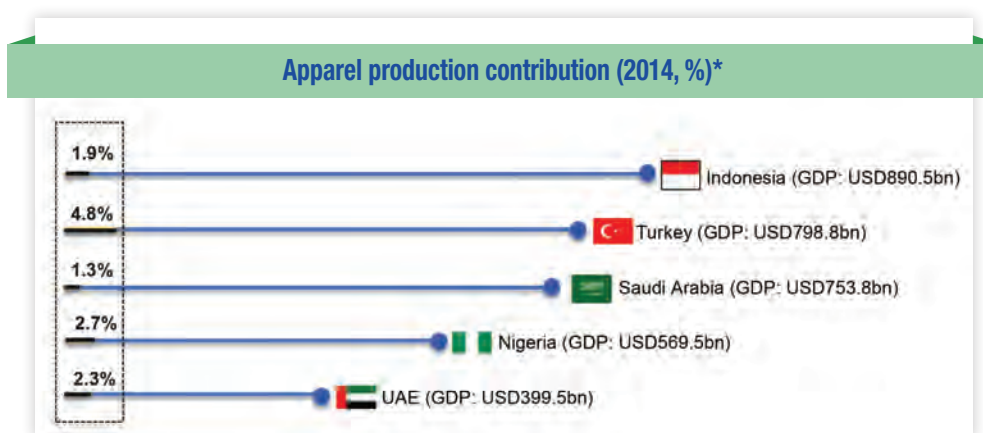
7 - Trademap.org, accessed on 28 Jul 2016

*Trade balance is the difference between exports and imports

8 - worldbank.org, accessed on 9 Aug 2016 / *Assuming the production for the year as Consumption plus exports less imports, all other factors remaining constant



The contribution of production in the clothing market towards the GDP of some of the OIC countries are as follows:



3.3. OIC countries with strong textile industry base⁹

Bangladesh, Pakistan and Turkey are the top exporters of textile products among the OIC countries.

The following is a brief description about these countries:

- Bangladesh¹⁰: With a population of 157.9 million and low labour costs, the country is the second-largest textile exporter in the world and has been able to maintain a strong position with increasing demand for cheap clothing. In 2015, exports accounted for 20% of the country's GDP, while clothing accounted for 80% of all exports. The following are the top categories of textile products exported by Bangladesh:
 - Men's/Boys' cotton trousers and shorts; not knitted
 - Cotton t-shirts, singlets and vests; knitted
 - Women's/Girls' cotton trousers and shorts; not knitted
 - Men's/Boys' cotton shirts; not knitted
 - Pullovers, cardigans and similar articles of cotton; knitted
- Turkey¹¹: The clothing and textile industry in Turkey is primarily dependent on cotton-based products. In 2014, the country ranked third in organic cotton production, after India and Syria. The country's clothing and textile sector is one of the largest and best-performing sectors, and accounted for 7% of the country's GDP in 2013. Further, in 2013,

*Apparel / clothing market also includes the footwear market

9 - Tradingeconomics.com, accessed on 28 July 2016

10 - 'Bangladesh Textile Industry Sets Export Record', worldfinance.com, Jan 2016

11 - 'Turkey Textile Industry Overview', fibre2fashion.com



Turkey exported 65% of its clothing production, which accounted for 80% of the total exports. The top categories of textile products exported by Turkey are as follows:

- Carpets made from man-made textile mats, of woven pile construction
- Cotton t-shirts, singlets and vests; knitted
- T-shirts, singlets and vests, of other textile materials; knitted
- Women's/Girls' cotton trousers and shorts; not knitted
- Pullovers, cardigans and similar articles of cotton; knitted

- Pakistan¹²: Pakistan, officially the Islamic Republic of Pakistan, has a population of 189.9 million. In 2013, it was the eighth-largest exporter of textile products in Asia. The sector accounted for 9.5% of the GDP and employed approximately 15 million people. Pakistan was also the fourth-largest producer of cotton, with the third-largest spinning capacity in Asia, after China and India. It accounts for 5% of the global spinning capacity. The top categories of textile products exported by Pakistan are as follows:

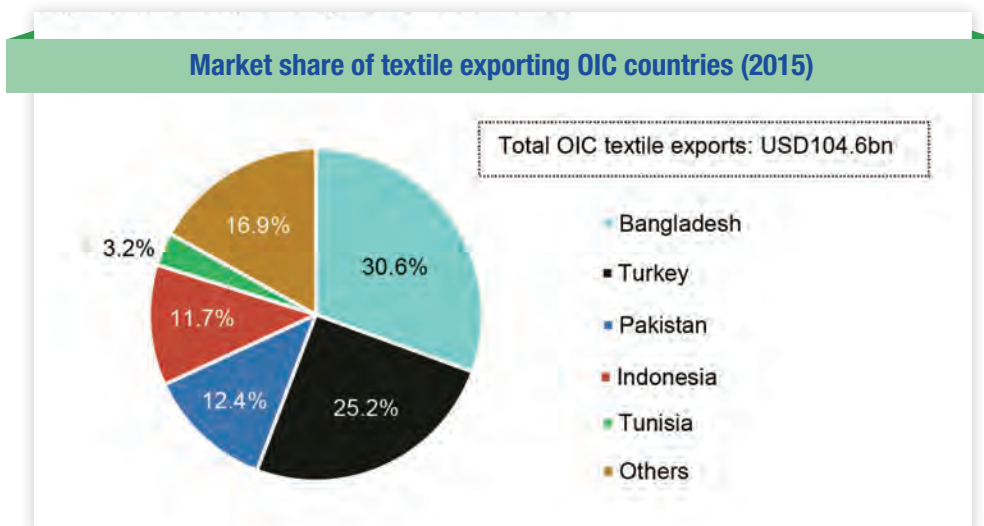
- Cotton yarn, single, uncombed, not put up
- Toilet and kitchen linen, of terry towel or similar terry fabric, of cotton
- Men's/Boys' cotton trousers and shorts; not knitted
- Cotton bed linen
- Textile knitted or crocheted material bed linen

12 - 'Statistics on Textile Industry in Pakistan', tribune.com.pk, Mar 2013

4. Textile trade in OIC countries

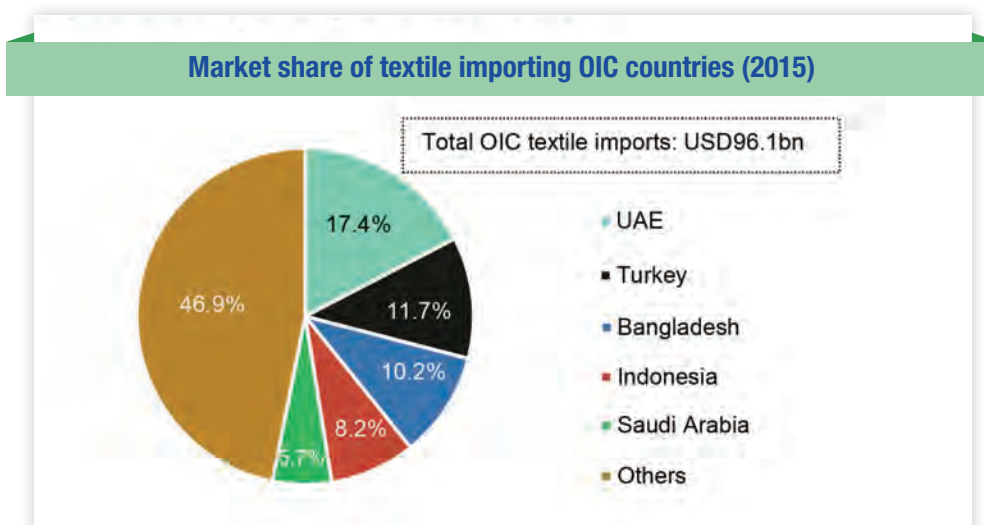
Bangladesh, Turkey and Pakistan are the top 3 exporting countries among the 57 countries of the group, whereas the UAE, Turkey and Bangladesh are the top 3 importers. The group is involved in trade of different commodities ranging from cotton products to readymade garments. Additionally, the OIC countries have been able to maintain a trade surplus in the past few years. In 2015, the group had a trade surplus of USD8.5bn.

4.1. Key textile exporting OIC countries



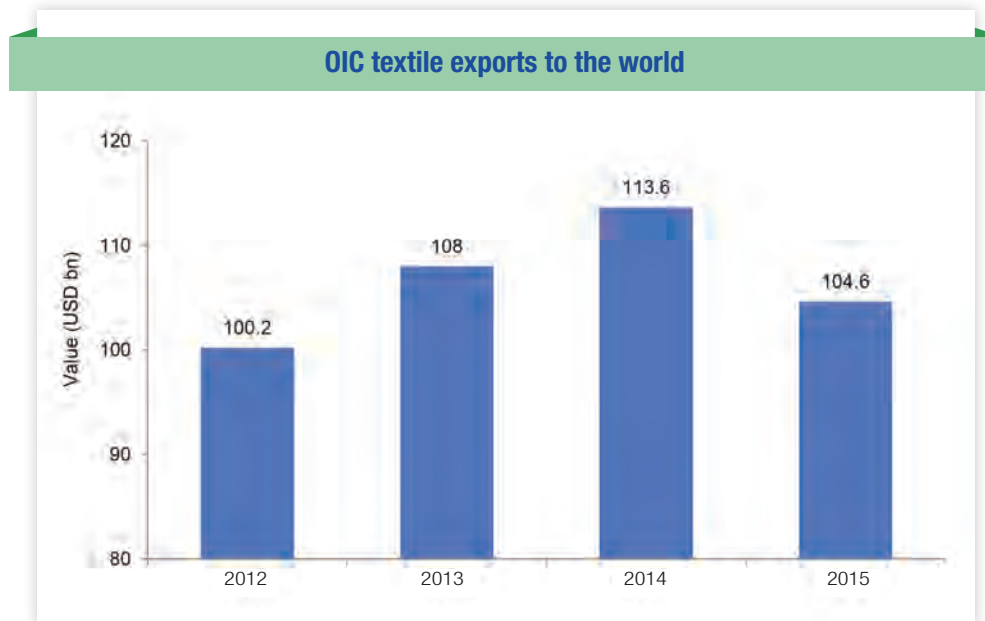
Key findings: In 2015, the top 5 textile exporting OIC countries exported goods worth USD86.9bn, which accounted for almost 83.1% of the total OIC textile exports. Together, Bangladesh and Turkey accounted for more than half (55.8%) of the total OIC textile exports. Other countries that were part of the top 10 exporters include Morocco, Egypt, Malaysia, Jordan and the UAE. These 10 countries accounted for 94.6% of the total OIC textile exports.

