CHAPTER EIGHT

SUMMARY OF THE FINDINGS AND CONCLUSIONS
The researcher has focused on different kinds of problems faced by the textile exporters particularly in the WTO era. It is assumed that India has a natural advantage in most of the manufacturing areas because of cheap and skilled labour. But in most of the areas Indian exporters remain uncompetitive due to high prices of final products. This paradox remains unexplained and becomes more important in such areas as textiles because, the availability of raw material (the cost of input) may sometimes hike the prices of commodity, but in case of cotton, jute, wool and to some extent silk input is also available in India in abundance. There is no lack of technology but even the cost of Indian textile is generally higher than its competitors, especially China and other labour abundant countries like Bangladesh, Sri-Lanka etc. Thus a detailed analysis of the reasons which enhance the prices of textile exports is absolutely necessary.

Therefore in the present study the objective is to pin point the very reasons which result in higher cost of Indian goods prices and to suggest ways and means so as to make the textile exports of the country more cost effective. The study is very vast in scope and includes all kind of fibres (Cotton, Wool, and Man Made Fibre). We also includes all sectors of textile manufacturing i.e. Handloom, Power loom, Mill.

The exact figure is based on the government objective to attain the limit of export of textile trade. The National Textile Policy (2000) envisages that India could reach to the export value of US $ 50 billion by the year 2010.

The present study draws its significance from a number of factors. Trade is one of the most antique human activities and combines perfectly with textiles and clothing. Historically many reasons made this sector strategic (one of the most protected areas of the economy) for both developed and developing economies. According to the WTO estimates, textile and clothing account for about 9.1% of world manufactured exports or 6.5 per cent of all merchandise exports. The textile sector had been very much outside the main framework of the GATT, over the years. Till December 31st, 1994 the exports of textiles to certain developed countries (e.g. US, member countries of EU, Canada) had been governed by bilateral textile agreements entered between India and these countries under the aegis of Multifibre Agreement (MFA), outside the rules of GATT.

This sector returned to mainstream in 1995 with the agreement on Textile and Clothing (called as ATC). Under the provisions of ATC it was decided to abolish the quota restrictions in a phased manner. From 1st January 2005, a major change has come in the textile market of the world. After the expiry of Multi-Fibre Agreement (MFA) on 31st December 2004, quantitative restrictions in textiles and readymade
garments were lifted by the member countries of WTO. Now there will be open competition in textile market. For India, there are both opportunities and challenges in this sector.

Like every developing country in Indian Economy too Textile and Clothing sector occupies a significant place. It is the largest foreign exchange earner, contributing to over 20% of country's exports and providing direct employment to 38 million people. India also has an edge in the quality of labour and traditional apparel making skills. Most of the studies regarding the threats and opportunities of the quota free world indicate major gains for India, but there are few who feel that India will not be able to face the perils of unrestricted market. Although it is too early to draw any conclusion, but it is certain that to preserve its position in international market, Indian textile industry has to be world class. Quality has to match international standards and the modernisation of the sector is equally important.

8.1 STATE OF THE READY MADE GARMENT EXPORT INDUSTRY:

For the purpose of accounting in international trade, ready made garment and are defined as articles of apparel and accessories that are knitted or crocheted or readied by other processes. The growth pattern of ready made garment since 1991 and the value of export are reflected table 8.01-8.02.

The ready made garment constituted 7.87 and 8.37% share in India's total export during the year 2004-05 and 2005-06 respectively. India’s exports of RMG-knit and woven apparel in 2005-06, amounted to $8.5 billion, showing a growth of 29.6% over the previous year, and a compounded annual growth rate (CAGR) of 8.8% during the preceding period since 2000-01 when the total exports of ready made garment were worth $5.569 billion.

Table 8.01 : Indian Ready Made Garment Market Growth Rates:
Past and Future

<table>
<thead>
<tr>
<th>Year</th>
<th>% Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91 to 1996-97</td>
<td>18.7</td>
</tr>
<tr>
<td>1996-97 to 2001-02</td>
<td>13.2</td>
</tr>
<tr>
<td>2001-02 to 2006-07</td>
<td>10.9</td>
</tr>
<tr>
<td>2004-05 to 2009-10</td>
<td>9.3</td>
</tr>
<tr>
<td>2009-10 to 2014-15</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Table 8.02 : Export of Indian Ready Made Garment (US$)

