CHAPTER TWO

REVIEW OF LITERATURE
2.1 PRESENT STATE OF THE KNOWLEDGE:

An essential aspect of an investigation is the review of related literature. It is obviously imprudent and wasteful to proceed in any work without knowing what has been done before pointing out the importance and significance of related literature. R. Borg asserts, "The literature of any field forms the foundation upon which all future work will be built. If we fail to build the foundation of knowledge provided by the review of related literature, our work is likely to shallow and naive and will often duplicate work that has already been done better by some one else."

The researcher has surveyed the related literature before planning the present research proposal. The approach to the study differs significantly from the earlier research. Much of the study in this area has focused on performance, problems and prospects as well as trade which often lack quantitative/empirical analysis. Few studies in this area have been carried out which dealt with country-specific pattern of exports of India with USA at the aggregate level using data prior to 1990s. Hardly any comprehensive empirical study analyses the problems of garment exporters. The present study is, therefore, a step to bridge the existing gap from an organization's point of view in the light of MFA phase-out. Here are some of the reviews of the studies which had been previously undertaken in the field of textile industry by different research groups and individuals.

1. **Srinivasan (1996)** argues against the inclusion of labour standards in terms of welfare loss arising out of possible unemployment.


3. **Uchikawa (1998)** attributes a steep fall in the cloth production in the mill sector to competition from power looms, which have poor labour standards.

4. **Parikh (1995)** conducted a questionnaire based on survey among the Indian exporters to understand the awareness of environmental standards, cost of compliance and impact of eco-labeling on textile trade.

5. **A study by ICICI (1996)** based on interviews with Indian garment exporters and US buyers throws light on the fact that the buyers are keen that Indian exporters adopt global standards in environment and labour.
6. Gstohl and Kaiser (2004) opine that WTO may not be able to link the standards with the free trade regime.

7. Das (2004) points out that labour and environment standards may be imposed by the non-governmental measures of the buyers in the importing countries since the WTO can control only the governmental measures against free trade. Das also foresees a probability of labour standards being linked with WTO, since they have been consistently mentioned in all the Ministerial declaration including the one that launched the DOHA Round.

8. The Gherzi Report (2003) suggests that India needs to focus on cost reduction if it has to compete with Asian Textile Giants like China and Indonesia and minnows such as Sri Lanka, Pakistan and Bangladesh.

9. Verma (2002) on the basis of India’s export to the two most important markets, the European Union and United States argues that in the post MFA regime, the garment sector is on a strong footing, unlike textiles. According to him, while the quota regime constrained the export of apparel to these two markets, it protected the export of yarn and fabric, similarly in line with many other studies.

10. Porter (1994) makes a strong case for India’s garment sector in the post MFA regime. However, it should still be noted that in garments too there is no room for India to be complacent as there will be tough competition from countries like China which manufacture on a much larger scale using better technology.

11. Vijaibhaskar, M (2002) has done a survey of 50 firms in Tirupur to examine the imperatives of competition that lead to the use of child labour and the implications of various initiatives by multilateral and government agencies to prohibit child labour. The study finds that though there has been a reduction in the use of children in direct export firms, the dense network of subcontractor continuous to rely on them to compete for low cost orders. Moreover, strict prohibition of child labour would increase the cost of direct exports by 1.5% while the same would be 10-15% in the case of subcontractors.

12. K.F.A.U. & N.Y. Chain (1997) The emergence of Asian countries in textile and clothing trade is discussed by K.F.A.U. & N.Y. Chain. According to him, before World War II, advanced industrial countries in Western Europe and the US dominated the world economy and controlled most of the industrial production. The less-developed countries tended to concentrate in the production and
supply of raw materials. Starting from the late 1940s, major textile and clothing industrial production has shifted out from developed countries and moved to Japan. Since then, Japan was the leader in industrialization and economic development in the Asian region. In 1970s, the high cost of production, labour shortages had compelled Japanese textile and clothing firms to invest their production in other Asian nations. Following Japan, Hong Kong, South Korea and Taiwan became three of the four Asian newly industrializing countries (NICs) with textile and clothing as their major export industry. In 1975 the average wage for US clothing workers was US$ 3.79 per hour, compared to US$ 0.75 in Hong Kong, US$ 0.29 in Taiwan and US$ 0.29 in Taiwan and US$ 0.22 in South Korea. NICs' cheap labour cost was the main attraction for the US and Japanese textile and clothing firms to locate their productions overseas. Moreover, the Asian NICs quickly added other benefits including improved quality level, flexibility of production and stylish merchandise. Thus the NICs can offer good quality textile and clothing products at a relatively lower price.

