CHAPTER ONE: INTRODUCTION

Textiles and clothing is indispensable to human beings because this industry fulfils one of the basic needs of mankind. Additionally, textile industry has proved to be the building block in the process of industrialisation for countries world over. However, it is nonetheless imperative to understand the meaning to textiles and clothing before comprehending and establishing the importance of the textile and clothing industry to the world economies.

Initially, textile was understood as a knitted fabric if one goes by the Textile Dictionary. However in the current day scenario it also refers to items like fibres, filaments, yarn and other textile material. On the other hand, in reference to the same dictionary, cloth was signalled as a broad term which is made of any textile fibre, wire, or other material, and contains any plaint fabric which may be knitted, spun, crocheted, woven, felted, stitched or needled.

In order to manufacture clothing, fibre needs to be converted to yarn and yarn into fabric. The resulting fabric is then used in the production of apparel. Hence the present study attempts to develop an understanding of the meaning of fibre, yarn and fabric. According to the Complete Textile Glossary, 2001, fibre is defined as a substance which is the elementary component of fabric or any other textile structure. Thus fibre is the initiation and clothing is the end to the supply chain. Fibres may include natural fibres or man-made fibres. Natural fibres refer to those obtained from nature i.e. from plants, animal, and/or minerals etc. Examples of natural fibre are cotton, coir, wool, silk, and flax etc. Man-made fibres on the other hand are those which are produced from chemical treatment of natural polymers (cellulose extracted from trees), synthetic polymers (derived from petroleum) or inorganic materials.
Examples of these artificially manufactured fibres include nylon, polyester, fibreglass, and rayon etc. These fibres are then used to produce yarn. Yarn, as defined in the dictionary, means unceasing thread of textile fibre, filament or other material which in turn is appropriate of being knitted, weaved or otherwise suitable to convert the fibre into textile fabric. This fabric is then utilised in manufacturing of wearing apparel while employing other processes like purification of fabric through chemical treatment, dyeing, printing, and designing etc. Thus the entire process can be broadly summarised as:

**FIBRE → YARN → FABRIC → APPAREL**

The process of manufacturing and retail with regards to textiles, until 17th century, was carried out by artisans individually and mostly within their housing premises. This had restricted the scope of growth of this industry, despite the fact that it generated huge amount of employment opportunities. The study of Nardinelli (2008) revealed that changes in this process started taking place in the early 18th century. According to him, these artisans started looking out for ways and means to enhance their productivity and efficiency of production technique. It was the European manufacturers who moved into factory production of textiles and clothing by the end of the eighteenth century Gutmann (1988). These events ultimately led to mass production of textile goods and clothing and eventually manifested the establishment of textile and clothing as a mainstream industry. Not only this, the uses of textiles and its products have immensely diversified over the years. For instance, transportation industry makes enormous use to textiles. It is used in tyres to provide them strength, in brake linings, seat belts and in the interiors of transport vehicles.
Similarly, textile fibres are used in sports products such as badminton rackets, cricket bats, golf clubs etc. Textile products are essential to health sector as well. Artificial kidney, casts for fractured bones, disposable clothes, bandages, surgical masks and the like are made of textiles in some proportion or all. Thus, textiles, its products and clothing are indispensable needs of any economy of the world. These commodities shall either be produced within the domestic bounds of an economy or be imported from other countries. In effect and more importantly, this industry forms a key portion of production, employment, and trade in many developing and presently developed nations, and is one of the largest and universally established industries in the world. The remaining part of this chapter hence examines the significance of textile and clothing industry to the world economies.

1.1 Economic Significance of Textile and Clothing Industry

The World Trade Organization report of 2006 stated, "In no other category of manufactured goods do developing countries enjoy such a large net exporting position" (as they do in the textile sector). Facilitation of international trade via textiles and clothing industry has already played and still continues to play a critical role in the economic development of many economies of the world. Ultimately this enables the integration of these nations in the global economy. Moreover, currently, more than half of the global exports of goods produced by the textile industry accrue to developing nations of the world.

