SECTION - VI

CHAPTER XVII

CONCLUSIONS
Cotton textiles

Age-long supremacy of world trade in Indian cotton textiles witnessed rough weather for the first time with the dawn of British rule in the country. The Britishers applied all those lawful and unlawful means which could transform India from an exporter to importer of textiles for the prosperity of their own Lancashire industry, using power driven machines. At the same time, Indian traditional handloom industry began to rely upon mill-spun yarn and lost its old form. In its changed form it still continues with significance in the sense of its large employment potentiality under statutory protection against mills.

About half a century late, as compared to British textile industry, the factory era began in the country in 1854 and since then the mill textile industry flourished even in adversities of Great War and Indian partition but in recent years it is in difficulties generated by demand recession in the country and abroad as well as shift of consumers preference in favour of blends and equally by unbridled and unauthorised expansion of powerlooms in the decentralised sector. The increasing popularity of polyester and its blends are no less responsible.
The industry had more than 8 lakh looms, employing not less than 13 million workers directly. The industry produced 11,145 million metres of cloth in 1981. Of this production, 73 per cent was made of cotton, revealing the fact that the industry is still mono-fibre industry and did not affect the changes speedily at least to cater the demand of foreign markets for man-made fibre and blended fabrics though production steadily increased after independence.

In the increasing production, the decentralised sector steadily rose its share while the production in mill sector remained almost stable due to ceiling on expansion of loomage, bringing structural change. The share of mill sector fell from four-fifth to two-fifth. The powerloom sector was the most benefitted part of the decentralised sector. This segment avails excise duty concessions.

The industry as a whole contributed only 5.7 per cent to country's foreign exchange earnings compared to 23 per cent in 1950-51. The export-production ratio (including cloth equivalent for other manufactures, garments etc.) was below 10 per cent which indicates that the cotton textile industry is heavily prone to domestic market. On global level, India's contribution is deplorably low; below 2 per cent despite steady rise in world trade of textiles and clothing. Among developing countries, as a group, also India's share recorded fall.
The industry (excluding garment) earned Rs. 444 crores of foreign exchange in 1981-82. Since mid-seventies some structural changes also occurred in respect of sectoral contribution to earnings. The share of mill-sector in export trade tended to decline against decentralised sector. Among different categories, cotton piecegoods, particularly mill-made, suffered the most. The exports of value added items increased significantly. The change in direction of exports was also observed. The exports to free currency area declined whereas the USSR emerged as the most important buyer of Indian cotton textiles.

The exports of Indian cotton textiles have been subject to a stock of odds. Successful use of synthetic, especially polyester, in textiles has proved a fatal blow to cotton textiles. Increasing restrictive attitude of Western countries, formation of trading communities, entering of the more countries (initially engaged in self-sufficiency drive) in the world market and emergence of Far East Asian countries as strong competitors due to multi-national corporations' operations have weakened our export performance.

Despite these external unfavourable conditions, the industry itself suffers from several handicaps. The decentralised part of it suffers from organisational and technical constraints whereas mill-sector is subject to weak financial
and marketing aspects and uneconomic size of units. It also suffers from outmoded machinery set-up, causing poor productivity of both man and machine and higher cost of production. Above all, the industry produces the varieties (and that too not of quality) which are not demanded abroad. Very little has been done to keep the paces with changing tastes and likings in the foreign markets. Vast assured domestic market has also actively played against to incorporate the changes required for augmenting exports.

Even in respect of main raw material cotton (and other man-made fibres), the condition is not sound. Despite fluctuations in availability of the fibres of proper group variety at a given period, they cost higher. This is more true in the case of man-made fibres and yarns. The production of cotton is largely dependent on monsoon and per unit of land, the yield is the poorest.

In 1981-82, the export performance further deteriorated and has again underlined the urgency of modernising the industry by installing the machines of new technology from blowing to finishing. The industry has already fallen out of the fast technological developments taken place in other countries and the gap will continue to increase in future if modernisation of the industry is further delayed. The problem will intensify in the wake of speedy obsolescence in the industry. The main constraint in the way of rehabilitation and modernisation is
paucity of funds. The industry, having poor profitability, cannot itself forge ahead as modernisation is a mammoth task. The government, therefore, should provide fiscal reliefs or concessions to create their own funds for renovation. Moreover, the government should also liberalise the terms and conditions of soft loan scheme. The cost of such loans should be reasonable, not exceeding 12 per cent. The government should also assess the feasibility of taking loans from international organisations like IFC or from other sources like oil-rich countries. According to a recent estimate industry needs 2100 crores for modernisation.