4.2. Key textile importing OIC countries

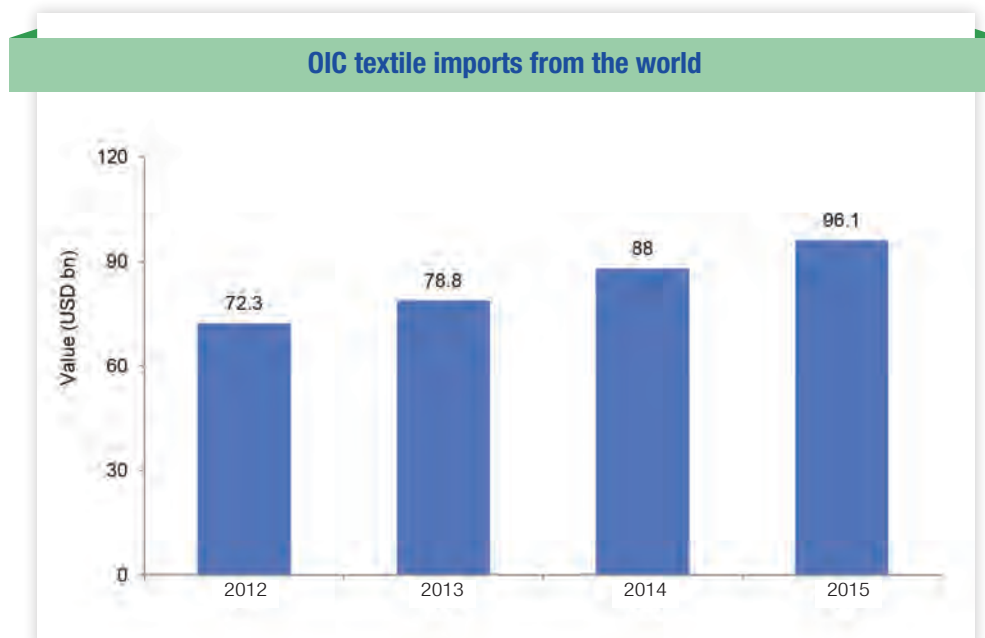


Key findings: In 2015, the top 5 textile importing OIC countries imported goods worth USD51.1bn, which accounted for almost 53.1% of the total OIC textile imports. Other countries that were part of the top 10 exporters include Egypt, Malaysia, Nigeria, Pakistan and Iran. These top 10 countries accounted for 71.6% of the total OIC textile imports.

4.3. Textile trade between OIC countries and the world¹³



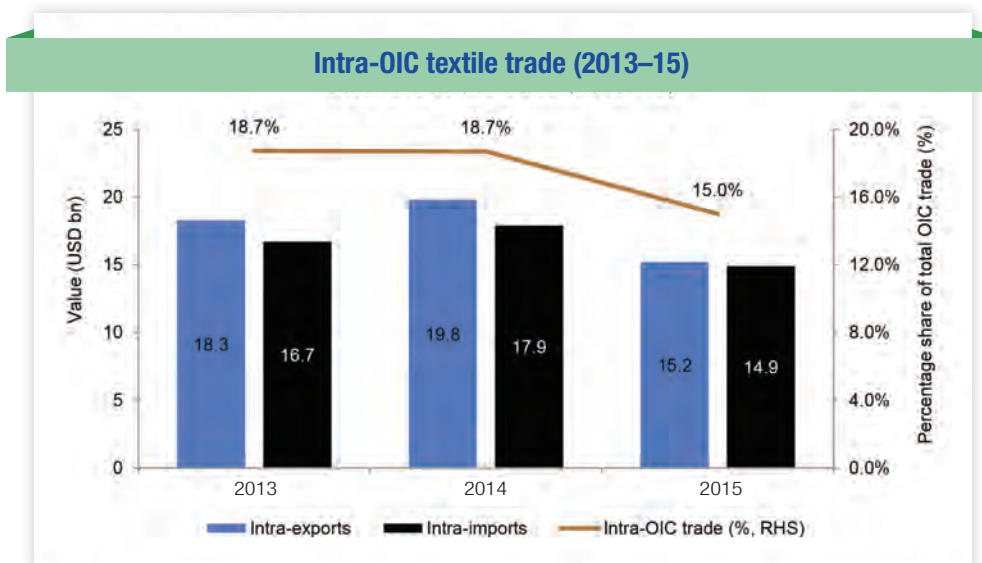
Key findings: In 2015, the OIC textile exports stood at USD104.6bn, accounting for 13.4% (USD778bn) of the global textile export. The top five exported categories from the OIC countries included readymade garments such as men's suits, women's suits, jackets, trousers, shorts, dresses skirts, jerseys, pullovers and cardigans.



Key findings: In 2015, the OIC textile imports stood at USD96.1bn, accounting for 13.5% (USD713.2bn) of the global textile import. The top five imported product categories from the OIC countries included only cotton products such as synthetic woven fabric, women's suits, jackets, dresses skirts and woven cotton fabrics.

¹³ - Note: OIC exports and imports to the world are calculated by taking the total OIC exports/imports minus Intra-OIC exports/imports.

4.4. Intra-OIC textile trade



Key findings: In 2015, intra-OIC textile trade, as a percentage of total OIC textile trade, declined to 15%. Both intra-imports and intra-exports declined from 2013 to 2015. Following are the top five traded textile products in the OIC countries:

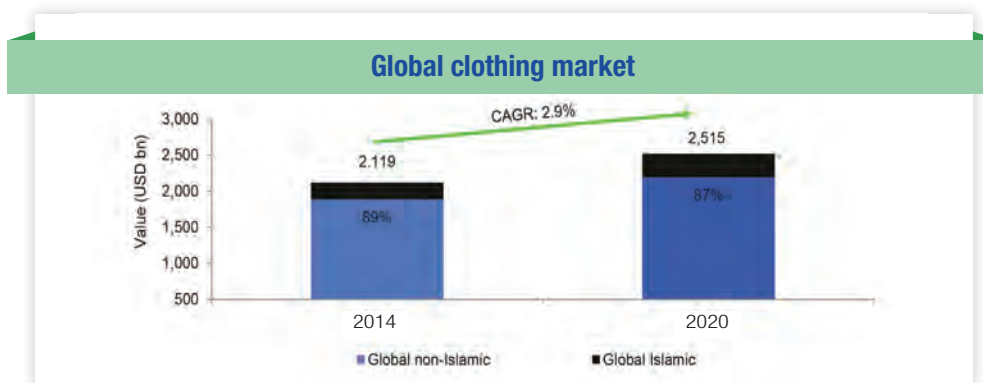
- Cotton, not carded or combed
- Man-made textile mat carpets, of woven pile construction
- Cotton denim fabric
- Men's/boys' cotton trousers and shorts, not knitted
- Cotton t-shirts, singlets and vests, knitted

However, the data for the past three years shows a decline in trade of the above-mentioned products, except cotton denim fabric. This has led to a decrease in the intra-OIC textile trade.

5. Global Islamic textile sector

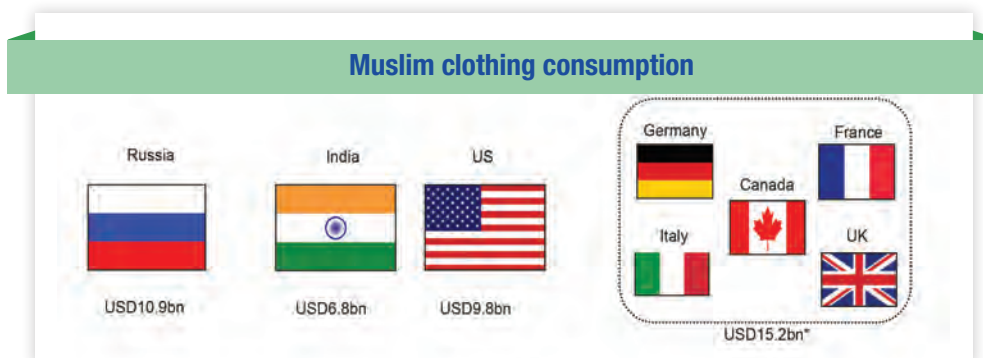
5.1. Global Islamic textile market analysis

According to the State of the Global Islamic Economy 2015–2016 report, which analysed 57 OIC and 16 non-OIC countries and was developed and produced by Thomson Reuters in collaboration with DinarStandard, the global Muslim consumer spending on clothing* increased 3.8% y-o-y in 2014, from USD221bn to USD230bn. The market is expected to increase at a CAGR of 6% to USD327bn (accounting for about 13% of the global expenditure) by 2020¹⁴. In 2014, the consolidated size of Muslim consumer spending on clothing ranked third after the world's top two clothing markets: US (USD400bn) and China (USD310bn).