13. Munir Ahmad (1997) studied the pre and post-Uruguay round talks on tariff reductions for textiles and clothing and its impact on the developing countries. The study dealt with the sensitivity of clothing to tariffs, in the major importing countries and the failure of Uruguay rounds negotiations on lowering of tariffs in these countries. It mostly dealt with the period of pre and post-Uruguay round of talks and concentrated on an empirical analysis of the impact of the MFA on lowering of tariffs, which would finally affect the UVR of most of the casual clothing product categories.

14. McKinsey (1997) A paper presented by McKinsey offered an optimistic picture for the Indian textile and apparel industry. The world market abounds with attractive opportunities for Indian textiles companies. Indian companies are well placed to capture these opportunities. But they will first have to build a distinctive position for themselves. They have not done this, even in the Indian market, emphasized the study. The study dealt with the intervening period of lifting of the quotas, as well as with the benefits of liberalisation. It also featured the competitiveness of the Indian apparel firms in terms abundance of cheap labour, easy availability of cotton material, and high capital utilisation. It also provided with a comparative analysis of China and India in casual wear exports.
15. **FICCI (2000).** An attempt had been made to study the impact of liberalisation of quotas by FICCI. The study dealt with the future of the world trade and suggested that the implementation of the agreement on textiles and clothing (ATC) might lead to an increase in the world trade, with apparel being the primary category. The conclusion was that the importing countries would resort to bilateral agreements with neighboring nations to protect the interests of their respective domestic industries. The study offered macro solutions to the export community as a whole and did not offer solutions to the textile and clothing manufacturers and exporters to increase competitiveness in post MFA period.

16. **Prahalad, 1990** observed as far as India’s garment industry is concerned the demand conditions within the country have not helped creation of a world-class market industry.

17. **Newton (1991)** observed, “The business of the clothing industry is to produce fashion and functional clothing. There is strong inter-relationship between the two areas and they strongly influence each other. Clothing is an important part of the fashion business in which design of the product is marketed as fashion. Fashion is the essential element of design, that is, dependent on timing and acceptance”.

18. **Prahalad and Hamel (1994).** Prahalad and Hamel have pointed out that the current competitiveness of a company derives from the price/performance of existing products. Future competitiveness derives from the ability to build, at low cost and more speedily than competitors. The core competencies of individual enterprises are the fundamental elements for the sustainable competitiveness of an industry.

19. **Li Yi and Edward Newton, (2000)** state that at the level of core competence, the goal is to build world leadership in the design and development of a particular class of product functionality.

20. **Prasad Ashok Chandra, (1997)** has pointed out Export competitiveness can be measured using the market share, relative price ratio, relative factor productivity ratio & quota utilization. For the purpose of this study, industry has been defined as group of firms manufacturing products (Fabrics, Clothing) that directly or indirectly compete.
21. Porter, 1998 It is implied that no nation can be competitive in manufacturing all goods and services. Since, it is the firms who compete in international market.

22. Kay, 1996 The entire framework of competitiveness would revolve around the study at the firm. "Industrial success was founded on behavior of the firms, not on decision of governments."

23. Storper (1992) has pointed out that in growing world trade, export specialization based on specific products becomes increasingly important. Export specialization is largely due to product-based "absolute" technological advantages, renewed through learning in a variety of dynamic economies. Such export-oriented absolute advantage industries tend to be organized into production and distribution networks combining the advantages of specialization and flexibility, called "technology districts".

24. Kathuria and Anjali Bhardwaj (1998) state that the manufacturing of apparel has remained a labour intensive industry, offering a great advantage to low wage countries like India. The study by Kathuria and Anjali Bhardwaj (1998) classified garment manufacturing in three stages:
   - Cutting the fabric to patterns, usually done by power-operated cutting machines; making or sewing the garment on sewing machines, either foot-operated or power-operated.
   - Sewing: The most labour-intensive part of the process is the sewing operation.
   - Finishing the garment by trimming, checking for dimensions washing, ironing and packing.