The textile manufacturing industry in the country is capable of supplying the required machinery of international standard. The only need is to generate the demand for the same in the country. However, the textile industry should be allowed to import sophisticated machinery not available domestically for export-oriented mills. Of late, the government has significantly reduced the import duty on certain machinery. In this regard, the government should give sincere thought to import or shift the modern plants and equipments of closed textile mills in the EEC as suggested by Mr. R. P. Poddar, a Veteran of the Indian textile industry. There is also need to uplift the working capacity of the decentralised sector.

In order to solve the problem of non-viable units, framing a sound technology policy is a must. The policy may have base
on these points: (i) elimination of conflicting interest among different textile segments and creation of a harmonious balance between them, (ii) encouragement to merger of non-viable units with economically sound units by providing fiscal reliefs and tax concessions, and (iii) possibility of merging units on the basis of product specialisation for generating export potentiality and reducing the cost as suggested by Mr. R. S. Mehra, the Chairman of TEXPROCIL.

There is urgency to set up widewidth looms, heavy duty looms and terry looms to produce the varieties which are in vogue. The market for value-added items is rapidly increasing and therefore, the industry should take care of required changes and modifications in constructions. The demand for polyester-cotton and other blended fabrics is continuously augmenting and the same is extensively required for manufacturing garments. Adoption of liberal approach of the government in respect of man-made fibre consumption by textile mills will help in increasing production of blends.

The output of cotton in the country is almost equal to our requirement, however, there is need for a comprehensive programme for raising the per hectare yield as well as quality. The another need is to regulate the supplies and the prices of fibre by gearing up the working of the CCI. In the case of man-made fibres and yarns, the availability should be ensured at international prices in order to facilitate the mills to
produce blended fabrics for export and for the garment industry in the country. The restructuring of the duties will also encourage the mills to go for finer variety of cloth. In order to improve our performance in the field of export of blended fabrics the scheme jointly submitted by ICMF and TEXPROCIL requires immediate consideration. More than 50 per cent of world market in textiles is in blends and synthetic constructions and in the coming years this proportion will definitely increase. In this context, the mills should be allowed to use man-made fibres liberally and let them specialise for export purpose. For this purpose the government should review the multi-fibre policy. Further, the government should get rid of the wrong idea that man-made fibre fabrics are now luxury.

The industry can do better if some brand names are established for sophisticated markets. For this purpose, the industry has to standardise the products in terms of quality and size. The ICMF can substantially work in this direction.

Despite publicity in print, the industry should stress more and more on personal contacts with buyers and potential buyers by sending executives/teams/delegations abroad and inviting trade representatives from different markets. Such promotional measures has some special advantage of keeping abreast with particular market and/or variety in vogue. This also helps in diversifying the markets as well as products.
The responsibility of extending this promotional measure equally lies on the ICMF and the government though the latter should initiate by giving reasonable financial support and tax concessions.

The days are not far-off when most of the mills will reach to the verge of liquidation and therefore, the government should take direct measure to curb unwieldy unauthorised expansion of powerloom sector. Simultaneously, the government should allow the mills to expand the loomage reasonably for export purpose. Till today, ceiling on loomage for the complete sake of decentralised sector has forbidden the mill sector to boost exports. Now the time has come when the government should firmly decide the roles to be played by every segment of the textile industry on the basis of socio-economic aspects. This will facilitate the balanced development of the industry as a whole. The powerloom sector can do better in some variety productions like greys, printed handkerchiefs, household linen etc. The handloom products enjoy special appeal in Western countries, particularly in the USA and Canada. Therefore, these segments need technical, financial and marketing facilities. The quality control is a must. The yarn meant for handloom sector should be totally free from taxes or some sort of subsidy is essential.

In the present circumstances, there is need to continue export of greys as with the present machinery set-up we cannot
compete with others in the finished fabric markets abroad. The switch over to printed and dyed fabrics should be done with care and caution otherwise we may possibly lose established markets for greys and may not get substantial trade in finished fabrics. Similarly, export of yarn should be liberalised but safeguarding the interest of the decentralised sector. These products also require quality upgrading.

Despite all these, there is need of some sort of united action from developing countries against increasing protectionist attitude. The developed countries should be made realised from a common platform that the developing countries are potential markets for their goods and liberal imports will be beneficial for both. The pleading the case on the basis of poverty has always been left unheeded by the rich so far.

The recent nationalisation of 13 mills has again generated the state of uncertainty about the fate of the industry, affecting adversely the long-term investment longing for modernisation and rehabilitation. Additionally, the mills have become reluctant to establish 100% export-oriented units as well as availing the benefits of duty reduction on imports of ultra-modern machinery. All these ultimately are contributing as checks in the way of augmenting exports. It is, therefore, necessary that the government should clarify its policy regarding the nationalisation of the industry.
Man-made fibre textiles

The men's ingenuity of obtaining a silk-like fibre in the laboratory did not take pause and continued to create new fibres, one after another, earlier from cellulosic base and subsequently from petro-chemical derivates. Such artificially developed fibres initially did not challenge the dominance of cotton over textile realm, being later having unparallel inherent quality of absorbing moisture required for wearings but lacking, durability and resistance to abrasion. The qualities which are not in cotton, are in the fibres created by men but they are not hydrophilic. It means that both the fibres, natural and man-made, are not perfect in all respects in their pure form. The men's ingenuity further worked to overcome this problem and made possible to mix these fibres in different proportions, creating blended fabrics of quality in terms of fineness, finishing, durability and lustre.