<table>
<thead>
<tr>
<th>year</th>
<th>(millions)</th>
<th>Relative% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987-88</td>
<td>1403</td>
<td>100.0</td>
</tr>
<tr>
<td>1990-91</td>
<td>2236</td>
<td>159.4</td>
</tr>
<tr>
<td>1995-96</td>
<td>3676</td>
<td>262.0</td>
</tr>
<tr>
<td>2000-01</td>
<td>5569</td>
<td>396.9</td>
</tr>
<tr>
<td>2004-05</td>
<td>6561</td>
<td>467.6</td>
</tr>
<tr>
<td>2005-06</td>
<td>8504</td>
<td>606.1</td>
</tr>
</tbody>
</table>

Source : Handbook of Statistics on the Indian Economy, RBI, 2005-06

Together USA and the European Union (EU) import 70% of the ready made garment exported world wide and USA, with a 27.8% share, top the importers list. USA, the biggest market for Indian ready made garment, registered a growth of 43.02% in 2005-06 over the pervious financial over the said period, India became the third largest exporters to USA surpassing china. EU currently accounts for nearly half of India’s apparel export. Almost the entire ready made garment exports from India are to USA and EU.

Within India, cotton garments, lead in the market while the blended garments category follows at 35%. 70% of the total production is for domestic markets, and the remaining 30% for export, which is handled mainly by the organised large scale sector producers. All the leading American and European brands are producing directly in India or sourcing their apparel fro India now, and more are expected to follow. India brands are close on their heels. The list of clients of the India ready made garment industry is impressive and includes many well-known brands including Arrow, Allen Solly, Van Heusen, Louis Philippe, Park Avenue, Zodiac, Lee, Excalibur, Flying Machine, Ruf N Tuf, New Port, Peter England, Louis straus, stencil, Wranler, Rod Lever, Ramond, Vimal, John Miller, Play Boy, Chirag Din, Double Bull, Weekender, Lacoste Bentton, Tussady Scottish Weave, Cabal, Old Trafford, Sanfrisco, Byford, Tamarind, VIP, Rivolta, Livable, Daisy Dee, Parx, Blackberry’s, Reebok, Gap, Mexx, Wills Lifestyle, Tommy Hilfiger, Nike, John Player, Westside, ITC, Wal-Mart Brands, and so on.

Export of India and World till 2009-2010 (actual export in million $ from 1997-98 to 2007-08 and extrapolated export in million $ from 2008-09 to 2009-10), shows that if the present trend of world and Indian textile export continues then Indian textile
exports might be able to reach 17,895 US million $ mark while world textile would reach 600997 US million $ mark. 10% of world textile exports could be 60,099 US million $. Therefore India will not be able to reach the estimated level of 10% if it continues to follow the present trend in near future.

In India, however, a branded ready made garment is by and large costlier than a custom made garment using the same fabric. This is because the market penetration of our brands is very limited and when the huge brand promotion expenses are loaded to a small volume, the consumer has to pay high prices. This situation has started changing. But at the current speed, it will take several more years for our garment industry to reach optimum volumes which can support reasonable prices. But given the market trends, the growth of the textile sector has to be driven by the garment industry.

8.2 FIRM STRATEGY:

After the end of quota system the global buyers are restructuring their sourcing pattern towards highly competent “full package” suppliers. These suppliers would have the capability to flexibly accommodate variability in design, handle both small-batches as well as large volume production cost-effectively. Indian textile and RMG industry is mostly concentrated in SMEs sector and lack of proper capital investment and low level of economics of scale are its characteristics as well as weaknesses. The exporters must ensure that they work on quite low margins so that new entrants may not venture in this field. But for lowering the price quality should not be compromised.

One of the most important things that every importing country must remember is that they must have a Research and Information cell to update the information regarding fast changing demand in the field of garments. External factors such as high transaction cost, infrastructure deficiencies and cost of utilities like power affect our production costs while scale and technology are the major factors impacting productivity. In the past, government policies had been discouraging and even preventing establishment of organized production facilities which could tackle the productivity issue. But during the last 3-4 years, government has provided most of the policy inputs required. And during this time, the textile industry also witnessed a tremendous increase in investments for expansion and modernization.
8.3 DEMAND CONDITIONS:

Demand of textiles is increasing in each and every segment, whether it is Fabric, industrial work wear, designer clothes, Home-textiles or Technical textiles. In textile sector it is not very easy to move in different segments of production due to heavy investment requirement. Therefore the best way is to wait and watch and select the area carefully in which segment of textiles one has to invest. Small expenditure on research for finding out the specific areas of importer's demand would be extremely helpful. Moreover a co-ordination between different exporting groups can be of great help.