25. Radhakrishnan (1989) stated that governments constituted an important area in maintaining national development through substantial increase in exports. In this context, an assessment of the strengths, weaknesses, opportunities and threats facing the garment export industry was carried out with the objective of assessing the industry’s capability to export and earn foreign exchange.

26. Bhatia (1997), In a study, identified certain measures that need to be adopted by the Indian garment industry to compete effectively in the quota-free environment. This study examined the strengths and weaknesses of the industry and suggested the diversification of the industry both in terms of products and markets and branding of the export products.
27. Kathuria and Bhardwaj (1998) studied the impact of implicit export taxes, resulting from the quotas, on Indian garment export sector. This study pointed out the policy restrictions on growth in the garment industry. They recommended the abolition of reservation policy of garment production for the small-scale sector, greater flexibility in labour policy, removal of policy bias against synthetic fibres, reduction in transaction costs of exports activity, and correction in policies such as handloom reservation and hank yarn obligation.

28. Vijayabaskar (2002), studies the competitiveness of the Indian garment industry in the world market. This study pointed out the labour market implications of the changes in the international trade regime. The author sought to examine the possible changes in the prospects for Indian garment manufacturers and employment and challenges that confront Indian policy makers in this regard.

29. A Business World study (2003), state that Indian garment companies are small and fragmented and can not invest big capital to capture the new demand. A shakeout is imminent and after MFA phase-out, it is expected that only 3000 of the existing 20,000 companies will survive. The rest will either close or merge. Infrastructure is very poor and hampers an efficient export operation. For maximizing exports, especially in area of hosiery, we have to improve the quality of our hosiery production and ensure that price-wise it can compete with the best in international market with the goods being exported by other countries.

30. Business World (2004) Another study conducted by Business World (2004) suggested that since the textile and apparel industry is a ‘buyer-driven’ value chain, there is need to reinvent the entire supply chain to become competitive. This study reveals that there is a potential for 35% cost reduction across the value chain, which can be effectively harnessed through strategic collaboration between all the links in the chain.

31. Park and Kym (1991) studies the rise and fall of the Japanese textile industry between 1874 and 1985. Producers of textiles and clothing in advanced industrial economies were the first large group of manufacturers who went into a decline as a result of import competition from newly industrializing economies.
32. Tsurumi, (1988) and Tsurumi, (1990) discusses the role of Japanese women and girls in the silk reeling and cotton spinning industries that were the mainstay of the Japanese industrial revolution beginning in 1868 with the Meiji government. Young women were encouraged to reel silk for the sake of the nation. In the 1870s rich families participated in the industry but severe financial difficulties in a changing government during the 1880's ruined many businesses. Longer hours and a general deterioration of conditions was the general trend in the silk reeling industry.

33. Hanretty (1991) examines Handloom weavers in one part of India, an area that is now Madhya Pradesh, between 1800 and Indian independence in 1947. Hanretty shows that while handloom weavers as a group faced great competition in the mid-19th century from imported cloths, some specialist producers were able to cope better than others, mainly because of their production of specialized products and the security given them by enhanced caste status. The real challenge came in the 20th century as India's own mills subordinated weavers to middlemen as the former became more dependent on mill-spun yarns.

34. Shah (2001) examines the growth of an industrial working class in Ahemdabad. In textiles, the most important industry, new recruits were chiefly lower-caste landless agricultural labourers and handloom weavers- men, women, and children. Despite strikes against long hours and low wages, caste identity remained strong, and stable, effective trade unions were not achieved.

35. The Abid Hussain Committee (1990) was set up to review progress of 1985 policy. It categorized weavers into high, medium and low based on their earnings. It also advocated appropriate institutional supports in input and marketing. In view of the unprecedented crisis in handlooms following the suicide of handloom weavers in different parts of the country,

36. Maneet kumar (1987) studied garment exports and concluded that Indian exporters suffer on account of poor quality raw material, high cost of fabric and low labour productivity. He recommended that government should provide good quality raw material including fabric at international prices, give cash incentives to the trade, provide market development assistance and allow duty free import if modern garment machinery to increase garment exports.
37. **Nagar (1990)** studied exports of textile fabrics, piece-goods and made-ups and suggested modernisation, augmenting cotton supply, encouraging yarn export, improving dyeing techniques, conducting market surveys, treating fabric supplied to garment exporters as deemed exports and relief in taxation including excise to give a much needed push to exports from this sector.