Now, the textile industry has no more remained solely agro-based. In the recent years the factory-made fibres have become the most regulatory factor, affecting the total textile industry; just contrary to cotton which does not keep dominance over weaving activities as its production is widely scattered, being agricultural activity.

With the debut of polyester, a versatile fibre, and it blends with cotton, has diluted the supremacy of cotton.
Therefore, the textile units which have not incorporated the changes in favour of man-made fibre, are in hot water as in India and their exports of textiles are affected adversely. As the production of man-made fibres is an industrial and large scale activity, it enjoys all technical and economical superiority over natural fibre production and, therefore, subdued cotton very rapidly, particularly since mid-sixties.

The development of man-made fibres has to be viewed in the light of increasing requirement for clothing of increasing population and sluggish growth in cotton production. Obviously cotton alone would not have fulfilled the need for textiles of human being. Moreover, the production of man-made fibres does not compete with food production. Additionally, the production of man-made fibres can be regularised, contrary to cotton depending on uncertain rains and weather, and the stability in supplies of yarn can be obtained extensively, depressing the hectic movement in the prices of fibres and ultimately of their products. Thus, the question of conflict between natural and man-made fibres does not get ground. In the coming years, man-made fibres are supposed to bear greater responsibility of not only meeting the need for clothing but also of industries and domestic requirements.

The world production of man-made fibres increased more rapidly than cotton and other natural fibres. The share of these fibres rose from nearly 3 per cent in 1930 (208 million
kgs.) to 18 per cent in 1950 (1681 million kgs.) and 45 per cent in 1981 (13922 million kgs.) while the share of cotton dropped from 82 per cent to 71 per cent and further to 50 per cent. Since mid-sixties, a significant change in the composition of man-made fibres itself was observed. With the debut of polyester the contribution of cellulosics began to lose prominence. In 1980 and 1981, the world production of cellulosic fibres showed a downward trend. Such decline was clearly observed in developed countries, including the USSR. However, in other socialist countries and developing countries (and also in India) the trend was different.

In the case of India, the production of man-made fibres started very late in the beginning of fifties, even though the progress, in absolute term, made can be said to be encouraging. The production of man-made fibres rose from a very small figure of 2.46 million kgs. in 1951 to 180.49 million kgs. in 1981, reducing the share of cotton from 98 per cent to around 80 per cent during the same period. However, cotton continued to dominate Indian textile fibre realm (contrary to world scene) as the country has to safeguard the interest of the cotton economy. Moreover, lack of technology and finance also worked against the rapid development of man-made fibre production in the country. In case of composition of man-made fibres, the cellulosics has continued to have dominating share though the production of synthetics (and more rapidly polyester) has been increasing since seventies. Only in 1982, the production of
these two main categories have almost equalised as the production of cellulosics witnessed a sharp fall. Besides man-made fibre industry, the cotton mill sector also produced 100 per cent non-cotton spun and blended yarn, amounting to 268 million kgs. in 1981. This much quantity accounted for 21 per cent of total yarn production, including cotton. Therein too, the share of polyester blended yarns has been increasing.

The indigenous productions of both cellulosics and non-cellulosics were always short of increasing domestic requirements and hence, imports were affected. At the same time, the government allowed the existing units to expand their production capacities. The new units were also established. However, there has been a controversy over the imports of viscose yarns as the actual requirement of the industry could not be ascertained. A good part of the yarn users falls under the decentralised sector. In fact, low priced imports hindered the optimum working of the fibre plants. At the same time, the indigenous manufacturers revised the prices of their products in a monopolistic way.

The basic raw materials like wood-pulp, DMT, caprolactum etc. produced in the country for manufacturing different man-made fibres which were also short of requirements and consequently imports were made. There was no import of wood-pulp required for viscose staple fibre since 1979-80. With the development of
petroleum refining industry in the country, the outputs of synthetic organic chemicals were increasing but these productions did not keep the paces with the fast growing demand and, therefore, larger imports were affected in recent years.

