



## EXPORT STATUS OF INDIAN TEXTILE INDUSTRY DURING PRE AND POST MULTI FIBRE AGREEMENT REGIME

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### Abstract

Textile Industry has an overwhelming presence in the economic life of the country. According to the economic survey 2008-09, textile sector contributes 14 percent to the industrial production, 4 percent to Gross Domestic Product and 10 percent of country's export earnings. It provides direct employment to over 35 million people, which includes substantial number of economically weaker sections of the society. The Indian textile industry managed to penetrate its roots deep in the international market but that was in the era when Multi-Fiber Agreement (MFA) was in existence, but now, since 1 January 2005, the Multi-fiber Agreement has phased out and India needs to strive harder to sustain its past achievement. MFA is an agreement through which developing countries of the world were restricted to export their textile products beyond a certain level to the markets of developed nations. Dismantling the quota regime represents both an opportunity for developing countries to expand exports and a threat because quotas will no longer guarantee markets and even the domestic market will be open to competition. With the view of this an attempted has been made to analyse the relation of Pre and Post MFA in Indian textile exports.

From the overall analysis it is evident that among the 12 countries only three countries namely Bangladesh, Thailand and Indonesia have recorded the increasing growth rate from 4.03 per cent to 9.18 per cent, 3.25 per cent to 7.26 per cent and 4.71 per cent to 6.79 per cent respectively. Eventhough the countries Vietnam (14.93 per cent), China (7.44 per cent), Combodia (4.03 per cent) and India (2.76 per cent) have achieved positive growth rates they are having growth trends. And remaining five countries have registered negative growth rates. From the analysis it is evident that the post Multi Fibre Agreement environment is not favour to most of the nations including India in the world.

To effectively tackle the situation India needs to invest in research and development to develop new products, reduce transaction costs, reduce per unit costs, and finally, improve its raw material base. India needs to move from the lower-end markets to middle level value-for-money markets and export high value-added products of international standard. Thus the industry should diversify in design to ensure quality output and technological advancement. The business environment of the future will be intensely competitive. Countries will want their own interests to be safeguarded. This will demand a new mindset to eliminate wastes, delays, and avoidable transaction costs. Effective entrepreneur-friendly institutional support will need to be extended by the Government, business and umbrella organizations.

### Introduction

Indian Textile Industry is one of the leading textile industries in the world. The opening up of liberalized economy gave the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world. Textile Industry has an overwhelming presence in the economic life of the country. According to the economic survey 2008-09, textile sector contributes 14 percent to the industrial production, 4 percent to Gross Domestic Product and 10 percent of country's export earnings. It provides direct employment to over 35 million people, which includes substantial number of economically weaker sections of the society. Textile industry has a strong base as it is vertically integrated, from producing raw-material to provide value-added products. India is the world's third largest producer of cotton and cellulose fiber and yarn, the second largest producer of silk, and the fifth largest producer of synthetic fiber and yarn. Indian textile industry is bestowed with many factors of production like raw-material, skilled and unskilled labour, vertical integration, growing domestic market, institutions for textile designing like the National Institute of Fashion Technology (NIFT) support by government in the form of Technology Upgradation Fund, etc. The industry has a complex structure because it has various independent units which individually form different micro firms like the spinning mills, the weaving and knitting firms, the Indian fabric processing firms, and the garment (apparel) manufacturing sector as well. There exist a large number of players in each sector but none of these is large enough to stimulate the demand for its textile products in the global market. So far international trade in textile and clothing has been managed through forced consensus. Textile trade between developing and developed countries, that is the exporting and importing countries, had been the hardest fought trade issue.

### India's Textile Exports

The Textiles Exports basket consists of Ready-made garments, Cotton textiles, Textiles made from man-made fiber, Wool and Woolen goods, Silk, Handicrafts, Coir, and Jute. Further, the export basket consists of variety of items: cotton yarn and