8.4 FACTOR CONDITIONS:

As far as the textile industry of India is concerned the availability of important inputs is not in doubt e.g- In the field of cotton India has a satisfactory support line and after the removal of hank yarn obligation the availability of cotton is also increased in the mill sector. Similarly in the case of silk, wool, jute and leather supply is quite satisfactory although it may not up to the satisfaction level of exporters, in terms of quality and prices. There are large numbers of semi-skilled and skilled craftsmen as well as dress designers. Yet there are areas in which the availability of input supply is not satisfactory level. For example - Man made fibres. Therefore the need of the hour for India is that the preferably small exporters should concentrate on textiles based on labour and the country should take the advantage of the cotton abundance by exporting more and more cotton based products while big industries should try to enter high tech areas.

8.5 CHANCE OR FORTUNE:

A perfect example of chance event (Due to political decision by foreign government) is adopting Special Safeguard Clause by US on textiles imports from China in 2005 for a period of three years. For developing countries such as India, limiting the textile imports of China has provided a great opportunity to enhance its exports.

8.6. WORK PROCESS:

The work process in the factories supplying to India and foreign cooperate/large retailers is organised in relatively large modern factories, usually employing not
less then 600-700 workers each, and using a range of tools like computers for
deigning, and machinery for cutting, sewing, interlocking, buttonholing, embroidery,
ironing, and so on. A factory of that size does not take more then three months to
start up. The process, however, is labour-intensive by modern industry standards,
therein investment of 0.1 million generate about 6-8 jobs (apparel export promotion
council, 2007).

Within each factory establishment, employees are organised in a hierarchy of
jobs below the management category. Designing is at the top end followed by cutting,
sample-making and quality control. On the factory floor are the production manager,
floor-in-change, supervisors, finishing checkers, quality controllers, feeding helpers,
mechanics, tailors, trimmers, helpers, and packers. Production is usually organised
around to systems-the individual piece flow system, and the part and assembly
system. In the former, individual piece flow along a line and are the assembled into the
complete garment. The system is more suited to larger production targets/ orders,
employees more workers, up to 48 tailers per line. In the second process, the part are
made separately, collected and then assembled into garments. The system is more
suited to similar order and greater Varity.

Producers are seldom completely dependent on export markets even in the
bigger establishment, which have large fixed capital and capacities. Where is the trend
to diversify the clients? The domestic (branded RMG) markets growth and the retail
booms during the last ten years have helped companies to balance their order books.

Table 8.03 : Distribution of Sample Workers by Their Job Description

<table>
<thead>
<tr>
<th>Job description</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helped</td>
<td>22</td>
<td>16.4</td>
</tr>
<tr>
<td>Tailor</td>
<td>73</td>
<td>54.4</td>
</tr>
<tr>
<td>Feed Helped</td>
<td>13</td>
<td>9.7</td>
</tr>
<tr>
<td>Packer</td>
<td>3</td>
<td>2.2</td>
</tr>
<tr>
<td>Batch Master</td>
<td>1</td>
<td>0.7</td>
</tr>
<tr>
<td>Supervision</td>
<td>3</td>
<td>2.2</td>
</tr>
<tr>
<td>Floor-in-charge</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>Quality Control</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>Mechanic</td>
<td>4</td>
<td>3.0</td>
</tr>
<tr>
<td>Misc</td>
<td>11</td>
<td>8.2</td>
</tr>
</tbody>
</table>
The production cycle for the global brands has a lead time of six-nine months and begins with predictions by fashion houses, usually in syndicate with large brand about the fashions, colours and styles that will dominate the next seasons. Both auditors and quality controllers patronized by global brands and their merchanders all over the world list and ranks producers on various criteria like the capacity for production, quality, and labour standards, etc. Their listing involves physical inspection of the site as also the inspection of final products; the bigger brands are also more stringent regarding quality and timely delivery. Fierce competition exists among producer in divers geographical locations throughout Asia And Latin America, as they have to bid for these large order from global retailers. This completion has become more intense during the in post-2005 period, for the reasons maintained above.

A survey conducted among the workers found that global competition coincided with some characteristic condition work for the workers employed in the factories.

8.7 CONDITIONS OF WORK:

Of the total workers, 94.5% describe themselves as temporary while remaining 4.5% claim to be permanent. However, the distinction is not an official or distinct one, because almost all the sampled workers have a Provident Fund (PF) (96%), and Employees State Insurance (ESI) (95%), and they receive bonus payment and over time. Among the respondents, 68% said they had received some training on the job (Table-6) there also seems to be no distinction in other conditions like the eight-hour factory work, the payment of overtime and comfort of a lunch break. Discussions with trade union leaders reveal that workers close to the management are typically made to feel permanent while mechanics usually have a longer-term relation with a factory.