5.2. Islamic textile market in non-Islamic countries¹⁵

Muslim clothing market has grown in recent years. A lot of designers and e-commerce platforms have entered this segment. These ventures have gained a lot of popularity not only in countries with high Muslim population, but in other parts of the world such as UK and Singapore, where Muslim population is a minority. The following are some of the non-Islamic Muslim clothing consumption markets (2014):



Modest clothing, which identifies fashion in line with Islamic principles, has become a new trend, but not just for Muslim women. People from other religions also contribute significantly to the demand. This has also led to an increase in the number of designers and entrepreneurs getting involved in the modest clothing business. Big global brands such as Marks

*The clothing market also includes footwear market

14 - 'State of the Global Islamic Economy 2015–2016' developed and produced by Thomson Reuters in collaboration with DinarStandard, 2015

15 - 'Modest Fashion is a New Trend – and not just for Muslims', mvslim.com, Jan 2016 / 'Singapore Retailers Riding Strong on Muslim Fashion Trend set to be worth US\$327b by 2020', trp.sg, Jan 2016 / 'Top Muslim Clothing Consumption Markets', salaamgateway.com, Sept 2015 / 'State of the Global Islamic Economy Report', developed and produced by Thomson Reuters in collaboration with DinarStandard, 2015

*The figures for US, Germany, France, Canada, UK and Italy include expenditure for both clothing and footwear.

& Spencer and H&M have also taken steps to enter the segment. The market has also witnessed an increase in foreign designers. Olsen twins (American fashion designers) have established their own brand where they design luxury basics that are modest.

5.3. Drivers and challenges for the OIC textile market

5.3.1. Drivers

- Young and fastest growing population: Demographic characteristics (especially young and growing population) of the Muslim population are expected to drive the growing OIC textile/clothing market.
 - The average age in Muslim majority countries is about 30, compared to 44 in Europe and the US, which are among the largest apparel markets. The young population's high clothing expenditure and frequent changing lifestyle drive growth in the clothing market.
 - At present, the Muslim population is 23% of global population, and is expected to increase to 29% by 2030. This is mainly attributed to the growing Islamic population in emerging markets such as Indonesia and Malaysia. Additionally, from 2010 to 2050, the Muslim population is expected to increase by 73%, compared to the world average of 35%.
- Better economic outlook: The global GDP, based on the current USD and PPP, increased at a CAGR of 5.2% from 2010 to 2014, to USD107.9tn in 2014. In the same period, the GDP of the OIC countries increased at a CAGR of 5.7%, to USD16.2tn in 2014. It was further estimated to grow at 3.8% in 2015, and 4.4% in 2016. The average GDP per capita in the OIC countries also increased at a CAGR of 4.0%, from USD8,461 in 2010 to USD9,884 in 2014. With better economic outlook, the clothing market is also expected to grow.
 - Additionally, over the next few years, the GDP of the majority Muslim-populated countries are expected to grow at an average of 5.4% per annum, compared with 3.4% in Europe and the US¹⁶.
- Growth in e-commerce platforms: The global Islamic apparel e-commerce market accounted for about 1.8% of the global Islamic apparel market in 2013, and was expected to increase to 2.1% in 2015. A number of e-commerce companies have grown and expanded their product reach to other nations. With easy access to a range of apparel products, the market is expected to grow significantly. Some of the recent developments in the Islamic apparel e-commerce market that are expected to have a positive impact on the Islamic clothing markets are as follows:
 - In July 2015, Hijup.com (Indonesia's first Muslim apparel e-commerce website) secured funding from a consortium of global investors, including 500 Start-ups, Fenox Venture Capital and EMTEK (Indonesia's largest media group)¹⁷.
 - In May 2015, Muslimmarket.com (a Muslim apparel-centric ecommerce website) was launched. This website trades with local producers and Muslim merchants and aims to be the leading e-commerce site for halal lifestyle products in Indonesia.
 - In March 2015, Modanisa.com (a Turkey-based Muslim apparel e-commerce site) received an investment worth USD5.5m from Saudi Telecom Company Ventures. The investment represents a foray by the Saudis into the Turkish market. The e-commerce site offers over 30,000 products from 300 brands and ships to more than 57 countries worldwide¹⁸.
- Trade development initiatives: The OIC clothing market witnessed a number of trade agreements/developments that have positively affected the market.
 - In May 2015, SefaMerve became the first Turkish company to join Ecommerce Europe (an association representing 25,000+ organisations that sell goods and/or services online). This JV was expected to stimulate cross-border e-commerce throughout Europe and Turkey¹⁹.

16 - 'Inside the booming Muslim fashion industry,' aljazeera.com, 30 Jan 2016

17 - 'Indonesia's HijUp raises second round of seed funding from Fenox, 500 Startups, EMTEK,' dealstreetasia.com, Jul 2015

18 - 'Turkey's Modanisa Islamic fashion ecommerce announces \$5.5M investment led by STC Ventures', wamda.com, 2 Mar 2015

19 - 'SefaMerve joins Ecommerce Europe!', ecommerce-europe.eu, 29 May 2015

- Roudha Center (a Qatar-based non-profit organisation) offers programmes and support for women entrepreneurs looking to grow/expand businesses, including in the area of fashion and design. This, with other similar initiatives, is expected to contribute towards the growing apparel market²⁰.
- Indonesia Fashion Forward (IFF) is a collaborative project between Jakarta Fashion Week, the Ministry of Tourism and Creative Economy Indonesia, the British Council and Center for Fashion Enterprise (CFE) London. The project serves as a capacity building course for designers to enable them to compete at regional and global levels.

5.3.2 Challenges²¹

- **Fragmented market:** The global Islamic clothing market is fragmented and consists of numerous small regional players. Additionally, Muslim consumers are heterogeneous in terms of fashion preference. To achieve significant growth opportunities, companies need to scale from one geographical area to another. This requires various adaptations to companies' existing product offerings and business processes, which is a major challenge for small-scale apparel companies.
- **Operational challenges in e-commerce platforms:** Most of the regional and large players are expanding their product reach through e-commerce channels. These channels are ideal for companies in the Islamic clothing fragmented market. However, many companies see this as an unfavourable option as it is hampered by lack of payment platforms, varying customs rules and logistics issues.
 - Oya Okur Erciye (co-founder) and Mehmet Metin Okur (CEO) of Sefamerve expressed that, 'There have been several problems with [the current] payment tools. Shipping fees [to developing countries] are expensive. This situation can both stand as a barrier to overcome and become an investment opportunity which can be worked on'.
- **Increasing competition:** Some of the global apparel brands foresee significant opportunity in the Islamic clothing market, such as DKNY, Dolce & Gabbana, Mango and Tommy Hilfiger. Regional/small players do not have the resources to compete with and survive in this business; the ability to reach economies of scale efficiently; and adapt to the ever-changing market trends and technology.
 - In January 2016, Dolce & Gabbana launched a collection of hijabs and abayas (ankle-length robes) targeting Muslim shoppers in the Middle East²².
 - In July 2014, DKNY became the first established international brand to follow the Islamic clothing trend and launched its 'Ramadan collection' in the Middle East.
- **Stringent regulations on conservative clothing:** Some countries follow stringent rules and regulations with respect to Muslim apparel. This poses a huge threat to the Muslim clothing market.
 - Switzerland: In July 2015, in Tessin, Switzerland, the anti-burka law (which bans face veils, burkas and the niqab) came into force on 1 July 2016²³.
 - Italy: In December 2015, Lombardy (the wealthiest region in Italy) approved a ban on wearing burka in local government buildings and hospitals.
 - Republic of Chad: In June 2015, the Republic of Chad banned women from wearing full-face veil following the suicide bomb attacks in the same month.

Low vertical integration initiatives: The OIC apparel industry faces low adoption rates towards changing fashion trends and technology. This is primarily due to a few backward integration initiatives with manufacturers and suppliers. The growing adoption rates of western clothing from Europe and the US; increased popularity of e-commerce websites; and attractive discounts on western clothing products negatively affect the Islamic clothing market.

20 - roudha.org, accessed on 1 Aug 2016

21 - Refer to footnote 1

22 - 'Dolce & Gabbana debuts line of hijabs and abayas,' cnn.com, 8 Jan 2016

23 - 'Burka ban comes into force in Switzerland as Muslims ordered to obey or pay huge £8k fine,' express.co.uk, 9 Jul 2016

5.4 Country insights (case studies)

The case studies includes insights on some of the key textile exports markets among OIC countries.

Bangladesh

As per the International Trade Statistics of the World Bank, in 2014, Bangladesh accounted for 5.1% of global garment items worth USD503bn. Globally, it is the second largest apparel exporter after China.



Some key statistics of Bangladesh's textile industry for 2015 are as follows:

- Readymade garment sector share (2014): 15% of GDP
- Employment: 4m
- Textile exports: USD31.9bn
- Textile imports: USD9.9bn
- Readymade garment export: USD30.2bn
- Readymade garment import: USD319.9m



Currently, the Bangladesh textile and clothing industry accounted for approximately 85% of total countries export earnings. In the industry, about 76% is contributed by the apparel sector that includes products of knit & woven shirts, blouses, trousers, skirts, shorts, sweaters, sportswear's, and casual and fashion items. Bangladesh is also among the leading garment exporters of the world, with an industry (led by the Bangladesh Garment Manufacturers and Exporters Association) that aims to reach USD50bn by 2021.²⁴ To achieve this, state-owned Chinese firm Orient International (Holding) Co Ltd is developing the Bausia garment village worth USD2.3bn to house about 200 factories, which is expected to export goods worth USD3bn to USD5bn a year after commencement of the production facilities in factories.