fabrics, wool and silk fabrics, man-made yarn and fabrics, jute industry etc. Textile exports play dominant role in the total exports of the country. Indian textile industry is the second largest in the world. It has the largest cotton acreage 9 million hectares. It ranks fourth in terms of staple fiber production and sixth among filament yarn production. The country accounts for about one fourth of global trade in cotton yarn Indian textile and clothing industry was generally inward looking till 1980s. The Textile Policy of 1985 heralded a new beginning for the textile industry by focusing on the deep rooted structural weaknesses. The reforms initiated in 1990 further boosted the textile industry. The textile industry was delicensed and reforms on fiscal and external front were pursued. As a result exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004. The period 2010-11, the textiles & clothing exports grew by 19.66 percent to USD 26.82 billion as against USD 22.41 billion. During April-November 2011, textiles and clothing exports recorded at USD 19.78 billion, higher by 24.73 percent against USD 15.86 billion. In respect of global exports of clothing, India ranked sixth largest exporters as per the World Trade Organization (WTO), railing Turkey, Bangladesh, Hong Kong, EU-27 and China. In respect of global exports of textiles, India ranked third trailing EU-27 and China. Indian textiles and clothing exports is facing various constraints of infrastructure, high power and transaction cost, incidence of state level cess and duties, lack of state-of-the-art technology.

The Indian textile industry managed to penetrate its roots deep in the international market but that was in the era when Multi-Fiber Agreement (MFA) was in existence, but now, since 1<sup>st</sup> January 2005, the Multi-fiber Agreement has phased out and India needs to strive harder to sustain its past achievement. MFA is an agreement through which developing countries of the world were restricted to export their textile products beyond a certain level to the markets of developed nations. Dismantling the quota regime represents both an opportunity for developing countries to expand exports and a threat because quotas will no longer guarantee markets and even the domestic market will be open to competition. With the view of this an attempted has been made to analyse the relation of Pre and Post MFA in Indian textile exports.

Table-1 presents data on the export details of textile industry during the period of before Multi-Fibre Agreement from 1997 to 2004. In the beginning of the period China achieved maximum export (\$ 85,21,076) followed by Mexico (\$ 66,18,174) and Hong Kong (\$ 41,70,923). In the year 1997 India's export was \$ 22,11,469 and it has increased over the years and reached to \$ 40,74,260 in 2004, thus recorded a growth rate of 8.42 percent. In the end of the period, maximum export was noticed in China (\$1,93,07,069) and minimum export was witnessed in Cambodia (\$14,42,409). The average export for the analysis period explains that highest was experienced in China (\$1, 14,89,740) followed by Mexico (\$89,95,247) and Hong Kong (\$43,29,769). All countries except 2 countries i.e. Taiwan (-4.53 percent), and Hong Kong (-1.80 percent) have recorded positive growth in textile exports. Country-wise highest growth rate was found in Vietnam (144.97 per cent) followed by Cambodia (37.76 per cent) and China (12.05 per cent). During the before Multi-Fibre Agreement regime India was in a fourth position with the growth rate of 8.42 percent.

Table-2 presents data on the export details of textile industry during the period of post Multi-Fibre Agreement from 2005 to 2012. In the initial period maximum export was achieved in China (\$ 2,76,28,600) and followed by Mexico (\$82,28,960) and India (\$51,29,722). In the year 2005 India's export was \$51,29,722 and it has increased over the years and reached to \$63,67,161 in 2012, thus recorded a growth rate of 2.76 percent. In the end of the period maximum export was noticed in China (\$4,69,19,162) and minimum export was witnessed in Hong Kong (\$2,09,317). The average export for the analysis period explains that highest was experienced in China (\$3,89,84,049) followed by Mexico (\$62,47,988) and India (\$56,76,505). Out of 12 textile exporting countries 6 countries recorded positive growth rates and remaining 6 countries noticed negative sign growth rates. Country-wise highest growth rate was found in Vietnam (14.93 per cent) followed by Bangladesh (9.18 per cent) and China (7.44 per cent). During the phase out of quota system period, India was in the sixth position in textile exports.

**Table-3,Comparative Growth Analysis of Textile Export during Pre and Post MFA**

Sl. No.	Country	Pre MFA		Post MFA	
		Mean	CGR (%)	Mean	CGR (%)
1	India	3034094	8.42	5676505	2.76
2	China	11489740	12.05	38984049	7.44
3	Bangladesh	1943494	4.03	3671182	9.18
4	Cambodia	821478	37.76	2255143	4.03



5	Vietnam	799548	114.97	5435159	14.93
6	Mexico	8995246	2.87	6247988	-5.29
7	Hong Kong	4329769	-1.8	1434297	-38.45
8	Indonesia	2291633	4.71	4405518	6.79
9	Thailand	2217538	3.25	1868324	7.26
10	South Korea	3071633	0.79	1519525	-9.06
11	Taiwan	2740277	-4.53	1369648	-8.13
12	Philippines	2104525	0.04	1514607	-8.36