Table 8.04: Distribution of Workers by Benefits

<table>
<thead>
<tr>
<th>Type of benefits</th>
<th>Count</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No weekly off without pay</td>
<td>129</td>
<td>96.3</td>
</tr>
<tr>
<td>Paid leave</td>
<td>12</td>
<td>8.9</td>
</tr>
<tr>
<td>Overtime</td>
<td>132</td>
<td>98.5</td>
</tr>
<tr>
<td>Bonus</td>
<td>132</td>
<td>98.5</td>
</tr>
<tr>
<td>PF</td>
<td>129</td>
<td>96.3</td>
</tr>
<tr>
<td>ESI</td>
<td>127</td>
<td>94.8</td>
</tr>
<tr>
<td>Lunch break</td>
<td>134</td>
<td>100</td>
</tr>
<tr>
<td>Training</td>
<td>91</td>
<td>67.9</td>
</tr>
</tbody>
</table>
The human resource management practices in these factories are such that there is an unwritten understanding that dismissal without notice is a reality. All the workers are thus permanently temporary. There are no strong unions to create a distinction between permanent and temporary workers. Further, there is such a poor rate of unionization among the workers that the dismissed workers can hope to recover their PF dues from one employer to join another factory only if they do not resist the dismissal. Workers also respond to these conditions with high rates of absenteeism turn over and frequent visits to their villages only to return in search of employment in the same or another factory. Since there is no paid leave whatsoever, seasonal journeys to the native village or illness are likely to result in a change of employer or break in service. Therefore, the average number of years of current employment was 1.9 for the sampled workers. Of the sampled workers, 45.5% revealed that they had been in the current employment for less than one year, and 92% of them had been in their current job for three years or less. The permanent workers are not distinguished by their long years of service.

The average wage income of the sampled workers is Rs. 3,284 per month. The standard practice in the factories is to pay the legal minimum wage rate for unskilled labour as applicable. This is Rs. 90 per day for unskilled workers; it is calculated and paid monthly but for 26 days. Wages for the weekly holiday (Sunday) are duly deducted for temporary workers. Some annual increments are added every year but 61% of the workers said that wages had not increased since they started working on their current job. Given that the workers do not stay in their jobs long enough to avail of any raise, the average wages remain low and close to the statutory minimum wage. Of the total numbers of workers, 92% are in the category of those earning wages less than or equal to Rs. 4,500. Since the bulk of the workers are tailors (54%), which constitute a skilled category, this is indeed a low wage industry.

Regarding the duration of working hours, only 56% of the sample workers reported working for eight hours per day, while remaining worked for ten or more hours. Although most of the workers said that they received overtime, there were also widespread complaints of unpaid work extracted after working hours and work intensification, and speeding up during working hours. Over 53% respondents said that their working hours had increased since they started work and remaining said that the working day remained the same in their current jobs. Considering that the average length of service per week is short (less than two years), there is reason to believe that the working day is lengthened of workers into the factories.
8.8 ROLE OF GOVERNMENT:

Government could help the industry to find raw material at competitive rates and the best quality possible. Assistance could be provided to the industry through the schemes such as Apparel Park Scheme. Similarly the setting up of special purpose vehicles could be encouraged at least in clusters such as Tirupur. The fiscal duty structure be kept as fibre neutral. The Government needs to give maximum support to training the manpower; as such assistance is also compatible with WTO rules and regulations. Increase in the numbers of Apparel Training and Design Centre would help in meeting the shortfall in training needs of the industry.

The issue of infrastructure development has been raised repeatedly. This relates to the building of world-class infrastructure - port, inland transportation, power and communication etc, facilities within the country, for apparel exports the issue has become more important as the buyers want shorter lead time.

For higher value added exports, conglomeration approach is one technique for acquiring sustainable and global competitiveness. Right from availability of primary raw material to spinning, weaving, processing and garment converting units, along with the testing labs etc should be developed in a compact geographical area, Government policies must be industry friendly and infrastructure in such areas should be world class. In developing such conglomeration location factors, particularly pertaining to raw material availability should also be considered. One of the effective marketing strategies is creating the image of India as reliable quality good suppliers. To sum up, the ability of Indian textile industry to take advantage of quota phase out would depend upon their ability to enhance overall competitiveness through exploitation of economies of scale in manufacturing and supply chain.