Some of the leading retail giants purchasing from Bangladesh include H&M, Wal-Mart, Li & Fung and Inditex. H&M, a Swedish retail giant, is the largest garment buying company that purchases apparels worth about USD3bn in a year from Bangladesh. H&M primarily purchases T-shirts, cotton trousers, woven shirts, jackets and sweaters. Wal-Mart is ranked second with purchases of more than USD2.5bn worth of garment items. Wal-Mart primarily purchases T-shirts, kids' wears, trousers and sweaters.

Some of the other major retailers that purchase from Bangladesh are Li&Fung that spends USD1.5bn mainly on trousers, T-shirts, shirts and sweaters. Inditex, a Spanish retailer, purchases about USD1.5bn worth of women's wear and trousers and markets it under its brands such as Zara, Lefties and Bershka. Primark, a UK-based retailer, buys USD1.0bn worth of jeans pants, shirts and other denim products from Bangladesh in a year.²⁵

24 - "Transforming Bangladesh's Garment Sector", ifc.org , 2015

25 - 'Bangladesh remains second largest garments exporter, against all odds', thedailystar.net, 17 Jul 2016

Indonesia²⁶

In 2014, Indonesia reported total clothing consumption worth USD12.7bn.

Some key statistics of the Indonesian textile industry for 2015 are as follows:

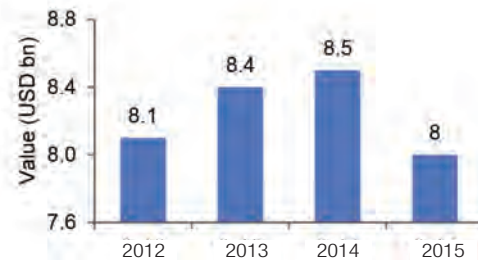
- Textile share: 6.7% of manufacturing
- Employment: 1.1 million in 2012; and largest source of manufacturing employment in 2015
- Textile exports: USD12.3bn
- Textile imports: USD8bn
- Readymade garment export: USD7.3bn
- Readymade garment import: USD401.5m



Indonesia textile exports



Indonesia textile imports



Indonesia has thousands of textile businesses, which sell their goods in domestic and international markets. A major share of Indonesian-made clothes for global brands is shipped abroad. Indonesia depends on imported cotton as domestic production is unable to satisfy even 1% of the demand. It imports cotton from countries such as Australia, Brazil and the US. Cotton is spun and either exported as yarn or processed into clothes and garments. China and Japan are the major buyers of yarn, and textile products are mostly exported to the EU, the US and Japan.

Indonesian fabric is available in a variety of materials, colour and techniques. There are three major textile groupings: ikat, songket and batik. Ikat is a patterned cloth with tie-dyed threads that are woven together. Songket is a silk cloth with gold or silver threads woven into it. However, these days imitation of gold or silver is used. Indonesian batik is a traditional textile produced by using a technique of wax-resist dye applied to cloth; it is the trademark of Indonesia's textile industry.

Batik was recognised as a world heritage by the UNESCO in 2009. It is one of the most famous types of textile products in Indonesia. It has increasingly received international recognition, and leading brands incorporate batik into their designs on dresses, shirts or scarves. The batik segment has grown multi-fold in the past five years, being supplied to the domestic market and also being exported to Germany, South Korea and the US. This represents excellent capacity of the small- and medium-size businesses in Indonesia that produce hand-dyed batik fabric.

26- 'Textile and apparel – Trade', embassyofindonesia.org / 'Indonesian Textiles', factsanddetails.com

Egypt²⁷

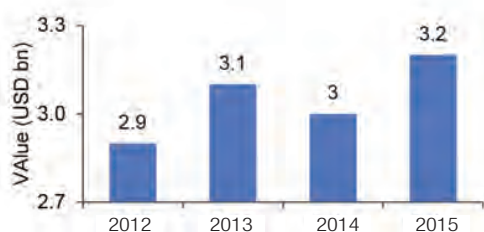
In 2014, Egypt reported total clothing consumption of USD10.7bn.

Some key statistics of Egypt's textile industry for 2015 are as follows:

- Textile share: 3% of GDP
- Employment: 1.2 million, which is 30% of the industrial labour
- Textile exports: USD3.2bn
- Textile imports: USD4.7bn
- Readymade garment export: USD1.8bn
- Readymade garment import: USD1.4bn



Egypt textile exports



Egypt textile imports



The textile sector in Egypt offers a viable growth opportunity due to two major reasons: its proximity to the European markets, and ready workforce, which is also a natural consumer market. The public sector accounts for approximately 90% of cotton spinning, 60% of fabric production and 30% of apparel production in Egypt. It has the best cotton in the world, but faces several problems such as low labour productivity; lack of investments in ginning, spinning and weaving; difficult access to finance; and poor infrastructure.

Many garment factories have shut down in Egypt, causing an increase in its imports in recent years. There has been a flow of Turkish and Syrian manufacturers in the country, with the aim to exploit the advantages that Egypt offers.

According to Mahmoud Safwat, executive director of the Egyptian Chamber of Apparel & Home Textiles (ECAHT), the Egyptian garment market is expected to grow by 25% in 2016. According to his estimates, there are about 10,000 garment factories in Egypt, with about 850,000 sewing machines. One of the efforts by the ECHAT to revive the Egyptian textile industry is to train managers through Trainex (the Egyptian association for training and research services) for the RMG and textile sector. Almost 30,000 people had already been trained by the end of 2015. The association is also taking help from JICA (Japan International Cooperation Agency) and AOTS (Association for Overseas Technical Scholarship) to upgrade their companies to match EU standards. According to Mohammed Kassem, chairman of the Readymade Garments Export Council, Egypt will be able to reach a minimum of USD10bn in garment exports by 2025.

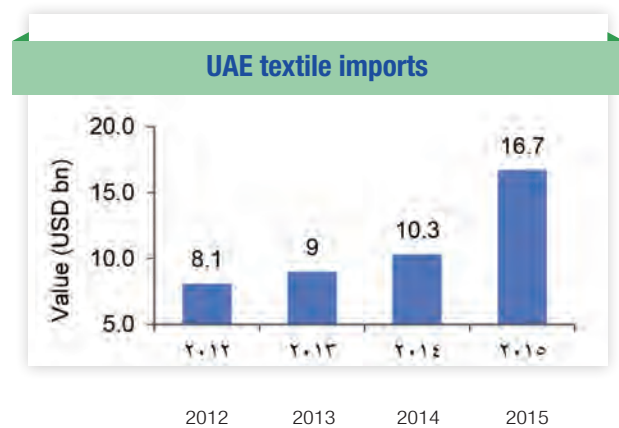
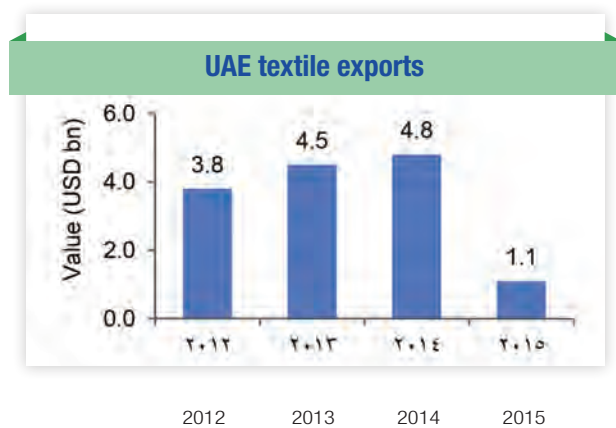
27 - 'Egypt apparel sector underperforming but ambitious', just-style.com, March 2016

The United Arab Emirates (UAE)²⁸

In 2014, the UAE reported total clothing consumption worth USD18.2bn.

Some key statistics of the UAE's textile industry for 2015 are as follows:

- Textile share (2014): Second-largest sector after oil, and also one of the biggest employers in the country
- Textile exports: USD1.1bn
- Textile imports: USD16.7bn
- Readymade garment export: USD448.9m
- Readymade garment import: USD11.1bn



The UAE textile industry offers a diversified product portfolio, and some of the major products produced in the UAE include car seats, tents and curtains, in addition to garments. However, the country derives major demand from knitted fabric, followed by woven fabric. The UAE has been involved in a lot of re-export. It imports garments and fabric in bulk from China and India. The industry processes these and they are re-exported at a profit.

The market witnessed great demand for home-grown garment brands, from local consumers as well as abroad. However, rising production costs have placed a strain on the industry and are making it difficult to compete with low-cost centres in countries such as Bangladesh, China, India and Kenya. This is forcing the UAE manufacturers to consider these countries as viable hubs to outsource their operations for cost-effective production.

28 - "Textile industry in UAE second largest after oil – Expert", fibre2fashion.com, Aug 2014

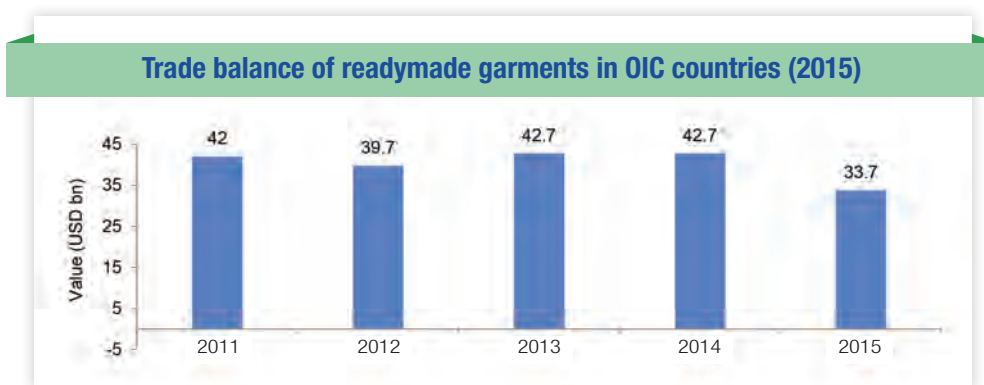
6. Readymade garment sector²⁹

The global 2015 estimated spending on apparel was USD1.7tn. Of the total expenditure, the global Muslim spending on apparel was estimated at USD244bn, of which USD239bn was spent offline, and USD5bn was ecommerce expenditure. The Muslim spending accounted for 14% of the total global spending on apparel in 2015.