Before the emergence of man-made fibre textile industry in the country, India used to import art silk fabrics mainly from Japan but increase in the import duties, prompted. Indian industrialist to import rayon yarn instead of fabrics to manufacture the fabrics in the country from imported yarn. Consequently weaving units emerged in decentralised sector in 1920s. This sector still exists and is equally important to mill segment. During World War II, the difficulties in getting yarn from abroad induced industrialist to establish rayon plant. The government also encouraged and the first rayon plant was set up in 1946. After the plant came into operation, the man-made textile industry reduced the dependence on imported yarn. Since then, the man-made fibre industry and textile industry steadily developed. The establishment of different fibre plants in the country led to flourish other production activities like hosiery, knitwear, made-ups and garments. Simultaneously, cotton textile industry also diversified its production base. In all, man-made fibre and textile industries registered appreciable progress in the short period with the sources available in the country. Some of the units of the man-made fibre industry are most up-to-date.
The man-made textile industry has the benefit of expertise of more than hundred and quarter centuries old cotton textile industry and therefore, has specialised in colouring, designing and printing and can supply required fabrics in traditional and modern designs to foreign buyers. Simultaneously the industry produces number of made-up items for export.

Despite higher proportion of decentralised sector in production, its contribution to export of man-made fabrics was only around 10 per cent and in respect of made-ups it was 37 per cent. The remaining exports were of mill-made products.

The exports of man-made fibre fabrics were much depressed after 1963; the year in which the industry affected record export of 90.49 million metres of Rs. 10.35 crores, accounting for about 14 per cent of fabric production. The exports in 1981-82 were only of 20.3 million metres (valuing Rs. 20.85 crores) forming very poor proportion of 0.61 per cent of fabric production. However, in recent years, the exports of made-ups and acrylic knitwear rose significantly, particularly in 1981-82. In this year, the exports of made-ups and acrylic knitwears amounted to Rs. 12.25 crores and Rs. 2.89 crores respectively.

The main reason for deplorably low level of exports of fabrics was that our exports were mainly concentrated on rayon and the industry did not affect timely changes in favour of
synthetics and blends; the trend in vogue. Moreover, our products were not competitive in terms of cost and quality against major exporting countries.

On every stage, from production of basic raw materials to weaving, the cost got inflated. Despite uneconomic size of the fibre plants and weaving units, the high incidence of duties, both excise and customs on production and imports of yarn and fibres were largely responsible for spurt in cost. The heavy burden of these levies can be assessed by the contribution of the industry to government revenue. The industry contributed 69 per cent and 95 per cent to total collection of excise and import duties from textile industry; man-made, cotton and woollen. Perhaps the government think that man-made textiles are luxury! However, there was also the aim of protecting cotton economy. Such impositions did not help in adjusting the production pattern in accordance with the changes in sartorial habits abroad.

The higher cost which could not be realised in the foreign markets, induced the manufacturers to rely more on domestic market than export. The inadequate cash support also discouraged the exporters to enter the foreign markets in a big way. The industry also suffered from the several problems as in the case of cotton textile industry.

In order to improve the export, there is no other go except
to lay greater emphasis on production of polyester and its blended fabrics as well as to make concerted efforts to improve the quality and reduce the cost. However, it is difficult to penetrate the markets of developed countries but India can do better in case of developing countries which have been our traditional customers. Additionally, India has to diversify exports to other countries like West African countries which are still not properly exploited. For value added items like made-ups and acrylic knitwears, the European countries are potential markets.

The industry should stress on particular varieties like sarees which attract less competition and have specialities. In order to sell more, the requirements of the people of Indian origin living abroad (as in Mauritius) should be fully exploited.

There is also need to make foreign markets more attractive and hence, the CCS rates should be raised adequately. Moreover, the weaving units should be assured of regular supply of yarns and fibres at reasonable prices for a reasonable period. The government, therefore, should not allow fibre industry to act in a monopolistic way. Some sort of obligatory measures for the sake of export may bring fruitful results.

The government should bring the man-made fibre fabrics and other products within the reach of common men by reducing substantially and restructuring excise duties levied on fibres and yarns. It was opined that low level of excise duties will
lead to higher consumption and the revenue collection will remain unaffected. Such step will also encourage the domestic plants to augment production to optimum, reducing the dependence on imports. This will also facilitate the manufacturers to bring their units to economic size. The imports should not be preferred against indigenous production. However, it is true that domestic products cost much and are not able to withstand competition but there are other ways to overcome the problem. The adequate fiscal concession and reliefs will help a lot.

There is need to encourage the concerned industries to implement the multi-fibre policy in its true sense, keeping cotton in cooperation and not in conflict. The government should liberalise the use of man-made fibres by the cotton mills. The country cannot neglect the fact that the tomorrow will be of man-made fibres and their textiles.