38. **Santhanam (1990)** studied garment exports and concluded that Indian garment industry has to go in for product and market diversification for the future growth of the industry. Global apparel trade can be divided into four market segments based on the end-uses, namely classical garments, industrial and institutional garments, sports and leisure wear, and high fashion garments. India is only in the leisure wear market with limited range of items. The policies and programmes should be oriented towards creating the base for the production of a fairly wide range of products in all the segments. India’s exports are primarily directed to quota countries, i.e. USA and EEC. The process of market diversification should be taken up by selecting a couple of quota markets and few non quota markets.

39. **Sehgal (1990)** studied exports of Woollen knitwear and concluded that import of high quality blended wool, reduction in customs and excise duties, encouragement to import of modem machinery required by the knitwear industry and a competent and comprehensive market information system can help in increasing India’s exports of Woollen knitwear.

40. **Dun & Bradstreet (D&B)** According to D&B (Dun & Bradstreet) study on readymade garments, "To capitalise on the opportunities opened up, many big private apparel company in India have made huge investments across all the stages of textile value chain. In addition to this, there has been a considerable rise in FDI in textiles and clothing sector — FDI in this sector has increased by more than four times in the three years, from Rs. 83.82 crore in 2003 to Rs 350 crore in 2005. Despite this, FDI in this sector is much below potential, accounting for a mere 1.3% of total cumulative FDI inflows between August 1991 and January 2006 in the country. Massive investments are still needed for capacity expansion to effectively exploit the newly opened opportunities.

41. **Urmila Seth (2004)** In her paper titled “India’s Exports : Challenge From China,” assessed the effect of recent Chinese reforms on same of those Indian
exports where this effect has been pronounced and attempted to draw lessons for the future. She compared the contribution of these two countries import policy respective exports and found that China’s exports have been added by its programmatic import policy that has for e.g., supplied vital inputs like raw cotton and fibres to its textile industry.

42. Dr. S. P. Rahel (2003) in his paper entitled “India’s Look East Policy: Thrust Products For India’s Exports,” specifies that a look at India’s Exports show that 91.2% of our export basket is comprised of major commodities like wheat, sugar, raw cotton, leather, jute, wool, terraloys etc. even though the value of these conventional items has increased the share of these item in India’s exports has dropped. The thrust products while India has comparative advantage over most of it’s developing country competitors and where it should pay attention are steel, pharmaceuticals, cement, textiles yarn, books and engineering items floricultural and horticultural item etc.

43. Tewari, 2006; A noticeable growth occurred in the textile and apparel sector throughout Asia, with China emerging as the “No.1 exporter of apparels in the world today”.

44. (GOI, 2005) With foreign direct investment (FDI) and few direct links with the major distribution networks until recently, the textile and apparel sector is India’s largest industry, accounting for 20% of industrial output, with direct employment of 35 million workers, and accounting for 12 to 16 % of total export earnings. India has a share of just 4% in global exports of apparels, as against China’s 35%.

45. UNCTAD study 2005 described apparel factories in China employing thousands under one roof, with wages anywhere between US$ 0.70 and 0.90 an hour.

46. ILO study (2003) India and other countries of South Asia have even lower wages in the apparel sector than China. As noted by the ILO study (2003), hourly wages in China in the apparel industrial in 2000 were 28% higher than in India, 50% higher than Sri Lanka and four times as much as in Bangladeash. Yet, in 2002, China earned US$ 61.69 billion from exports of the apparel industry (Chan, 2005).
47. **Hirway and Tewari 2006** The apparel (or garments) industry in India employs 3.54 million persons (expected to employ 6.8 million by 2007). The industry produces 800 million pieces with a market value of US$ 28 billion.

48. **Chari, 2004** There is a link of the interpretation of skilled and unskilled work, which has a gender basis. In the first place there is a difference in the traditional skill base, which is carried over into the factory system. Tailors are traditionally men, and it is these men who were recruited as stitchers in the garment factories in and around Delhi.