6.1. Readymade garment sector in OIC countries³⁰

Several OIC countries produce garments for global brands, and thus the readymade garment sector plays an important role in the OIC economy. Bangladesh, Indonesia and Turkey are the top 3 exporting countries among the 57 countries of the group, whereas Malaysia, Saudi Arabia and the UAE are the top 3 importers.

The OIC market has been able to maintain a positive trade balance for the past few years. The graph below shows the trade balance of readymade garments in the OIC countries for the past five years:



Key findings: In 2015, the OIC countries were able to maintain a trade surplus of USD33.7bn, with an export value of USD69.3bn and an import value of USD35.6bn. The trade balance of readymade garments in OIC countries decreased at a CAGR of 5.4% from 2011 to 2015. Bangladesh and Turkey were the top exporters, whereas the UAE and Malaysia were the top importers among the OIC countries.

6.2. Major exporters and importers of readymade garments among OIC countries

6.2.1. Readymade garment exports



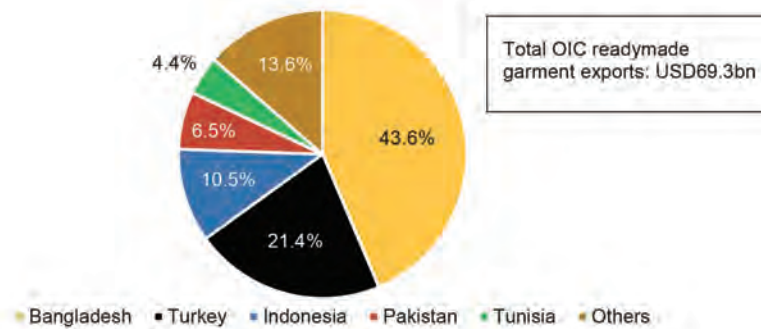
Key findings: The share of OIC readymade garment exports, as percentage of global readymade garment exports has increased from 14.7% in 2012 to 15.4% in 2015. In 2015, the OIC countries exported readymade garments worth USD69.3bn. In 2015, both global and OIC exports declined by 4.5% y-o-y and 1.4% y-o-y, respectively.

29 - "Current Consolidation Activity and Potential in Islamic Modest Fashion", salaamgateway.com, Feb 2016

30 - Trademap.org, accessed on 28 Jul 2016



Market share of readymade garment exporting OIC countries (2015)



Key findings: In 2015, the top 5 exporters accounted for 86.4% of the total OIC readymade garment exports. In 2015, the top 5 exporters accounted for 86.4% of the total OIC readymade garment exports. While Bangladesh, which is the largest exporter of readymade garments amongst the OIC countries, it ranks second in exporting readymade garments globally after China. Other OIC countries that are part of the top 10 exporters include: Morocco, Egypt, Jordan, Malaysia and Bahrain. Together, the top 10 exporters accounted for 98.1% of the total OIC exports in 2015.

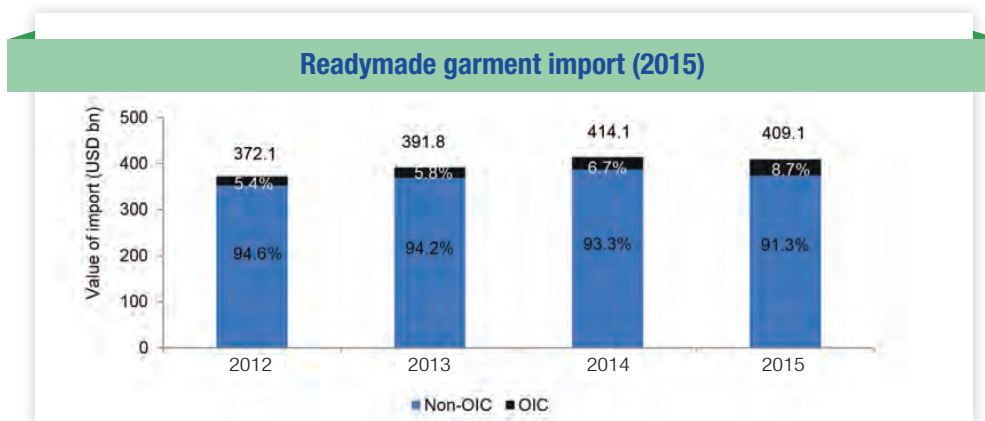
Top exported readymade garments by OIC countries (2015)



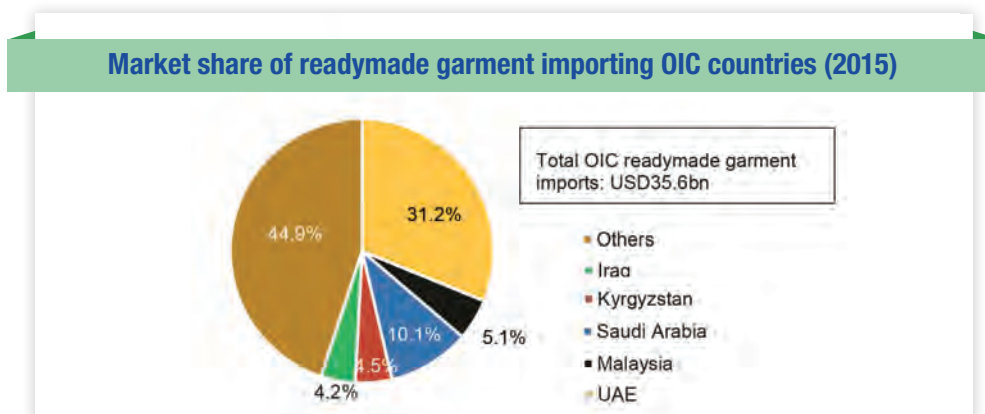
Key findings: In 2015, the top 5 products exported by the OIC countries accounted for 61.2% of the total OIC readymade garment exports.



6.2.2. Readymade garment imports



Key findings: In 2015, the OIC countries imported readymade garments worth USD35.6bn. The OIC imports increased by 29% y-o-y, and the global imports decreased by 1.2% y-o-y. The share of readymade garment import by OIC countries, as a percentage of global imports, increased from 5.4% in 2012 to 8.7% in 2015.



Key findings: In 2015, the top 5 importers accounted for 55.1% of the total OIC readymade garment imports. The UAE (the largest importer amongst the OIC countries) was the ninth-largest exporter of readymade garments in the world after the US, Germany, Japan, the UK, France, Spain, Italy and Hong Kong.

Other OIC countries that are also part of the top 10 importers include: Turkey, Egypt, Kuwait, Iran and Algeria. Together, the top 10 exporters accounted for 78% of the total OIC imports in 2015.

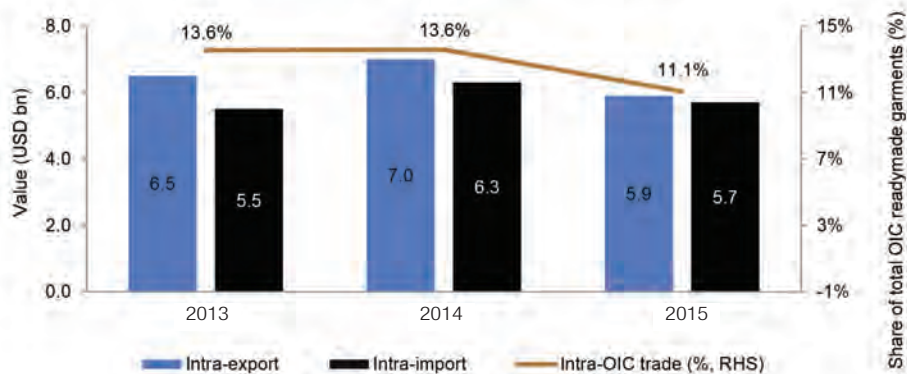
Top imported readymade garments by OIC countries (2015)



Key findings: In 2015, the top 5 products imported by the OIC countries accounted for 48.6% of the total OIC readymade garment imports.

6.3. Intra-OIC readymade garment trade

Intra-OIC readymade garment trade (2015)



Key findings: In 2015, intra-imports and intra-exports as a percentage of total OIC imports and exports declined from 13.6% in 2014 to 11.1% in 2015. Following are the top 5 readymade garment products traded amongst the OIC countries:

- Men's/boys' cotton trousers and shorts, not knitted
- Cotton t-shirts, singlets and other vests, knitted
- T-shirts, singlets and other vests of other textile materials, knitted
- Women's/girls' cotton trousers and shorts, not knitted
- Men's/boys' cotton shirts, not knitted

The data for the past three years shows a decline in trade of all the above-mentioned products and also other top traded products. This has led to a decrease in the intra-OIC trade.