8.9. OUTSOURCING:

An earlier survey found that most Indian and global apparel retailers, both organised and unorganised, now prefer to source their products in India, many of the imports maintain a centralized merchandising office in India, appoint contract manufacturers for their own brands, and manage the inventory for the other brands that they stock. The growth of organised retailing is gradually leading to the elimination of all wholesalers and intermediaries from the market and to the practice of contacting with the manufacturers directly. Global outsourcing and its prime focus on optimization, flexibility, cost, and the management of the vending and supply chain systems VIA information and transportation technologies have gradually replaced manufacturing as
a core economic activity. Manufacturing and the labour processes arising from manufacturing are becoming vulnerable to instant relocation and just-in-time supply requirements of global retailers. Big Indian textile firms have an established presence in the export market and are in the process of upgrading their production capacities it cater to higher global demand.

8.10 DOMESTIC CONSUMPTION:

The domestic consumption of ready made garments is increasing, propelled by the expansion of organised corporate retail, brand-building and urbanisation. In 2000-01, of the $9 billion Western-style ready made garments, $5.5 billion was exported, and remaining was absorbed by the urban markets in India. Since then the domestic markets have grown rapidly, and in the first half of the last fiscal year (2006-07), it grew faster than the export market. Of this ethnic wear comprises a small fraction and the designer and branded Western apparel segment is larger. This is a significant indicator of the changing lifestyle and habits of urban India where in ethnic garments like the sari, dhoti, Kurta, and Pajama, which do not go into fabrication but are tailored according to customers' needs, are giving way to Western apparel.

8.11 IMPACT OF THE END OF MULTI-FIBRE AGREEMENT (WTO):

The multi-fibre agreement (MFA) governed global trade in garments from 1974 to 1994. On January 1, 1995, MFA was replaced by the WTO's Agreement on textile and clothing with a ten year period for its unlimited elimination in favour of global free trade. Hence, since January 2005, the main importing countries have been free to import from any exporting country without the earlier system of quotas that were allocated to exporting nations. The quotas were meant to limit competition and protect RMG manufacturing-related jobs in many developing countries in this $350 billion industry with a 40 million workforce worldwide. In the post-MFA environment, business and workers in the textile and clothing sector are under tremendous pressure to produce the right products, at the right time, at the right price, as a result, it is likely that the RMG manufacturing will shrink further or collapse in USA, Europe, and Japan and even in Latin American countries like Mexico. Most studies, however, indicate that in the post-quota free trade regime, there will be an expanding share for India and China. In fact, after 2005, CRISIL studies over-ambitiously indicated that India's ready made garment industry can attain a size of US $ 85 billion by 2010. Most of the apparel manufacturing in India is still undertaken in the unorganised sector, and the two-thirds of the organised sector companies have average turnovers of less than $50
million, and access to finance, new technology, and scale are generally poor. China has an advantage in that respect. Bangladesh, Thailand and Sri Lanka also offer stiff competition to India in RMG export.

After abolition of export quota from January 2005, our textile and clothing industry and its exports had registered impressive growth for two years. But these started declining from beginning of this year with the steep appreciation of rupee. By now there is a grave crisis in the industry with negative growth both in the domestic and international markets.

To cope with the post-MFA world, the National Textile Policy 2000 was framed, which laid down an ambitious export target of $50 billion for the year 2010, while generating 12 million jobs, of which six million would be skilled. The policy also introduced a series of measures like de-reserving garments (except knitting and knitwear) from the list of industries reserved for small-scale industries (SSI), permitting 100% foreign direct investment (FDI) in garments units. Later Central Budgets: (a) reduced import duty on textile and garment making machinery and other raw material use in the industry cheaper, (b) introduce a technology upgradation fund, and (c) launch a capital subsidy scheme and other measures in an attempt to induce the sectors expansion to chapter the global market.

The situation demands urgent and coordinated measures by both the industry and government in order to ensure that the current temporary problems do not prevent us from utilizing the strong fundamentals of the industry and achieving its long term potential. In the textile industry, the weaving sector has been identified as one of the poorest technological links in the value chain. What makes the problem more serious is that the decentralised sector, both the powerlooms and the handlooms, which are accounting for the production of 76% of our fabrics needs, is marked by an overabundance. The textile industry can be broadly classified into two categories, the organised mill sector and the unorganised decentralised sector. Being a controlled sector, the organised mill sector has a complete information base on the organisational set-up, machinery installation, production pattern, employment etc. However, information-base on the decentralised sector is inadequate and policy planning has so far been based on rough indirect estimates. The organised sector of the textile industry represents the mills. It could be a spinning mill or a composite mill. Composite mill is one where the spinning, weaving and processing facilities are carried out under one roof. On the other hand, the decentralized sector has been found to be engaged
mainly in the weaving activity, which makes it heavily dependent on the organised sector for their yarn requirements. This decentralized sector is comprised of the three major segments viz., powerloom, handloom and hosiery. In addition to the above, there are readymade garments, Khadi as well as carpet manufacturing units in the decentralised sector.