49. **Neetha (2002)** In this study of knitwear in Tiruppur, Neetha (2002) observed that production of knitwear apparel largely depends on work done at home, with the finishing work usually done in sub-contracted units. Women constitute 70-80% of the workers, working 7 days a week, without any social protection. Undoubtedly, this dispersal of the apparel industry has significantly increased women's employment and they are now in a better position than the earlier position of wife/mother or daughter, engaged in unvalued, unrecognized work at home. However, by no measure this work is decent work, which allows them any enhanced dignity, opportunity for social dialogue and even an incremental freedom from their gendered existence at home.

50. **Kantor, Rani, and Unni (2006)** in their study of informal workers in Surat, Gujarat, i.e. gender disadvantage of piece-rate workers; 1.5% of women employees have any association with a workers' organisation; and women's concentration in low-paying jobs. In fact only 5% of male workers earn less than the minimum value of the minimum wage per day (Rs. 48.8) and 23% less than the maximum value. In the case of both salary and piece-rate women workers, it was seen that “overall 62% of women earn less than the minimum value of the minimum wage, and almost 85% earn less than the maximum value”.

51. **Hirway (2006)** Based on the analysis of data from Occupational Wages Survey, Labour Bureau, Government of India, Hirway (2006) concluded that the gender-wages differential was highest in the Apparel industry (2002-05) followed by silk textiles. That this wage differential is largely due to gender discrimination which encourages women's engagement in low levels of occupation, like unskilled and semi-skilled work, low-level management work and other related productive work.
52. Bhatia (1997) focuses on the various issues of the garment industry. They can be broadly classified in three parts: Analysis of strength and limitation of the Indian garment industry. (Action plan for the industry to compete effectively in international markets). Identification of product/commodity portfolio which command high unit values in the overseas market. The study identified certain measures that are needed to be adopted by the Indian garment industry to compete effectively in the quota-free environment. The study also stresses the points stating that it is necessary that the Indian exporters should concentrate on production of non-quota items and exports to non-quota countries.

53. Prasad (1997) analyses India's competitiveness in garment export in different foreign markets vis-à-vis its competitors particularly China and Hong Kong. It also suggests strategies for India in the MFA phase out period and in post MFA phase out period. The study suggests that in the MFA phase out period, India's export of garments to quota markets can grow only by higher value additions in exports. In the case of non-quota markets there is a need to increase the quality of exports as well.

54. Chandra (1998) presents a global overview of trade in the primary textile industry. The study reveals that the primary textile sector is affected by trends in consumption, regulatory regions technology and managerial practices. How a nation is able to derive benefits from the massive global trade that takes place in this sector will depend on its capabilities to interpret and capitalize on the above factors. The study is a unique plant level multi nation study of its kind based as a primary data from 173 plants in Canada, China and India.

55. Geoffery (1998) the study can be broadly classified in five sections. Section one deals with the causes of the crisis in the textiles and clothing sectors of high wage countries. Section two focuses on the entrepreneurial practices of the French and other European textile industrialists. Section III and IV explain how textile and clothing interests successfully articulated their policy preferences within the domestic, EU and global bargaining contexts across the USA and Europe. The last section summarizes all the agreements.

56. Kathuria and Bharadwaj (1998) This study highlights the opportunities that would be created for Indian textile industry, when quotas will be finally abolished in 2005. The abolition will provide a lot of opportunities to developing
countries including India to increase their market share in textile trade, but the increase in share will depend on the strength and weaknesses of any country. The study recommended the abolition of reservation policy of garment production for SSI in India.

57. Venkatesan and Katti (1999) The study reveals that India has a rich tradition of textiles since ancient times. It gives employment to a large number of populations at the same time it is the largest foreign exchange earner for the country. Developing countries particularly India has suffered a lot due to MFA. Phasing out of MFA will give new opportunities and challenges. India needs a policy for 21st century which would encourage export of cotton yarns and value added products.

58. Banik and Bandopahay (2000) The study attempt to identify the areas of textile industry which has great potential and in which India has a strong position. The study further examines India's position vis-à-vis its competitors. To measure the protection from MFA, a calculation of effective rate protection has also been done.