**Garments**

The garment industry is a direct outcome of the fast industrialisation took place in Western countries after World War II, bringing distinct changes in way of life in general and sartorial habits of affluent class in favour of ready-to-wear garments in particular. In the later years, increase in the cost of labour, fast increasing in purchasing power, women lib movement and leisure and stylish life in these countries gave impetus to such changes and led to the development of garment
industry there and in other parts of the world, specially in the East Asian countries. These countries could successfully exact the requirements of clothing of the industrialised countries. India, being a traditional producer of cotton fabrics in exotic colours and designs in the handloom sector (and the mills) could give something different amid the monotony created by machines and therefore, cotton fabric garments were well-received by the fashion conscious world of West. The early encouragements provided by the Centre after independence in the form of protection from imports and differential promotional scheme gave a foothold to the garment industry. Subsequently, a fall in exports of cotton piecegoods following the devaluation in 1966 prompted the leading cotton mills, having large financial sources, to set up garment manufacturing units to revitalise the demand for their fabrics indirectly. Shortly, they established their products in the international market and the garment industry developed as an offshoot of the Indian cotton textile industry in true sense. The easy availability of cotton fabrics of mills and handlooms, low level of wages and small investment in machinery also encouraged small entrepreneurs to start their units in a big way. These units also contributed to export trade significantly and in the mid-seventies India emerged as an important exporter of fashion garments made of cotton fabrics.

The exports of garments were heavily, about two-third,
concentrated on few selected items of ladies' and girls' fashion wear, viz., blouses, dresses for girls, under shirts for ladies, shirts for girls etc. All these fell under the category of casual and fashion light wear for summer. The exports of regular garments or standard and institutional garments were insignificant and therefore, no infrastructure was developed for such categories. Additionally, trading in few items attracted quota impositions and brought overall unexpected strain on proper growth of export.

Despite phenomenal growth in exports of garments from India, its contribution was marginal against the huge exports affected by the other developing countries of Far East—South Korea and Hong Kong in the fast increasing world trade during last decade. India's comparatively poor performance was attributed to certain impediments. The foremost reason was that the industry did not incorporate the changes in manufacturing pattern in favour of blended fabric garments for which the demand has increased rapidly throughout the world. The Indian garments faced competition in terms of cost and quality. The prices of cotton fabrics ruling in the country were generally 10 to 15 per cent higher whereas the prices of blended fabrics were exorbitantly high compared with competing countries. Moreover, whatever fabrics, both cotton and blended, were available, were below the world standard. Similarly, the other materials required for making a garment complete were not
available at competitive rates. Additionally, due to poor productivity the cost escalated. The industry, being largely in unorganised sector, could not build the proper marketing strategy which is a must in the world trade of garments.

It is partly true that recessionary condition and protectionist attitude adversely affected the exports of garments. India's inability to utilise quota stipulated was equally responsible. One can imagine the industry's fate against Asian competitors if the quotas would have been allotted on global basis. It means, the faults were within our working and for improving the performance these are to be dealt with on realistic approach.

The first and foremost thing is to diversify the production line. So far, the exports were largely comprised of few selected fashion garment categories. This trend will not be of much help in near future and, therefore, there is need to diversify the products to general, alike and institutional garments. Simultaneously, the production of blended fabric garment has to be augmented. There is no option if India has to increase the exports as the world demand is heavily prone to blended, particularly polyester-cotton, fabric garments. We cannot now rely upon handloom garments. There is little hope for reviving the exports of such garments. There is also immediate need for diversifying the products of knitting sector. So far, this segment has produced conventional type of items.
The Indian cotton textile industry can significantly help the garment industry in getting right type of cotton fabrics for high quality garments and denim/drill for institutional garments at international price. Similarly, quality blended fabrics should be made available to the industry. However, in the present conditions, required polyester blended fabrics cannot be made available from indigenous sources. The government can help by exempting the imports of polyester from duties for the manufacturing fabrics to be used in making garments for exports. In this context, the proposal submitted jointly by the ICMF and TEXPROCIL needs immediate consideration. The mills should be also persuaded to earmark 10 per cent production of their capacity. There is a provision for import of fabrics under appendix 19 of the policy but the procedure laid down is very cumbersome which should be simplified in order to import polyester-cotton blended fabrics for manufacturing garments meant for export. This will provide instant relief to the industry.

The required fabrics should be made available in the desired width to minimise the wastage. The industry should also be allowed to import the materials of quality required for embellising and packaging duty free.

In addition to diversification of products, concerted efforts should be made to diversify the market outlets to
non-quota countries like East African, Latin American and OPEC countries. Australian and Japanese markets should also be tapped properly.

The industry and the AEPC should chalk out a programme for frequent surveys of markets of importance. There should not be much gap between two surveys of a particular market; only then the industry can develop the adaptiveness to the fast changing demand pattern abroad. Moreover, these surveys should be supported with the feed-back information. The deputing the staff at important markets and fashion centres abroad will be much helpful in this context. There is also need to give more stress on participations in specialised foreign fairs/exhibitions on regular basis.