7. Key initiatives implemented by OIC countries

7.1. Policy shifts and major initiatives

Both the OIC and its member states have taken several initiatives for the betterment of the textile industry and boost trade. Some of these initiatives include:

- **Boost cotton industry:** As cotton plays an important role in the socio-economic development of many OIC countries, particularly in West and Central Africa, an action plan was created in 2007 to rehabilitate the decaying cotton and textile industries in OIC countries. The plan also aimed at stimulating cooperation among the OIC countries in the cotton sector.
 - OIC Cotton Programme³¹: This OIC cotton initiative is in the domain of agro-industrial capacity building and technology transfer among member states. It focuses on the following:
 - Enhancing productivity and production techniques
 - Strengthening structural capacities of member countries and organisations
 - Developing the fields of processing and marketing
 - Trade and international competitiveness
 - Financing for the activities
- **Policy decisions to favour the textile sector:** To increase textile production and exports, many OIC countries are giving incentives to the sector.
 - In July 2015, the government of Pakistan announced plans to provide special incentives to small and medium enterprises in the textile sector. It also promoted usage of information communication technology and modern management practices for improving efficiency and reducing wastages³².
 - In August 2015, the country's Federal Board of Revenue (FBR) announced new initiatives to facilitate the textile sector, such as upward revision of customs values on import of fabric/garments, possible regulatory duty on import of cotton yarn, speedy payment of duty drawback/sales tax refunds and clearance of second-hand/used clothing under 'Red Channel'³³.
 - In December 2015, Indonesia's Investment Coordinating Board (BKPM) announced its plans to provide additional incentives to textile, garment and shoe businesses in a bid to prevent further 'job losses' in the industry. The proposed incentives include reduction in income tax to help these labour-intensive companies³⁴.
- **Focus on R&D and strengthening competitiveness:** To improve the quality of product and be competitive in the market in terms of price and innovations, a lot of OIC countries are investing in R&D and training of companies.
 - In April 2016, Pakistan's Ministry of Commerce announced plans to fund the textile sector in research and innovation projects initiated by the National Textile University. This project would establish Textile Innovation Centre in the university, which would focus on developing next-era fabric that includes technical and functional fabrics and would provide new initiatives in the field of design and value addition³⁵.
- - In April 2015, Tunisia's Ministry of Commerce had set up a coaching plan for Tunisian companies operating in the textile sector. The objective of this programme was to strengthen the competitiveness of Tunisian companies and facilitate their access to the German market³⁶.

31 - Organisation of Islamic Cooperation website, accessed on 4 Aug 2016 / 'Africa: A New Frontier', allafrika.com, May 2016

32 - 'Govt to increase textile exports from \$13b to \$26b', newsone.tv, 19 Jul 2015

33 - 'Textile sector set to get major relief', breccorder.com, Aug 2015

34 - 'Indonesian Textile and Garment Industry to get Additional Incentives', news.apparelresources.com, 2 Dec 2015

35 - 'Govt to fund textile sector research, innovation projects', daillytimes.com.pk, 28 Apr 2016

36 - 'Tunisia: Coaching Plan for 6 Tunisian Companies to Access German Market', allafrika.com, 14 Apr 2015

- Bilateral ties with countries/regions to promote export of textile products: Many OIC countries promote exports of textile products through bilateral agreements.
 - In August 2016, the Indonesian government said that it would follow up a cooperation agreement with Tajikistan on economic cooperation in the textile sector, including the cotton processing industry³⁷.
 - In December 2014, the government stressed on trade cooperation with African countries. It emphasised on increasing exports of textile and textile products (TPT) to Africa and import of cotton as raw material from several sources. The import of cotton will ensure the continuity of production and competitiveness of Indonesia's TPT export products in the global market³⁸.
- Other important initiatives to boost the textile sector include:
 - Establishment of trading centres overseas: In February 2015, the Indonesian government announced plans to establish around 10 marketing and distribution centres overseas to boost sales of several domestic products, including textile and textile products³⁹.
 - Launch of local campaigns: In April 2016, Tunisian General Labor Union (UGTT) launched a national campaign 'Made in Tunisia' to promote Tunisian expertise and quality of local products. The campaign is expected to give boost to the local textile sector⁴⁰.
 - Boost cotton farming: In May 2016, the World Wildlife Fund (WWF) of Pakistan and the Agriculture Extension Department (AED) of Balochistan have announced their partnership to build organic cotton capacity in south-western Pakistan⁴¹.

7.2. Technology

The textile industry in OIC countries has started using automatic machines and different types of software.

- Use of advanced software in the textile and apparel sector ⁴²: Among all OIC countries, Bangladesh is the largest producer of textile products. Its textile and apparel sector uses advanced software for various functions. The use of software helps save valuable time and facilitates easy monitoring of an industry.
 - Yarn manufacturing technology: The software used include: USTER AFIS and USTER Bale Manager.
 - Weaving technology: The software used include: Auto Cad (Arahne, Ned Graphics and Textronic) and others (Pixel Art, Eat Designscope and Muller MCad).
 - Knitting technology: The software used include: Shima Seiki SDS A-1, Stoll M-1 and YX Endis.
 - Wet processing technology: The software used include: Macbeth OS and Datacolor OS.
 - Apparel/Garment industry: The software used include: Optitex, Audaces, Gerber, Graffis, Lectra and Starfish.
 - Fashion industry: The software used include: Digital Fashion Pro and Marvelous.
 - Simulation: The software used include: Gerber Virtual Stitch, Optitex 3D Runway, Marvelous, Audaces and Lectra 3D Fit.
- Use of latest technology to manufacture greener products: The textile industry has understood the need of being sustainable with growing awareness among consumers on global warming and environmental hazards. It has begun adopting latest technologies:

37 - 'Indonesia, Tajikistan discuss expansion of economic cooperation', antaranews.com, 1 Aug 2016

38 - Nexis, accessed on 4 Aug 2016

39 - Nexis, accessed on 4 Aug 2016

40 - 'Tunisia: Start of the national campaign "Made in Tunisia"', africanmanager.com, 7 Apr 2016

41 - 'Pakistan looks to boost organic cotton farming', homeandtextilestoday.com, 25 May 2016

42 - 'Popular Software Used in Textile & Apparel Industry', garmentsmerchandising.com, 26 Aug 2015

- Use of laser technology to make greener denim⁴³: In Bangladesh, denim exporters have adopted laser technology to reduce intensive water and chemical use. This new technology reduces chemical usage by about 20–30%. With reduction in chemical usage, the amount of water needed to remove chemicals also reduces.

7.3.Social compliance⁴⁴

Social regulatory compliance is increasingly gaining importance in the textile and garment industry in countries such as Bangladesh, Indonesia and Turkey:

Initiatives in Bangladesh

After major accidents (collapse of Rana Plaza building and fire at Tazreen Fashions), the government of Bangladesh implemented essential changes related to inspection, safety and compliance. The International Labour Organisation (ILO) also assisted in implementing key elements such as labour inspection reforms; building and fire safety assessments; occupational safety and health; rehabilitation and skills training; and launch of the 'Better Work Bangladesh' campaign. Below are some of the recent initiatives implemented by the government and other bodies:

- Enhancing workplace rights and industrial relations: In September 2015, a workplace rights initiative was launched by the ILO funded by the government of Sweden that enhances workplace rights and industrial relations in the Bangladesh readymade garment sector.
- Promoting social dialogue and harmonious industrial relations: Sweden planned to provide funding worth USD5.4m to initiative 'Promoting Social Dialogue and Harmonious Industrial Relations in Bangladesh Readymade Garment Industry', which is expected to run until December 2020.
- Implementing key reforms: In Bangladesh, the ILO has also assisted in implementing key elements such as labour inspection reforms; building and fire safety assessments; occupational safety and health; rehabilitation and skills training; and launch of the 'Better Work Bangladesh' campaign.
- Strict inspection check: Following the collapse of the Rana Plaza building in 2013, the Bangladesh Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety have carried out inspections of the factories. Further, the government of Bangladesh decided that 3,508 export-oriented readymade garment factories should undergo fire, electrical, structural and fire inspections. A total of three initiatives, which concluded by 2015; wherein 3,632 factories were inspected, out of which 1,549 were assessed through the national initiative. After the inspections were concluded, 39 factories were closed for posing an immediate threat to workers.
- Strengthening the fire service: Witnessing an increasing importance of the Fire Service and Civil Defence Department (FSCD), the government of Bangladesh has increased the number of FSCD staff working as inspectors up from 55 to 265.
- Reforms on children rights: 'Children's Rights and the Garment Industry in Bangladesh' initiative, launched by UNICEF, aims to create awareness of the impact of the garment industry on the rights of children and working parents in Bangladesh, and to engage key business, government, civil society and NGO stakeholders on the challenges.

Initiatives in Indonesia

- Child labour reforms: In June 2016, the ILO pushed Indonesia to strengthen its law enforcement and increase its monitoring activities to achieve its goal to be free of child labour by 2022.⁴⁵ Additionally, in 2014, the Ministry of Labor of Indonesia completed the final phase of the National Action Plan by adopting the roadmap for making the country free of child labour by 2022⁴⁶.