59. Ramaswamy (2000) examines the potential of India's apparel export in the changing environment of textile trade.

60. Vishwanath (2000) The study examines the importance of textile industry in India and reveals that it is also one of the major textile exporting country in the world. It is obvious that phasing out of MFA will increase the competition among the textile exporting countries. Therefore government should take proper initiative so that the industry could take the advantage of the opportunities.

61. Kathuria, Martin, Bharadwaj (2001) The study examines the multifibre arrangement system at the same time its effects on India's textile industry. The study says that the elimination of quotas will increase the opportunities for developing counties, those who will improve their competitiveness will increase their gains from quota abolition. The study also analyses the impact of the abolition of MFA on South-Asian countries.

62. Rai (2002) gives a historical overview of the entire textile industry in India at the same time analyses the major problems faced by the industry. The study reveals that there is a climate of uncertainty in the textile industry, which is due to the continuous and fast changes over the last few years. The study tries to
show the impact of modern instruments such as branding and advertising, labelling, role of information technology and biotechnology in the field of textiles.

63. **Gupta Nabankur (2003)** analyses the competitiveness of Indian garment industry in the world market. In this study an attempt has been made to examine the possible changes that are going to affect the prospects of Indian Garment manufacturers with respect to employment in this sector and the study also points out the main challenges that confront Indian policy makers in this regard.

64. **Knappe (2003)** explains that after the elimination of quotas in 2005, trade in textile sector will undergo a fundamental change. Against this backdrop the article explores to study the likely changes in the market and highlights steps that Government and exporters can take to avoid adverse impact. Further it explains that countries need to develop a strategic approach on how to tackle the challenges.

65. **Bagchi (2004)** the study examines the main three sectors of the textile industry—handloom, power loom and the weaving sector. According to the study the most important matter which needs immediate attention is the modernization of the three sectors of the industry. It is felt that the modernization has been much neglected not only by the industry but also by the lack of worthwhile and timely support by the government. The study identifies the synthetic sector as an area of great potential and it has recommended some measures to government for the proper development of the sector.

66. **Craver, He and Hister (2004)** The study presents an overview of the Indian textile Industry, starting from its ancient and established roots for more than 500 years ago till present times. At the same time it presents the country’s business structure, major competitors as well as current changes and challenges.

67. **Nordas (2004)** tries to analyse the impact of liberalization taking into account recent technological and managerial developments in the sector and focuses on recent developments in supply chain management in the clothing and textile sectors.
68. **Ananthkrishan and Jain-Chandra (2005)** The study examines the impact of the elimination of quotas on India. The removal of quotas on textile and clothing in 2005, under ATC is expected to have a substantial impact on major exporting countries. A quota free regime presents an opportunity as challenge as there will be increased competition and no guaranteed markets. Despite these advantages, whether India can benefit from the quota elimination will depend on the removal of existing constraints. These constraints include stringent labour market regulation, inadequate investment and unfavourable policy in the past.

69. **Hasim (2005)** reveals that after the phasing out of MFA, unit cost and productivity will be the main components of the competitiveness of the textile industry. The study attempts to examine these factors in detail for cotton yarn and garment industry for selected states. The study identifies disbursements of credit, raw material at reasonable prices, promoting better capacity utilization, flexible labour laws are some of the measures to make the Indian textile and garment industry more cost effective.

70. **Singh and Ramasundaram (2005)** analyses the importance of textile industry in the economy. The textile policy in the country had been cotton centric and particularly favouring the power and handloom sector considering the livelihood. The study further reveals that if India has to preserve its market share from its competitors, it has to ensure production and supply of cost effective, quality, products by both individual textile groups and clusters.

71. **Tiwari (2005)** made an attempt to examine the pathways of adjustment in the global textile and clothing industry. The study is based on the findings from three rounds of fieldwork in India’s textile and apparel industry carried out between 2000 and 2005. This study examines the micro-foundation of India’s rapid recent incorporation into the global and textile market, focusing on how Indian firms have became integrated to global textile apparel network in recent years.

72. **Jalan,K.K(2005)** The study points out the importance of the Textile Industry. It briefly describes the economic effects of the restricted market era on an individual exporter, and the salient features of the emerging international scenario. An attempt has also been made to suggest some points of action in the study.
73. **Rothbard, (1986)** The most individuals and groups are most interested in their own cost and benefit considerations rather than in those for the wider community or their country or the world, it becomes consistent and logical why people often tend to favour, on a nationwide scale, inefficient trade protection for their respective industries.