On the basis of the survey of textile industry, study of related literature and government reports, the researcher suggested following points:

1. Textile Ministry, Govt. of India, has already taken certain initiatives to set up clusters for handloom and garment making facilities. This needs to be accelerated and many to privatized.

2. World without barriers will throw up many opportunities and challenges for collaborative efforts between companies located in different countries. The Trans-Continental manufacturing and marketing of products and services will be the new order of the world. Indian companies can actively look forward to such possibilities and grab them.

3. To make one or two years full time employment compulsory before awarding a degree or diploma in textile and clothing.

4. To increase collaboration between industry and institutes to document practical knowledge that can be shared, across professionals.

5. Fabric of all kinds can be imported duty free under a special value based advance licensing scheme subject to an export obligation. Trimmings and embellishments are also allowed to be imported under the scheme. Value-based Advance Licence Scheme has been withdrawn by the Government in the Exim Policy (1997-2002).

6. Facility of opening back to back overseas letter of credit for importing fabrics, trimmings and embellishments to the extent of 50% of the value of the letter of credit received from the importer of garments.

7. Second-hand machinery can also be imported under the scheme subject to the condition that the residual life of the machinery is 5 years. In such case machinery is imported against zero duty facility; the residual life is prescribed as 10 years.

8. Import of labels and tags is allowed duty free.
9. Private bonded warehouse facility for imported goods—which are freely importable or against special import licence has been allowed to be set up in the domestic tariff area in addition to export processing zones.

10. For 100% Export Oriented Units and Units set up in the Free Trade Zones/Export Processing Zones, following incentives and concessions are allowed:

i. Foreign equity participation up to 100%.

ii. Import of equipment, raw material and components without an import licence and free of import duties.

iii. Exemption of excise duty and other levies of the Central Government on the finished products.

iv. 5 year tax holiday on corporate profits

v. Special dispensation relating to local taxes such as octroi, sales tax and property tax.

vi. Permission to sell up to 25% of annual production in the domestic market, provided the buyers have valid import licenses (where necessary) and pay the applicable import duty, if any.

vii. Net Foreign Exchange (NFE) earned by EOU/FTZs can be clubbed with the earnings of their parent/associate companies in the DTA for the purpose of obtaining Export/Trading/Star/Super Star Trading House Status.

viii. Exemption from excise duty on all goods procured from the domestic tariff area.

11. A recently research study on 'Indian Textile: Weaving a Global Spin' also predicted fears growth predictions would slip to 6% unless vigorous efforts are made to reform the textile sector. India's textile industry attracted investment of Rs. 33,000 crore during fiscal 2006-07, up 50% from Rs. 21850 crore in the previous year. The total size of textile sector is $ 47 billion with the domestic market accounting for $ 30 billion and export for the remaining $17 billion. The rising rupee has already lowered margins and made it more difficult for companies to compete internationally. The government to realign duty rates across different segments of the industry cut custom duties on raw materials and textile machinery. A 4% customs duty levied on textile and clothing should be refunded to exporters.
Global manufacturers, and Private Equity Fund should be encouraged to invest in small scale manufacturers, and that India’s stringent labour laws need urgent reform. The textile industry is in the dire need of fresh investment in capacity expansion, modern technology and machine installation.

The government has reduced duty drawback rates, offered credit subsidies, capital subsidies and facilitated swifter reimbursement of tax refund claims. The government should revert to the practices it was followed 10 years ago when it was giving cash incentives, duty drawbacks and other incentives to the exporting community.

India has had an impressive growth of 27% in the calendar year 2005 and 8.98% in 2006 in value terms. Much of the blame for the slowdown rests on the hardening rupee, which has appreciated 4.45% against his dollar in the April 2006-April 2007 period. The Chinese Yuan also appreciated 3.5% during the period. The currencies of other major exporters-Pakistan (1.3%), Sri Lanka (5.5%) and Indonesia (2.3%) – depreciated during this period. All three countries witnessed better growth in value terms compared to their volume growth. In order to mitigate the impact of currency appreciation on exporters, industry body Confederation of Indian Textile Industry (CITI) has sought government intervention. Appreciation of the rupee and depreciation of other currencies has made Indian textile exporters less competitive resulting in lower unit value realization. The exporter is forced to under price a product to compete with those whose currencies have appreciated. Moreover, exporters are facing a rise in the cost of production due to continuing high level of inflation. The National Manufacturing Competitiveness Council has also taken up this issue with the government.

