Table of Contents

List of Tables .......................................................................................................................... i

List of Abbreviations ........................................................................................................... vii

Acknowledgements ............................................................................................................. x

Chapter 1: Introduction ....................................................................................................... 1
  1.1. South Asian Textiles Exports: An Overview ......................................................... 3
    1.1.1. South Asia and World Export of T&C ......................................................... 3
    1.1.1.1. T &C in the Economies of South Asia .................................................. 3
    1.1.1.2 Composition and Performance of South Asian Global Textiles Exports ........ 4
    1.1.2. South Asia and the European Union .......................................................... 9
    1.1.2.1 South Asian T &C Exports to EU ............................................................ 12
    1.1.2.2 Composition and Performance of South Asian Textiles Exports to EU ...... 14
  1.2. Background, Aim/Objectives, Methodology of the Study .................................... 16
    1.2.1 Background of the Study ............................................................................ 16
    1.2.2. Review of Literature ................................................................................ 20
    1.2.3. Aim, Objective and Scope of the Study ..................................................... 25
    1.2.4. Hypotheses ................................................................................................ 28
    1.2.5. Database and Methodology ................................................................. 28
    1.2.6 Chapterization ............................................................................................ 30

Chapter 2: The Domestic Textile Industry in India and Pakistan ............................. 33
    2.1.1. Size, Structure and Growth of the Textile Sector in India ......................... 35
    2.1.1.1 Growth of Textile Industry in India ....................................................... 35
    2.1.1.2 Production of Yarn and Fabrics .............................................................. 38
    2.1.1.3. Industrial Sickness and Relief Measures ........................................... 43
    2.1.2 Size, Structure and Growth of the Textile Sector in Pakistan ...................... 44
    2.1.2.1 Growth of Textile industry in Pakistan .................................................. 44
    2.1.2.2. Production of Yarn and Fabrics ........................................................... 49
    2.1.2.3. Industrial Sickness and Relief Measures ........................................... 51
  2.2 Cotton Industry in India and Pakistan .................................................................. 52
    2.2.1 Production of Cotton .................................................................................. 52
    2.2.2 The Cotton Yield for Major Producers ...................................................... 54
  2.3. The Textile Industry and the Government in India and Pakistan ...................... 58
    2.3.1 Trade Policy of India and Pakistan in Textile and Clothing ..................... 60
    2.3.2 Textiles Policy of India and Pakistan ......................................................... 62
    2.3.2.1. Government Initiatives in India ......................................................... 62
    2.3.2.2. Government Initiatives in Pakistan ....................................................... 65

Chapter 3: Growth, Composition, and Performance of Indian and Pakistani Textiles in the EU Market ................................................................. 72
  3.1. Composition, Growth and Performance of India’s T&C Exports - Global and EU .... 74
    3.1.1. Composition, Growth and Performance of India’s T&C Exports to the World ........ 74
## Chapter 5: Trade Performance of India, Pakistan and China with the EU

### 5.1. Identification of Products

- **5.1.1.2. Complementarity Index (CI) and Similarity Index (SI)** 198
- **5.1.1.3. Trade Intensity Index** 200
- **5.1.2. Identification of Products** 202
- **5.1.3 Empirical Results** 203
  - **5.1.3.1. Trade Complementarity (Cosine Measure) Between India, Pakistan and China with the EU** 203
  - **5.1.3.2. Trade Complementarity (CI and SI) Between India, Pakistan and China with the EU** 205
  - **5.1.3.3. Trade Intensity Between India, Pakistan and China with the EU** 212

### Chapter 6: India's and Pakistan's Intra-Industry Trade in T&Cs with EU 224

#### 6.1. India's and Pakistan's Intra Industry Trade (IIT) in T&C 225

- **6.1.1. Theoretical explanations of IIT** 225
- **6.1.2. Some General Empirical Studies** 229
- **6.1.3. Measuring IIT** 232
- **6.1.4 Empirical Results** 235
  - **6.1.4.1 India's Global and Bilateral IIT with EU in T&C** 235
  - **6.1.4.2 Pakistan's Global and Bilateral IIT with EU in T&C** 238
  - **6.1.5. China's Global and Bilateral IIT with EU in T&C** 239

#### 6.2. Foreign Direct Investment (FDI) in Textiles and Clothing 243

- **6.2.1. IIT and FDI** 244
- **6.2.2. Need and Importance FDI in Textiles** 247
- **6.2.3. FDI Inflow in Textiles in India and Pakistan** 248
- **6.2.4. Reasons for Low FDI in Textiles** 249
- **6.2.5. Strategies to Boost FDI in Textiles in India and Pakistan** 250

### Chapter 7: Policy Environment for India's and Pakistan's Textiles in the European Union 267

#### 7.1. Commercial Policy of EU in T&C 269

  - **7.1.1.1 Evolution and Working of the MFA Regime in EU** 272
  - **7.1.1.2. Protective Effect of MFA** 279
- **7.1.2. The WTO Agreement on Textile and Clothing: Prospects for Future** 287
  - **7.1.2.1. Liberalisation Under ATC** 289
  - **7.1.2.2. Market Access** 298
  - **7.1.2.3. Dual Safeguard Systems** 299
  - **7.1.2.4. The Textile Monitoring Body (TMB)** 300

#### 7.2. Changing Regime for T&C Imports into the EU and its Consequences for India and Pakistan 302

- **7.2.1. Agreement on Textile and Clothing: Prospects for India and Pakistan** 303
- **7.2.2. Abolition of National Quotas in EU: Implications for India and Pakistan** 308
- **7.2.3. New Restrictions on Import of T&C from India and Pakistan into EU** 309
- **7.2.4. MoU between India and EU and Pakistan and EU** 310
  - **7.2.4.1. MoU Between India and EU** 311
  - **7.2.4.2. MoU Between EU and Pakistan** 313

### Chapter 8: Conclusion and Recommendations 316

#### Bibliography 341