43 - 'Bangladesh factories use lasers to make greener denim', eco-business.com, 23 Jun 2016

44 "Improving working conditions in the readymade garment industry: Progress and achievements," ilo.org, Apr 2016

45 - "ILO urges Indonesia to intensify child labor eradication efforts," thejakartapost.com, 08 Jun 2016

46 - "Child Labor and Forced Labor Reports," dol.gov, 2014

7.4.Environment

Some of the top OIC countries in the textile and garment industry have implemented key initiatives to address the environmental problem. Some of the initiatives include the following:

Bangladesh Water Partnership for Cleaner Textile (PaCT): PaCT is a partnership agreement between textile wet processing companies in Bangladesh, wet processing technology suppliers, global apparel buyers (H&M and Inditex), the International Finance Corporation (IFC), the NGO Solidaridad and the Embassy of the Kingdom of the Netherlands (Dhaka). It plays an important role in driving the environment sustainability and competitiveness of the textile wet processing sector, by adopting best practices through efficient use of high water, energy and chemicals⁴⁷. It is built on four pillars that address critical environmental issues⁴⁸:

- Adopting environmentally sustainable buying practices
 - Promoting best practices in textile factories
 - Addressing sector transformation and policy gaps
 - Financing resource efficiency projects for manufacturers
- Policy advice for environment and climate change (PAKLIM), Indonesia: PAKLIM, in support to the Ministry of Industry, has worked together with Brückner Textile Technologies GmbH & Co Kg and Thies GmbH & Co Kg in a project titled Development Partnership with Private Sector (DPP) since the signing of its cooperation in October 2013. Indonesian Textile Association (API) and German Engineering Association (VDMA) strongly supports the cooperation. The project introduced energy efficiency solutions, particularly in waste–heat recovery (WHR) technologies, through increase in capacity and technology awareness.
 - Eco-friendly initiative by Bangladesh Bank: In January 2016, Bangladesh Bank formed an USD200m fund to provide low-cost loans to the textile and leather industry, helping it to shift to ensure environment-friendly production. Atiur Rahman, governor of Bangladesh Bank, said, 'We want to let the world know that we will manufacture green apparel and green leather products. We want to brand our country as green Bangladesh'.

7.5. Others

Some of the other initiatives implemented by the OIC countries are as follows:

- OIC trade fair⁴⁹: The Islamic centre for Development of Trade (ICDT) organises the OIC trade fair every two years. The main goals of the exhibition are:
 - Familiarising and presenting products, industries and services that are provided by the OIC countries
 - Increasing commercial exchange between the member countries
 - Deepening commercial bonds between the committee members
 - Identifying available opportunities in investments, commercial and economic growth of the hosting country, and meeting investors from different countries.
 - Opening a new market for different industries and products provided by the committee members

The 15th trade fair was held in Riyadh from 22–26 May 2016. About 30 countries took part in the fair. The fair helped Bangladesh to receive spot orders worth USD0.78m, and commitment for another USD31.8m worth of orders. The country's merchandise (especially the readymade garments, leather and leather goods, and ceramics) received good response from buyers in the Middle Eastern countries.

- Regulations related to conservative Muslim clothing: Conservative Muslim clothing is given high importance in Islamic countries. Countries such as Syria and Afghanistan have made wearing these clothes mandatory, especially for women. The mandate on wearing conservative Muslim clothing provides a continuous market for the producers of these products. Further, as major producers of such clothing, the textile industry in the OIC countries will benefit from it.

47 - "Bangladesh Water Pact: Partnership For Cleaner Textile," wateractionhub.org

48 - textilepact.net, accessed on 5 Aug 2016

49 - Factiva, accessed on 5 Aug 2016

8. Opportunities in OIC countries

8.1. Opportunities

- Growth in untapped verticals: There is significant scope in developing new labels and products in verticals such as teenage attire, menswear, maternity wear, sports apparel, work attire and plus size fashion.
 - With Muslim women increasingly participating in sports activities, the demand for Islamic modest sportswear and swimming fashion is growing. This segment is overlooked by existing market players in the global sportswear industry⁵⁰.
- Increased interest in the modest apparel industry: Several readymade garment designers and retailers foresee a significant opportunity in the modest apparel industry, which stays true to the spirit of modesty. Additionally, customers, public figures and bloggers have increasingly shown interest in modest clothing.
 - In majority of the Muslim countries, about 88% of the population define religion as important, compared with 33.3% in Europe and 50% in the US. This gives a significant push to the modest apparel market⁵¹.
- Growing opportunity of versatile/innovative clothing: Apparel manufacturers have invested in developing innovative Muslim clothing as they foresee significant potential in the market. The opportunity areas include detachable elements and use of innovative fabrics in a range of verticals.
 - In June 2015, Veil (an apparel company) launched Cool Dry, a headscarf that is waterproof and climate-adaptable. The scarf is equipped with a cooling technology that reflects heat rather than absorbing it, keeping the fabric 7–10 degrees Fahrenheit cooler than the outside temperature^{52,53}.
 - In November 2014, Shukr LLC (a producer of modest and Islamic clothing) launched Easy Care Line by using a blend of fabrics, which helps in easy washing and minimal ironing.
- Growing e-commerce readymade garment market: The e-commerce platforms provide unlimited opportunities for market growth.
 - As per DinarStandard estimates, in 2013, the Muslim e-commerce clothing and accessory market was estimated at USD4.8bn globally, the largest markets being Turkey (USD474m), the US (USD442m) and the UAE (USD428m)⁵⁴. This market provides good growth potential for fashion designers and manufacturers, as they can sell their products in different regions.
 - Some of the popular e-commerce sites are www.modanisa.com (Hijab / women fashion), based in Turkey; www.hijabenka.com (Hijab / women fashion), based in Indonesia; and www.desertstore.com (Hijab / women fashion, ethnic), based in Saudi Arabia.
- Opportunity for designers and companies: In 2014, Abdul Rahman Saif Al Ghurair (chairman of the Dubai Chamber of Commerce) said, 'The lack of a global Islamic clothing brand offered an opportunity for UAE fashion designers and companies to become market leaders'. Also, not all global Muslim clothing brands are able to fulfil the requirements of the Islamic customer base⁵⁵. This gap also presents a unique opportunity for local fashion designers, as they can increase revenue by adopting specialised branding and marketing strategies⁵⁶.

50 - 'Islamic modest sportswear gaining ground in a \$151 bln market,' salaamgateway.com, 21 Mar 2016

51 - 'Inside the booming Muslim fashion industry,' aljazeera.com, 30 Jan 2016

52 - kickstarter.com, accessed on 3 Aug 2016

53 - 'This Innovative Hijab Keeps Muslim Women Athletes Cool,' good.is, 16 Jun 2015

54 - 'State of the global Islamic economy 2014–2015' developed and produced by Thomson Reuters in collaboration with DinarStandard, 2014

55 - 'Time for Islamic couture,' thenational.ae, 22 Nov 2014

56 - 'Spending by Muslim population on clothes to rise to \$322B by '18,' islam.ru, 22 Sep 2014

- Opportunities created by adopting Islamic values: The Muslim apparel industry provides an opportunity to reflect Islamic values such as humanity, justice and environmental care.
 - Eco-friendly clothing: The industry provides plenty of scope for innovation and exploration with organic farms, fabrics and recycled materials. By using available and emerging technology, the companies have the opportunity to provide sustainability-related information to environment-conscious customers.
 - Empowering marginal communities: Migrants du Monde (a Morocco-based fashion cooperative) features hand-embroidered Moroccan caftans made by Syria, Iraq and Congo refugees, thereby helping them earn a living. Given that most of the refugees are from Muslim countries, initiatives like these are essential and important.

The following are some specific country-wise opportunities in the textile industry:

- Growth in retail sector: The retail sector is booming due to consumerism, increasing disposable income and government-led efforts, thus providing immense growth opportunities for the textile sector.
 - Saudi Arabia: The retail sector in Saudi Arabia is expanding as the government has eased restrictions on foreign investment and its young population is spending despite the fall in oil prices⁵⁷. In June 2016, the Saudi Arabia government allowed foreign investors to own 100% of retail and wholesale businesses, thus driving growth in the textile sector in the country.
 - Nigeria: Nigeria's retail sector witnessed growth with increasing number of shopping malls coming up in cities including Lagos, Abuja, Port Harcourt, Aba and Kano. Additionally, as per A T Kearney, Nigeria has been ranked best location for retail investment opportunities in Africa in 2014.
- Growing demand of Athleisure: The global sports and fitness clothing market is witnessing significant growth due to increasing interest of consumers in to various sports activities.
 - UK: As per Key Note, a research firm, the UK sportswear market is expected to increase by 35.6% from USD9.8bn (GBP6.4bn) in 2015 to USD13.3 (GBP8.7bn) in 2019, driven by strong growth in the fashion-forward shoppers and women's sportswear⁵⁸.
 - China: As per Euromonitor International, the sportswear market in China grew 11% y-o-y to reach USD25.3bn in 2015. Some of China's leaders are also championing promoting athletic events and sports⁵⁹. Additionally, companies such as Adidas are planning to open 3,000 stores in China by 2020, to capture the growing sportswear market.
- Growing demand of technical textile⁶⁰: The technical textile industry, which finds application in specialty and industrial fabrics, medical textile and protective apparel, is also increasing proportionally relative to the whole textile industry. The global market for the technical textile is expected to increase from USD133bn in 2012 to USD160bn by 2018. The North American region is leading the market for technical textile due to the presence of majority of end-use industries, followed by Europe and Asia-Pacific.
 - China: The country has become a key producer and importer of technical textile products. The technical textile market in China is also expected to develop rapidly, driven by demand and government support. With support from the central government, many Chinese producers in the industry are seeking to produce high-end, value-added products.
 - India: The Indian economy is one of the largest and fastest growing economies in the world. India's technical textile sector is expected to increase at a CAGR of 22.4% from USD11.6bn in 2013 to USD26bn in 2017. This increase is a result of growth in industrial sector and automotive sector and increasing applications of technical textile in the construction industry.