74. **Keesing and Wolf, (1980)** Taking the textile and clothing industries as an example, it is often stated by their representative lobby groups that those industries face disaster due to cheap imports. It is stated that no country can derive its entire economic strength from the technologically advanced industries alone. A further argument is that failure to take account of the interests of the textile and clothing sectors will inevitably cause “a large portion of the textile community’s labour force into permanent unemployment.”

75. **Rothbard, (1986)** Moreover, low wages in developing countries are often seen by the protectionist camp as an “unfair” basis for competition. One common argument is that “it is unfair for an American firm to compete with,” say, “a Taiwanese firm which needs to pay only one-half the wages of the American competitor.” Therefore, the Government should step in and equalize the wage rates by imposing an equivalent tariff upon exports from Taiwan Province of China.

76. **Kitty G. Dickerson (1988)** Textile trade policy is presented in the context of general trade policy under the international umbrella for trade, the General Agreement on Tariffs and Trade (GATT). Textile trade policies that exist under the GATT represent a dramatic departure from the normal rules developed to coordinate trade in all other sectors. Moreover, textile trade has a long history of participating in world trade with its own set of rules. Since 1961, textile and apparel trade has had its own structures and rules that have existed alongside the rules of the General Agreement. This study, which has resulted from research of both primary and secondary sources on textile trade policy at the global level, traces the development of special policies and structures to manage trade in this sector. Further discussion considers how and why the textile sector is treated as a unique case in global trade. Varying views are presented on whether textiles should continue to receive special treatment or whether this sector should be returned to normal GATT rules applicable to all other sectors.
77. **Raghbir Singh, Lalit Mohan Kathuria (2006)** The textile and garment sector is one of India's oldest and most important economic sectors, second only to agriculture in terms of employment, net foreign earnings, and industrial production. Until December 2004, Multi-Fibre Arrangement (MFA) governed the world trade in the textiles and garment sector. From 1 January 2005, it has been regulated by an Agreement on Textile and Clothing (ATC), which paved the way for phase-out of Multi-Fibre Arrangement (MFA). This study analyses the various problems of Indian garment exporters in the light of MFA phase-out. The article is based on a survey of selected garment exporters of Northern region (Delhi and Ludhiana) and proposes suggestions for policy makers and strategies for garment exporters that will help them in increasing their export share in the world market.

78. **Keshabananda Das (1996)** Concerned with the current debate on flexibility-collectivity in small firms, this case study contributes to a better understanding of the dynamics of industrial clusters in developing countries, which is a relatively less researched field. The garment cluster in Ahemdabad underscores firm strategy to maintain quality through adoption of 'intermediate' technology, and by catering to highly segmented and vast domestic and external markets. Despite severe competition for survival in a highly customised market, the small firms have gained immensely through collective action, often networking with the state. Business dynamism in such clusters has certainly relegated the status of labour to the background. Joint action by entrepreneurs and the state needs to focus on upgrading both technology as well as labour standards in clusters, earnestly and with vigilance.

79. **Kambhampanti and Howell (1998)** analyse the effects of trade reform on formal sector employment in the cotton industry in India. They find that trade reforms reduced the employment in the formal sector through a reduction in the number of firms and a shift towards more capital intensive technologies. Thus, it has reduced the number employed in the sector and presuming that informal wages are below formal ones, hurt some of the workers. Furthermore, the reform did not affect the wages of those workers who remained, because these are determined in an institutional framework that is largely free of market forces. But it was found that increased capital intensity in the sector improved labour conditions for the workers remaining employed, through the enhancement of
health and safety measures. The net effect on poverty depends on whether the losers of jobs found new ones and whether the gains to those remaining employed pulled their households out of poverty.

80. **Ettore Bolisani, Enrico Scarso (1996)** In traditional sectors, due to the strong incidence of labour costs, the progressive delocalization of manufacturing activities in low-wage countries has been typically considered unavoidable. However, this process appears to be very different at national, industrial, and also corporate level. Empirical studies are needed to investigate the existing linkages among industry general conditions, each firm’s global operations strategy and specific operative choices for implementing it. Presents empirical research on the patterns and the factors characterizing the international relocation of manufacturing followed by Italian clothing firms.