Deliberating about the importance, textile and clothing is a one of the traditional industries with which the process industrialization is initiated as it is a low cost industry. Moreover, it is labour intensive in nature of its production. Thus, for underdeveloped economies who are primarily engaged in export-orientated
industrialization through T&C industry, have made this industry appropriate as the initial step to industrial development of such poor countries. Some of these nations have experienced a very high output growth rate in the sector, such as Bangladesh, Sri Lanka. Other nations, such as Vietnam and Mauritius, have since become middle income countries through their high outputs and consequently increased earnings from the industry (Gereffi 2002). Moreover, this industry’s role was crucial to Britain’s industrial revolution and likewise for North America. Its critical role in cushioning the export-oriented growth of East Asian economies is also a known fact (Yang & Zong 1998).

Similarly, other Asian economies have emerged, as well as, are emerging as dominant exporters of textiles and clothing products in the international market. Nevertheless, textile and clothing industry is crucial to different economies of the world owing to different reasons. For instance, it is the leading source of exports for countries like Cambodia, constituting nearly 80-90 percent of their total exports (Keane & Velde 2008). In fact, Cambodia’s exports of textile and clothing goods account for nearly 55% of its gross domestic product. Furthermore, garment and agricultural products dominate the exports of Cambodia. Clothing sector constituted 52 percent of overall exports of Cambodia in 2012; and in 2013 nearly 70 percent of Cambodian exports to EU contained garments. Consequently, textile and apparel exports are dominant earner of foreign exchange for such countries. Quoting the example of Bangladesh, clothing exports generates revenues of twenty billion US dollars or more annually (Gosh 2014). This industry is Bangladesh’s largest earner of foreign exchange, and in the absence textiles sector, the already poverty stricken Bangladesh’s economy would rather collapse (Gosh 2014). Its exports In case of Pakistan, more than 50 percent of its total exports are accounted by textiles which are worth 10.2 billion US dollars
Thus, trade in textile and clothing is significant for developing economies in general and poorer Asian developing countries in particular (Srinivasan 1996).

Turkey is one of the classic examples to reflect the fact that textile and clothing sector laid basis of rapid growth in industrialisation, trade and commerce. Rather, textile and clothing was the first industrial sector of this country. Turkey’s T&C industry received a further boost in 1990s, owing to the trade advantages it derived from the European Union (EMIS Company Data, 2013). Nevertheless, in the present day scenario, textiles and garments sector comprise the leading manufacturing subsector in Turkey in terms of capacity of production and employment generation. As of today, Turkey holds the eighth position in total cotton production at global level and fourth position in world cotton consumption. More so, ranking amongst the top ten suppliers of textile in the world, Turkey is globally second largest exporting nation to the European Union (General Secretariat of the ITKIB, 2014).

Additionally, this industry is extremely vital in generation of employment, especially for the developing nations of the world. This was one of the chief reasons for developed world to restrict imports of textiles and clothing when its comparative advantage shifted, initially, to Japan and Korea and later to countries like China, India, and Pakistan etc. In fact, the U.S. textile industry is one of its nation’s important employers in the manufacturing sector, employing 232,000 workers, which represents 2 percent of the U.S. manufacturing workforce.1 With regards to EU, irrespective of the fact that employment in this sector declined drastically by nearly 40% during 1980-1995; however fall in textile and clothing production was much less than the fall in employment in this sector (Stengg 2001). This indicated rise in labour

---

productivity as well as process restructuring involved in this sector. For instance, owing to difference in wage rates in comparison the wage rates in less developed countries, EU delegates process like cutting, sewing etc. to labour abundant economies where labour is much cheaper. These evidences portray the importance of T&C exports to developed countries like EU. Additionally, the outsourcing activities signify the importance for developing nations to whom T&C business is subcontracted because it results in enhancement of employment prospects.