57 - 'Saudi retail sector is its success story,' thenational.ae, 19 Jan 2016

58 - 'UK sportswear market to surpass \$8bn by 2019,' just-style.com, 26 Aug 2015

59 - 'Adidas to Open 3,000 Stores in China by 2020,' wsj.com, 4 Mar 2016

60 - '2016 Top Markets Report Technical Textiles,' trade.gov, May 2016

- Growing ecommerce market for textile and apparel market: As per AT Kearney's 2015 Global Retail E-Commerce Index, apparel, books and electronic goods are among the most popular categories in the ecommerce trade globally. The top three ecommerce markets are the US, China and the UK⁶¹.
 - US: According to NPD Group, ecommerce apparel sales accounted for 17% of the total dollar value sales in the 12 months till February 2015. Additionally, ecommerce apparel sales grew 19% y-o-y, compared with the lower overall US ecommerce sales, which grew 14.6% y-o-y in 2015 and 15.4% in 2014⁶².
 - UK: The ecommerce clothing and footwear market was expected to be worth USD10.1bn (accounting for 20% of the UK ecommerce market) in 2015 and is expected to witness a 11.5% growth in 2016⁶³. The market is further expected to increase till 2020 to reach 28.8% of the total ecommerce spend in the UK⁶⁴.

61 - 'Global Retail E-Commerce Keeps On Clicking' atkearney.com, 2015

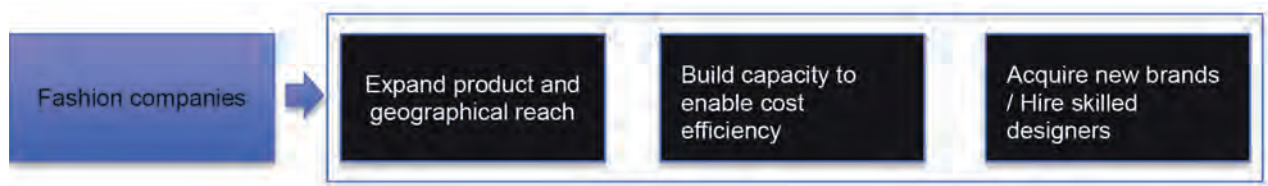
62 - 'Why Are Apparel Sales Growing Faster in E-Commerce?,' marketrealist.com, 12 May 2016

63 - statista.com, accessed on 17 Aug 2016

64 - 'UK online retail sales to reach £62.7bn in 2020,' verdictretail.com, 17 Sep 2015

9. Key opportunities for decision makers⁶⁵

Decision-makers in the industry include textile / apparel companies, venture capitalists, private equity companies and governments. For textile/apparel companies, the opportunities areas include developing Muslim clothing, especially for teenage attire, menswear, maternity wear and sports apparel; and expanding their geographical reach through e-commerce platforms. Currently, most of the fashion companies are small in size and primarily focus on specific countries, which limit their revenue growth. However, these companies have established production facilities, contacts in the value chain and a loyal customer base. The following are the key opportunities areas for them:



Expand product and geographical reach

- Mainstream retailers: Boost online/e-commerce presence, introduce modest fashion products in existing product categories
- Modest fashion retailers: Capture customers in high-growth countries and improve their product offering by acquiring other modest fashion sites
- Manufacturers: Increase penetration in the modest fashion market by acquiring retailers

Rabia Zargapor, founder of Rabia Z's, commented, 'Opportunities lie across the value chain; however, due to no major and real modest fashion brands that are big enough to add value to the manufacturers as yet ... [the] current opportunity lies mainly with retailers in buying wholesale and retailing them. Once there is a significant increase of modest fashion with retailers, only then can there be an increase in manufacturing orders and so on...'

Build capacity to enable cost efficiency

With consolidation, fashion companies can improve their purchasing power and leverage fixed support costs.

Also, fashion companies with multiple modest fashion brands, under common ownership, can improve their purchasing power with manufacturers and gain more visibility for their brands with retailers.

Acquire new brands / Hire skilled designers

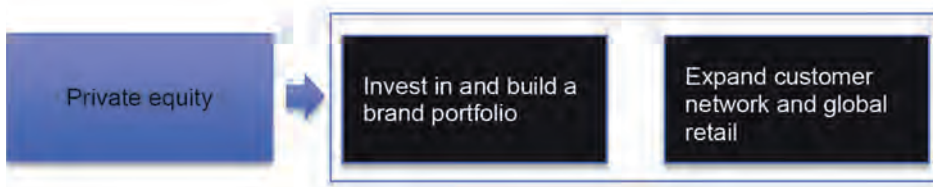
With the success of many fashion brands, on boarding new designers and brands can help boost product diversity.

- In November 2015, Tod's, an Italian luxury goods manufacturer, agreed to buy Roger Vivier, a shoe brand, for USD440m.⁶⁶
- In January 2015, Coach Inc, a US-based fashion company, agreed to buy Stuart Weitzman, a designer footwear company, for USD574m. This initiative is part of Coach's strategy to revamp its luxury handbag image, amid decreasing sales and increasing competition.⁶⁷

65 - 'Current Consolidation Activity and Potential in Islamic Modest Fashion: Prepared by Thomson Reuters and DinarStandard,' Feb 2016

66 - 'Tod's splashes out \$440 million on Roger Vivier shoes', reuters.com, 23 Nov 2015

67 - 'Coach Buys Luxury Shoemaker Stuart Weitzman for \$574 Million', bloomberg.com, 7 Jan 2015



Private equity firms are interested in the fashion market, as mid-sized and large companies are investing in fashion brands. The following are the key opportunity area for the private equity firms:

Invest and build brand portfolio

- In June 2016, Mayhoola for Investments, the Qatari fund that also owns Italian fashion brand Valentino, agreed to purchase Balmain, a French family-owned fashion house.⁶⁸
- In April 2016, Warburg Pincus, a US-based private equity company, agreed to buy a majority stake in Reiss, a UK-based luxury fashion retailer, for USD315.8m (GBP230m).⁶⁹

Expand customer network and global retail

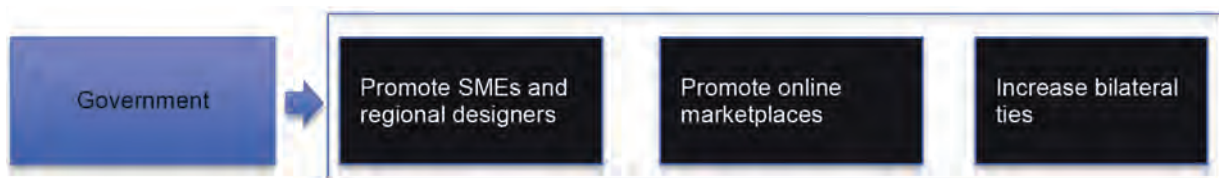
Private equity investment can provide modest fashion companies with capital, as well as provide strategic advice and operational know-how, to help the companies achieve significant growth in both revenue and profits.

- Mayhoola invested over USD220m in building Valentino's global retail network, helping the company increase its revenue to USD770m, which is 3.5 times the investment value.



For venture capitalists, there are significant opportunities to develop innovative products that derive high returns.

- In 2016, Adlina Anis, a Singaporean designer, designed a hijab that enables women to comfortably and easily use earphones or stethoscopes.⁷⁰
- In 2015, Veil Hijab, a US-based start-up, launched a pre-order campaign on climate-adapting hijabs that raised USD39,221 from about 900 people, which is about 7.8 times the original target of USD5,000.⁷¹



The government can play an important role in increasing growth opportunities for fashion companies by helping SMEs and regional designers expand their product reach and operation capacities. It can also help them adopt e-commerce channels

68 'Qatari fund buys Balmain fashion house', ft.com, 22 Jun2016

69 - 'Warburg Pincus buys majority stake in upmarket Reiss', ft.com, 13 Apr 2016 / Exchange rate 1GBP = USD1.373235 (Average of 2016)

70 - 'Brilliant! This Singapore Designer Created The First Ever Earphone Friendly Tudung!', vulcanpost.com, 2016

71 - 'Veil Hijab has created a climate-adapting hijab to keep Muslim women cool and dry', startupdaily.net, 24 Jun 2015

of sales. Good bilateral trade relations between the countries can also help these companies form new partnerships and contracts with foreign player to grow in the market.

The opportunities areas seized by the government are as follows:

In August 2016, the Indonesian government said it would follow up on a cooperation agreement with Tajikistan for economic cooperation in the textile sector, including the cotton processing industry.⁷²

In July 2015, the Pakistan government announced plans to provide special incentives to SMEs in the textile sector. It also promoted the usage of information communication technology (ICT) and modern management practices for improving efficiency and reducing wastages.⁷³

⁷² 'Indonesia, Tajikistan discuss expansion of economic cooperation', antaranews.com, 1 Aug 2016

⁷³ 'Govt to increase textile exports from \$13b to \$26b', newsone.tv, 19 Jul 2015

10. Appendix

The table below shows the category of products used to calculate the trade data of textile products:

HS code	Category name
50	Silk, including yarns and woven fabrics thereof
51	Wool and fine or coarse animal hair, including yarns and woven fabrics thereof
52	Cotton, including yarns and woven fabrics thereof
53	Veg. textile fibres, nesoi, yarns and woven, etc
54	Man-made filaments, including yarns and woven
55	Man-made staple fibres, including yarns
56	Wadding, felt and non-wovens, special yarns, twine, cordage, ropes and cables, and articles
57	Carpets and other textile floor coverings
58	Special woven fabrics, tufted textiles, lace
59	Impregnated, coated, covered or laminated textile prod, textile prod for industrial use
60	Knitted or crocheted fabrics
61	Articles of apparel and clothing accessories; knitted or crocheted
62	Articles of apparel and clothing accessories; not knitted or crocheted
63	Made-up textile articles nesoi, needlecraft sets, worn clothing, rags

The table below shows the category of products used to calculate trade data of readymade garments:

HS code	Category name
61	Articles of apparel and clothing accessories; knitted or crocheted
62	Articles of apparel and clothing accessories; not knitted or crocheted



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