Considering the inherent strengths of this industry in terms of a strong raw material base, skilled man-power and low wages costs, it has immense potential in the globalised textile economy. However given the nature and extent of the fragmentation and technology obsolescence in the decentralised sector, it calls for focused action plane and programmes to accelerate and sustain the growth level of the different segments of the industry.

A mismatch between our fibre consumption pattern and that in the world markets is one of the major reasons for low exports in world market. While man-made fibres account for over 60% of world fibre consumption, our exports
based on this fibres account for less than 20% of our total textiles exports. Another mismatch is in the product mix. Over 60% of world trade in textile products, especially in garments, is in the high volume segment, where we have a very limited presence. That this segment is dominated by blends of manmade fibres is one reason why we are not competitive in this segment. The other more important reason is that mass production items are extremely price sensitive and with our high production costs and low productivity, we are priced by the other Asian suppliers.

17. The industry, hamstrung by years of regulation, is surely lacking in technological advancement, and scale of operations, both areas which are critical in bagging a large share of the world trade in textiles. Overall, there is a low level of modernisation in India in most elements of the clothing and textiles value chain, especially in weaving and in garmenting. Among powerlooms, which produce nearly 60% of the fabric output, less than 1% were shuttleless looms as few as four years back. Even among the organized mill sector, less than 6% have shuttleless looms. These levels are much below those of several developed and developing countries, which have seen a high replacement rate of old looms with modern shuttleless looms; more than 80% of looms in Taiwan, Korea and the U.S. are shuttleless. Also with the years of government policy favouring the small scale sector, the textile industry in India is of a very fragmented nature. With taxation regimes favouring smaller units, Indian garment factories are nowhere close to having the kind of capacities that exist elsewhere. The larger Indian factories have only 10-20% of the number of machines found in otherwise comparable Chinese factories. In the quota days this was construed to be an advantage by some, as Indian industry could cater to niche demands. Post 2005 however, it has emerged (as expected) as one of the reasons holding India's textile industry back. There are other problems in addition to those already pointed out. Infrastructure, a bottleneck which plagues most Indian industry today is a stumbling block for the textile industry as well. Chinese companies have the advantage of lower power costs and better power availability over Indian companies, and they also enjoy shorter lead time to the US, which is an advantage other countries like Mexico and Turkey which have more efficient port systems or more favourable locations also possess. The labour laws which prevent retrenchment of workers from sick units are another hurdle in the path of competitiveness. Even with all these problems, Indian
textile exports have grown post the 2005 removal of quotas, but this growth has been a modest 10-11%. During the same period, textile exports from China have grown at rates in excess of 20%, and from a larger base at that.

18. Textiles Sector has been identified as one of the priority sectors having high growth potential and higher multiplier effects for employment generation. Timely policy intervention can boost the competitiveness of this sector manifold, as the growth impetus prevailing in the sector is vibrant. Textile and Clothing industry plays a dominant role in the country's economy and has a prominent position in the textile world. It has a total market size of US $52 billion and accounts for 26% of the manufacturing sector, 20% of industrial production and 18% of industrial employment. It contributes 15% to gross export earnings and 4% to national GDP. It provides direct employment to about 35 million persons. Besides, another 50 million people are engaged in allied activities. Market size potential for the industry is envisaged at USD 115 billion by 2012.

19. Clothing is the 'baby' in the textile family. While the textile industry dates back to several centuries, the clothing industry originated only around 75 years back. During this period, however, the baby has outgrown the rest of the family taken together, both in weight and value. According to WTO statistics, world trade in textile products during 2006 amounted to US$530 billion, of which US$ 311.4 billion (58.75%) related to clothing trade. In developed countries, custom made garments are a rarity today and other countries are following suit. Thus in the coming years, the share of clothing in total textile trade is bound to increase steadily.

20. One major problem we have in the entire textile sector is too much of concentration. In the case of fibre mix, we are concentrated on cotton. In final products, we are concentrated on casual wear and fashion garments, especially in exports. In markets, the concentration is on North America and West Europe. And it is now getting clear that we also have an undue concentration on exports percent. The major solution is to diversify in all these areas. But that process has its own quota problems.