To add further, studies have also revealed that the share of employment in textile and clothing industry in low income and least developed countries ranges from 35% to 90% in their total working population (Keane & Velde 2008). For instance, Pakistan’s textiles sector employs around 15 million people which account for 30 percent of its workforce (Malik). Moreover clothing, being foremost manufacturing industries to come amongst other industries in less advanced nations, it provides work to less skilled workers majorly. Such workforce includes a major proportion of women workers. Also, these workers, rather, have negligible remunerative occupation alternatives. Hence, textile and clothing manufacturing paves way for thousands of pitiable unskilful population of a less developed economies to step out of poverty through gainful employment. As a result, this industry boosts the economic development of a country, more so owing to inclusion of women workers to a large extent.

In order to further understand the importance of textile trade, attempt is made to examine the role of T&C sector in a low income nation like Madagascar. The government of Madagascar placed huge importance to textile and clothing industry for furthering its exports during the era of 1960s and late 1970s, and it became the
country’s fastest growing industry (Herbert, 2006). Madagascar initiated the process of liberalisation and structural changes in 1980s. After liberalisation, textile and clothing underwent massive decline due to several factors like unaccountable public sector units, lack of competitiveness against foreign players etc. As a result, the government adopted a new strategy of development through promotion of Export Promoting Zones (EPZs). Importantly, these EPZs breathed new life to Madagascar’s textile and clothing industry. In fact, clothing exports increased by 700% between the years 1995 and 2000 (ibid). This industry got a further boost in 2000 owing to enactment of the African Growth and Opportunity Act (AGOA) by America. The Act allowed Sub-Saharan African countries including Madagascar to export their T&C products duty free. Consequently, Madagascar’s T&C sector not only became the major employment generator for the country, but also contributed significantly to the growth of the nation. However, political crisis in 2002 and subsequent removal of quotas from T&C trade in 2005 rendered this industry uncompetitive which led to its downfall and massive unemployment (ibid).

Textile and clothing industry also acts as a major contributor to GDP of several economies, like, nearly 15% in Pakistan (Keane & Velde 2008). With respect to the textile and clothing industry prevalent in the presently developing nation of Cambodia, the country is one of the fastest growing economies of the world today, with an average rate of GDP growth of 8% per year since 2003 (World Bank, 2014). As per the National Strategic Development Plan (RGC, 2009-2013), the GNP per capita per year has more than doubled since 2004, from 1,000 US dollars to 2,095 US dollars. At this rate, Cambodia is expected to become a ‘Middle-income nation’ soon. The economic catalysts responsible for these developments can notably be found in
the agriculture sector and the industrial sector (primarily the textile and clothing industry).

For a country like India, it contributes 14 percent to country’s overall industrial production and approximately 18 percent to total export earnings and nearly 5 percent to GDP, in accordance with Dun & Bradstreet (commercial data) findings of August, 2015. More importantly, with India’s burgeoning problem of huge population, this industry provides employment to nearly 35 million personnel (Reinert, 2005) including both, skilled and unskilled workers. In fact this is India’s second largest employment generating industry. The textile and clothing industry of India further provides for gainful job creation in rural areas engendered through handicrafts and other allied activities. The study conducted by IDRC Ottawa (1986) was testimony to the contribution of the handicrafts and textile based activities to overall employment opportunities in Asia. In the context of the Indian economy, it was observed that more than two million workers were engaged in full-time craft employment (Pye, 1988), and the revenue from artisan-produced handicrafts and textile goods amounted to 16 percent of India’s total trade.

As clearly observed, textile and clothing industry is of crucial importance to the developing countries. This industry generates enormous employment opportunities for skilled as well as unskilled labourers, especially women. Moreover, export-driven less developed countries receive a huge boost in economic growth owing to this industry. However, economies of the Third World which had comparative advantage in production and exports of T&C product were not able to realise its complete benefits owing to decades of quantitative restrictions imposed on its trade by the developed world. These quota restrictions were eliminated only, nearly a decade ago, in 2005.
Hence the next chapter reviews the literature in details with regards to the era of these quantitative restrictions and examines the studies conducted to evaluate its impact, to ultimately gain an understanding to lay down the objectives of this study.