The different countries, both developed (namely the EEC countries and Japan) and developing, were not properly aware of the capabilities and capacities of Indian garment industry. Therefore, the marketing and advertising campaign should be carried on extensively and regularly. Such campaign should cover retailers also. Here we have to get rid of the traditional way of advertising niggardly. India has to adopt expensive marketing and advertising campaign as followed by the main competing countries of Far East. The financial support from the government and tax reliefs will initiate the exporters to follow the aggressive and expensive marketing strategy to establish specific brand names for particular product, say
shirt, and new line of products like institutional garments. The AEPC has to play pivotal role in this regard.

In order to equip the industry with modern technology, the government has recently placed the import of garment making machines under OGL but this facility will be beneficial only if the imports are allowed duty free. The modernisation of the industry should be encouraged by providing proper fiscal reliefs. At the same time, the entrepreneurs should be encouraged to set up their units in the Free Trade Zones and under 100 per cent export oriented scheme.

In order to sell more, garments should be given novel effects. The West European countries are the pace-setters in fashion and, therefore, required designs should be purchased as purchased from Japan has also emerged a fashion promoter, particularly in ladies’ and children’s wear. The use of fashion magazines and participation in fashion parades will help in developing new fashion and designs. However, such measures will not last longer. The country has to develop its own creative designs to match international fashions. We have ingenuity and can find fine blends of Indo-European style but there is need to activate and equip the existing design and fashion centres in the country. However, there is need to set up an apex body to coordinate the activities of these centres. This body may also undertake the work of disseminating the experiences of exporters and manufacturers. The services of
the fashion designers and fashion journalist can be fully
availed. These experts, on return to their country, publicise
and popularise in favour of the country they visited.

The government should seriously consider to allow the
garment industry to enter into buy-back arrangements with
America, Japan and some West European countries like France.
Under such collaborations, the exports are affected against
the imports of fabrics. These arrangements also facilitate
with the clause of availing the services of designers and
exports and the use of some established brand names.

There should not be any delay in lifting the air cargo
as most of the fashion garments are mailed by air. Delay in
shipments nullifies the very idea of saving the time for fashion
garments. There is need to streamline the consignment.

For geographically distant markets of Latin America, some
sort of freight subsidy is a must from the government to
subdue the higher freight cost. This freight cost makes the
Indian garments uncompetitive. Moreover, the period of delivery
can be reduced if air flight is extended to Buenos Aires as
suggested by a delegation which visited Latin American countries.
According to the delegation, a warehouse facility at Miami Free
Trade Zone will be useful as Chile, Argentina, Venezuela etc.
affect the part of their purchases there.

Despite improvement in quality standard of fabrics used
in making garments, the industry should improve stitching, finishing and packing. These can be bettered with little pain and cost but require volition which is lacking. The packing aspect can definitely be improved as it requires simple know-how and little capital. The package should also bear a tag/label, giving full details about the garment packed as per laws of the importing countries.

There is also need to develop the stable domestic market to serve the purpose of cushioning the exports and to strengthen the economic viability of garment units. The representative body of the industry should sincerely exert to develop a garment sector for internal requirements. So far, very little is done in this direction. For this purpose, a comprehensive market research is a must.

**Jute goods**

The one and quarter centuries old jute mill industry in India had received a severe set-back at the time of partition but could regain its health within few years by sustained efforts in the mills and on field. Its supremacy in world market with distinct mark, continued till mid-sixties but with the emergence of Pakistani jute industry, supported by bounteous bonus voucher scheme, the exports of goods from India began to tone down. Despite the stiff competition offered by Pakistan/Bangladesh,
the industry and its exports came into flustered state, more severely since mid-seventies, due to number of reasons like deteriorating competitive ability against rival supplier and synthetics, prices below cost of production (determined in the international market), impropriety of export duty, non-adherence to supply schedules, lack of modernisation and workers' unwillingness to rationalisation programme. In recent years, China and Thailand also have emerged as significant suppliers in the world market.

On account of all these factors the industry which had been export-oriented in true sense till mid-sixties by exporting more than 75 per cent of production, has to lean upon domestic market. In 1981-82, the industry exported only 30 per cent of total jute goods produced. In the same way, its contribution to foreign exchange earnings declined to merely 3 per cent from 21.5 per cent.

Lately, despite increase in production, the industry was subject to demand recession both in the country and abroad, creating huge stock of finished products. This state depressed the prices of jute goods though the cost of production continued to rise and deteriorated the economic viability of the industry. The circumstances forced to sell the products below the break-even-points for meeting the standing expenses. It was estimated that the mills suffered a cash loss of Rs. 10 to 12 crores a month. They had to deflate their reserves and surpluses.
In fact, the industry has the lowest profit ratio in the textile sector during last so many years.

