

# Supply chain disruption, a serious threat for Pakistan's textile exports

The Covid 19 pandemic has disrupted the well established inter-dependent global supply chains in the last 1.5 years in an unprecedented and unforeseen way. Freight cost for trade through sea routes has skyrocketed by approximately 700% and there is also an acute shortage of container vessels due to which the delivery time has increased from 45 days to 90 days. On the one hand this has increased the cost of production due to the imported raw materials needed primarily cotton which is in short supply in Pakistan. The shortest route to import cotton and cotton yarn is from India through land and from Uzbekistan through the Afghan Transit Trade. The extraordinary hike in the logistics cost has severely affected the bottom line of exporters primarily the SMEs in the value added sectors.

The new young entrepreneurs, who have been working mostly online, have been affected severely due to continuous hike in rates of DHL parcel service. As a short-term solution the government should waive off taxes on courier service, especially for export-oriented SME sector to reduce its cost of doing business. As a long-term measure, we will have to revive and upgrade our PIA cargo service, national shipping line and Pakistan postal service to reduce dependence on global cargo and courier services. The presently inactive Pakistan National Shipping Corporation (PNSC) should be reactivated to facilitate the exporters, as this strategy could help the government keep freight cost in control and making textile exports competitive in global market.

A long term threat to exports to far away markets such as USA and Europe, is a shift to local or regional suppliers. Logistics managers plan to pivot towards regional/domestic supply chains

For years, supply chains have focused on reducing inventory levels and cutting costs by embracing lean, just-in-time management in their logistics plans. These efforts negatively impacted the resilience and agility of the supply chain.

The pandemic exposed weaknesses in contingency planning and risk mitigation strategies across the world. From the initial scarcity in personal protective equipment to the shortage in microprocessors, challenges emerged in linking suppliers of goods on one side of the planet to sources of demand on the other. As a result, companies are growing more risk-averse with their global manufacturing footprint.

Almost two-thirds of shippers in a recent survey (68%) conducted in the US believe supply chains have become too global and must be balanced towards more regional and local/domestic ecosystems.

Nearly 70% of companies in the survey said supply chains have become too global

Risks associated with a single source of supply have increased dramatically during the pandemic. A single outbreak of COVID-19 at a far away plant can have reverberations thousands of miles away. What is of great concern for our exporters is that a new definition of single source of supply now includes a single country or region, not just exposure to one company.

A growing thinking is that when a global link breaks, regional links need to be self-sustainable. Until these links can be established, risks associated with raw material shortages, rising transportation costs and delays will likely continue. The traditional textile suppliers in Europe such as Spain, Portugal and even Turkey will be more viable in the future due this new but supposedly long term and lasting trend. ♦



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