21. India is the second largest producer and exporter of cotton in the world. Both weaving and processing are mostly in fragmented segments, which cannot use modern technology and cannot ensure shade consistency for large orders. The
weakness of the fabric base is one of the primary reasons for fragmentation of the garment industry. The other is our unworkable labour laws that discourage employment of a large work force under one roof. Given the structure of the industry, the focus on casual wear and fashion garments is not a choice, but a compulsion! North America and West Europe account for over 55% of clothing imports in the worlds. Exports are possible only to market which have money to pay and a liking for our kind of garments. This market diversifying into other markets more difficult than it appears. And coming to the focus on exports, presently exports account for more than half of our production of textiles and clothing, basically because the domestic market is not able to absorb more. Thus the obvious solution is not a very workable one. Therefore, we need to go beyond the obvious and find innovative solutions for achieving sustained growth of our textile and clothing industry. Government policies were substantially responsible for weakening our manmade fibre base and fragmenting our fabrics and garment industries in the past.

22. Critical issues such as outdated labour laws, high infrastructure costs and lower labour productivity have been brushed under the carpet because of the outcry overt the rupee, Bangladesh’s labour rates are the lowest globally. Ninety per cent of the low cost market has gone there and it will be no surprise if cost-conscious clients continue to flock to that country.

23. At the level of the industry, the Technology Up gradation Fund (TUF) scheme and Technology Mission on cotton have spurred investments in the weaker links of the textile chain viz cotton ginning, weaving and processing. Industry estimates have also been bullish, with leading associations expecting investments to the extent of Rs. 1, 40,000 crores by 2010. Government and Industry have recently evolved a vision for the year 2010 for the textile sector aimed at:

- Increasing growth of the textile economy from the current US $36 billion to US $85 billion
- Creation of 12 million new jobs
- Increase India's share in world trade from the current 4% to 8%
- Modernisation and consolidation for creating a globally competitive industry
The drawback rates in the recent notification of government have been increased from 7.5% to 7.8% for man-made fibre garments, 6.8% to 7.2% for blended garments and 6% to 6.7% for cotton garments. Garment exporters have thanked the government for increasing the drawback rates, but they feel the increase is too little to provide any comfort.

In the globalisation regime of the textile industry, cost, quality and services match is the key of survive and grow. Several studies have been done albeit in generalization on the cost of production. Almost all the studies indicate that India has advantage only in the wage front, but there are countries, which are equally in advantages position in the labour cost.

Quota phases out to open window of opportunity but the benefits. Wreathless, for developing countries may not spread out early. Countries that are more competitive may be able to exploit more opportunities.

Exports of the textile products of various countries was converted into unit value realization based on the volume and value of exports and the unit value realization for yarns, fabrics and clothing were calculated. The unit value realization of the textile products firms is among to lowest. In the case of yarns, were the average price realization is US$ 2.17 per kg. as compared to the international average price realization of US$ 2.19 and in fabrics, the Indian realization was US$ 4.71 as against international average of $ 5.58.

8.12 CONCLUSION:

The researcher attempt to assess the local impact of manufacturing supply chains of global retailers, on the quality of employment that they generate, and the power of workers and their organisation in the circumstances. In this case, the ready made garment hub of India, where garment manufacturing for international brand is widespread, was chosen for a survey.

The researcher found that the recent export boom has intensified work and lead to the use of many flexible work practices by management, without increasing the wage. However, rural-urban migration creates a durable supply of worker; the sector employs approximately 7 and a half lakh worker cyclically. But their social backwardness and gender (75% of them are women) retard attempts at organisation and resistance the remain power less, particularly when confronted with global capital, with their discussion centres being located far away and the workers being
unanswerable to local authorities. The effectiveness of other trade union is related directly to the worker security that they can nurture. Trade unions influence both income and employment security. An insecure workforce needs the organised protection that a formal union can provide, but periods of general worker insecurity usually coincide with a weakening of the trade unions.

In a country like ours where labour is abundant and the unemployment poses a serious threat to the economic growth of the country, there is always a controversy about the production technology to be adopted. The mill sector's competitiveness is at stake given the mushrooming of a large powerloom sector that has production-function advantages. The textile productions in case of the later entrants like powerlooms have therefore upset the entire production scenario. The powerlooms and mills are able to go for mass production with better quality products. In spite of the fact that the industry could assimilate high technology levels for better quality production in the market, it has never adapted to the modern technology and, therefore, has remained obsolete. In the advent of globalisation, the Government of India, as part of its modernisation efforts, has decided to induct about 50,000 shuttleless looms and upgrade 2.5 lakh looms into automatic and semi automatic powerlooms and make it cost effective.