In spite of cost disadvantage, almost every imposition or increase in export duties and disrupted shipments gave the chances to Bangladesh and synthetic substitutes to increase their arena. Both have now solidified their positions at the cost of Indian jute industry and its exports. Now-a-days, the comparative prices of jute and synthetic products have become an important regulatory factor of demand.

The reduction in cost is the foremost requirement to cure the ailing exports. Raw jute and wages account for more than 80 per cent of cost of production of jute goods. Therefore, despite increase in yield per hectare, the cost of jute goods can be reduced by manufacturing lighter products in demand. Simultaneously, it is essential to improve the labour and machine productivity by installing modern machines and rationalising labour-machine ratio. In this regard, the workers have to cooperate. A tripartite attempt is a must to find out solution amicably otherwise, the industry may reach to such state from where it will be difficult to revitalise and the jobs of thousands will be at stake. The JMODC has prescribed an average norm of 50 man-days per tonne.

As internal prices are regulated by the international market and which generally remained below the cost of production, it
seems fit to adopt dual pricing system. By ensuring a reasonable price in the domestic market, the industry in all, will have fair return on total sale. For the purpose, the government should fix a minimum quota for sale in the internal market. Such provision will also give impetus to increase production and ultimately the jute growers will be benefitted. However, proper execution of dual pricing system needs extra vigilance and proper administration. In this connection our experience is not said to be good. It is, therefore, recreation of fund for compensating losses on exports will be comparatively less cumbersome if the administration of such fund is vested in JMD or in the export body recommended to be established. Such efforts will also bring stability in the prices of the manufactures.

At present the industry needs Rs. 350 to 400 crores for modernisation for five years. In the present circumstances, the mills are not very keen to go for modernising their units. In fact, two things restrained the mills to avail loan facility, firstly increasing domestic market and, secondly deteriorating economic viability of the mills and their very low level of return. It means that unless the export market is made more remunerative and the industry is assured of reasonable return, the mills cannot be motivated for modernisation and without modernisation the goods cannot withstand against competition offered by Bangladesh and synthetics. A development cess can
be levied upon the industry for the creation of a modernisation fund or funds and are made available at the reasonable rate of servicing charges to the maximum of 12 per cent.

As most of the machinery required for modernisation are not available in the country, they are to be imported and for the purpose the import duty should be reduced. At the same time, the textile machinery manufacturing industry should generate the capacity of manufacturing modern machines and if required, foreign technical know-how can be availed.

The industry should also think over the merging of sick units with viable ones as a part of their modernisation programmes. In order to rejuvenate, the industry should not carry on junk any more. It is better to have some modernised units than large number of weak units. The few units can be shifted to the areas where the availability of raw jute is sufficient.

By modernising the mills the additional production capacity can be augmented. It is of no use to set up new units when existing mills can meet increased demand. The present set of machinery can produce 15 lakh tonnes. There is necessity of ensuring the industry the basic requirements like regular supply of raw jute, maintenance of industrial peace, timely shipments adequate finance and stable demand at least in the country.

The DGS & D, the single largest purchaser of sacking in
the country, has to assure regular purchase every month in adequate quantities. In the past, its offtakes have been fluctuating. Moreover, the domestic demand for sacking can be augmented by discouraging use of second hand bags. This can be done by reducing the excise and other taxes. At the same time, the increasing use of synthetic in packaging can be checked by raising excise duty rates. The use of jute bags are to be made obligatory in some conventional uses as made in the cement factory. For regular supply of raw jute and to maintain paddy-jute price ratio stable, the working of the JCI needs a gearing-up.

No doubt, the industry developed new products like wool-packs, cotton bagging, decorative fabrics, fire-retardant fabrics and light-weight carpet backing to cater the changing world requirements but the exports continued to decrease. Higher cost clubbed with imposition of export duties only, is the basis of revenue consideration and this has worsened the competitive ability of the jute industry. It is, therefore, essential to develop a policy in respect of excise duty imposition on jute goods exports.

Much of the jute goods market is lost by irregular and disrupted shipments. Every effort of developing products and promoting markets for these failed due to delayed supplies. It is, therefore, imperative to minimise the delay in shipments. The JMDG can actively do substantially by having coordination
with Calcutta Port authority. Simultaneously keeping of inventories abroad at certain places of importance may be also considered.

There is need to develop new products to suit the changing world demand for different end-uses, particularly in the light of the threat posed by the low-priced synthetic substitutes. Some sort of innovation like jute carpet backing cloth which gave new life to the industry, is a must to revitalise the industry again.

There has been continuous decline in the usage of jute goods in developed countries. The exports to the USA has remained only one-fifth of the shipments affected during later half of the sixties and the exports to the USSR has not registered any appreciable increase during these last more than fifteen years. Likewise nothing substantial is gained in existing other markets. Hence, diversification of markets has become a sine qua non. The efforts for diversification of markets particularly in Latin and African countries are to be intensified by adopting aggressive marketing techniques. The JMDC in collaboration with IJMA should conduct surveys for finding out the probable markets for Indian jute goods. Simultaneously, other measures like field contacts, inviting or sending delegations, participating or organising trade fairs and advertising are to be carried on in a more systematic manner.
to get a foothold in these new markets and to retain the existing traditional markets.

The long-drawn unheeded requirement of setting up of an export promotion council or a jute board, having an export cell, should be materialised at this juncture of shrinking exports. Further delay may cause irreparable loss to the industry. Establishment of such institution will help in promoting exports in a specialised manner on regular basis.

Till the end of the Third Plan India emphasised on import substitution and heavy industries and consumer goods industries like jute and cotton textiles, received occasional and ad hoc treatments for their growth as well as for their export trade. India market time while competing countries continued to march ahead during the period. We could not develop sound export strategy though there were increase in production of textiles and jute constructions.

India does not enjoy monopolistic power in world trade of jute goods, cotton textiles and garment (and some other commodities like tea) and naturally cannot manipulate the external prices but at the same time, being an important exporter of these commodities in the world market, she is not supposed to be passive one, however, it happens to be, indicating the instable and complex nature of our export policy and makes room for bureaucrats to override it.
It is, therefore, imperative to have a stable export policy, not merely on paper but also in practice. The policy once decided should continue at least for three years and should provide a sound base for determined long-term export drive. It should be free from intricacies. A clear-cut export policy enables the country to go in for specialisation according to the comparative gains, economic-scale operations and technological changes and thereby improving the quality and reducing the cost.

The Indian Institute of Foreign Trade's significant contribution in the field of international trade by providing authoritative literature and by arranging seminars and courses may attune to higher degree if it seeks cooperation from International Trade Centre for market research and market development projects. Seminars, meetings etc. held in collaboration with the Centre will inculcate the atmosphere against restrictive trade practices applied by the developed market economies. The Centre has also assisted a number of developing countries by providing technical assistance for the expansion of export of clothing and development of new products. It also propogated qualities of jute and jute products. On the same time, it will be useful for us to keep regular contact with other international agencies like United Nations Development Programme (UNDP) and United Nations Industrial Development Organisation (UNIDO).
In general, there is need to develop cost consciousness. It is always felt that substantial reduction in cost is possible through the means like inventory, management and wastage control.

Despite compulsory quality control and preshipment inspection, the quality improvement measures should run throughout the processes of production. At the same time, the export promotion councils (and Jute Manufactures Development Council) should propagate and make feel the importers that the Indian products are good in quality.

There is urgent need for developing a sound pricing policy for cash crops, evenly balanced for both growers and consumers. The Bureau of Industrial Cost and Price can play a useful role in this regard.

There is necessity to enlarge the scope of Sections 35 B (regarding export market development allowance) and 89 A (regarding tax relief in relation to export turnover) of Income Tax Act to cover other export promotional activities such as expenses made on furnishing samples and specifications, expenditure incurred on advertising in Indian journal/periodicals/newspaper having good circulation abroad, expenditure regarding tenders, salary paid to persons engaged in export promotion drive etc. The coverage of such expenses will aspire the exporters to follow expensive market development strategies.
Over the last few years, People's Republic of China has emerged as a significant source of competition for the developing countries in industrialised markets for labour intensive products after the recognition given by the USA and Japan. Our export strategy for textiles, including jute, should not ignore this development.

The findings and recommendations of experts were generally left unheeded. In order to infuse vigour in the export trade, the suggestions put forth by the committees or study teams should be given sincere consideration by the industry concerned and the government in due time. Only creation of a body to study the gamut does not solve the problem. We have to put the fruitful suggestions into real action.

The cotton textiles, jute and man-made fibre units in the country are passing through a series of crisis. Most of the units are working as uneconomic units. Only a few of them figure prominently in the export trade and that too at times for a very short period. The industries have to face a stiff competition in foreign markets. The export promotion councils and the so-called expert bodies, though, have done a lot, but seeing the structural economic problems these remedies are just like a drop in the ocean. Still our five-year plan programmes are not growth-oriented and the tendency of blaming each other still persists. The Govt. policies are at times
not leak-proof and create a lot of hurdles in promoting exports. The ticklish policies discourage exporters substantially. The large-scale emergence of substitutes and synthetics pose a serious problem. The one important issue on which no further postponement can be tolerated relates to prompt implementation of modernisation schemes which may bring these sectors to prove as engines of growth. These industries have a clean bill of health in the ensuing decade provided the economic horizon is widened and the problems are viewed in an international aspect.