Table-3 presents the comparative analysis of different countries' exports during pre Multi Fibre Agreement period (1997 to 2004) and post Multi Fibre Agreement period (2005 to 2012). Among the 12 countries only three countries namely Bangladesh, Thailand and Indonesia have recorded the increasing growth rate from 4.03 per cent to 9.18 per cent, 3.25 per cent to 7.26 per cent and 4.71 per cent to 6.79 per cent respectively. Eventhough the countries Vietnam (14.93 per cent), China (7.44 per cent), Combodia (4.03 per cent) and India (2.76 per cent) have achieved positive growth rates they are having growth trends. And remaining five countries have registered negative growth rates. From the analysis it is evident that the post Multi Fibre Agreement environment is not favour to most of the nations including India in the world.

### Conclusion

From the analysis, India needs to invest in research and development to develop new products, reduce transaction costs, reduce per unit costs, and finally, improve its raw material base to effectively tackle the situation. India needs to move from the lower-end markets to middle level value-for-money markets and export high value-added products of international standard. Thus the industry should diversify in design to ensure quality output and technological advancement. The business environment of the future will be intensely competitive. Countries will want their own interests to be safeguarded. New consumer demands and expectations coupled with new techniques in the market will add a new dimension. Effective entrepreneur-friendly institutional support will need to be extended by the Government, business and umbrella organizations.

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### Annexure



**Table-1 Country wise Exports of Textile Sector in Pre Multi Fibre Agreement**

(Values in US \$)

Sl. No	Country	1997	1998	1999	2000	2001	2002	2003	2004	Mean	S.D	C.V	C.G.R (%)
1	India	2211469	2491051	2614967	3049809	2917560	3307442	3606194	4074260	3034094	614708.4	20.26	8.42
2	China	8521076	8492271	8851566	9713174	9945955	11746375	15340434	19307069	11489740	3896914	33.91	12.05
3	Bangladesh	1512939	1717623	1780017	2230368	2234930	2016625	1962158	2093295	1943494	255926	13.16	4.03
4	Cambodia	98730	361893	586748	816104	952782	1061583	1251581	1442409	821478	452634	55.09	37.76
5	Vietnam	26751	29447	38137	50307	50072	959036	2498407	2744228	799548	1170252	146.36	114.97
6	Mexico	6618174	8221224	9396289	10574571	9889232	9524598	8971038	8766849	8995247	1197429	13.31	2.87
7	Hong Kong	4170923	4681081	4533877	4769785	4466817	4083338	3888574	4043757	4329769	325113	7.50	-1.80
8	Indonesia	1895640	2000942	1992655	2422155	2591233	2366334	2410264	2653842	2291633	289912	12.65	4.71
9	Thailand	1718278	2022975	2141375	2525295	2532578	2298389	2183494	2317920	2217538	268502	12.10	3.26
10	South Korea	2616031	2985835	3198911	3448533	3260791	3199150	2916005	2947811	3071633	257676	8.38	0.79
11	Taiwan	3040416	3080089	2955152	3017482	2715048	2410907	2382216	2320910	2740278	325525	11.87	-4.53
12	Philippines	1877023	2098488	2184628	2318687	2273714	2057708	2059578	1966379	2104526	149282	7.09	0.04

Source: U S Department of Commerce, Office of Textile and Apparel

CGR: Compound Growth Rate

**Table-2, Country wise Exports of Textile Sector in Post Multi Fibre Agreement**

(Values in US \$)

Sl. No	Country	2005	2006	2007	2008	2009	2010	2011	2012	Mean	S.D	C.V	C.G.R (%)
1	India	5129722	5533739	5580846	5560448	4982203	5826929	6430992	6367161	5676505	520015	9.16	2.75
2	China	27628600	32397590	37996531	38421317	36732570	44484896	47291724	46919162	38984049	6978861	17.90	7.44
3	Bangladesh	2486164	3026269	3218784	3567817	3557883	4118372	4720163	4674004	3671182	788702	21.48	9.18
4	Cambodia	1727108	2151450	2436408	2386773	1890511	2244730	2626545	2577615	2255143	319541	14.17	4.03
5	Vietnam	2905578	3428404	4624632	5519850	5433210	6402229	7394062	7773304	5435159	1745583	32.11	14.93
6	Mexico	8228960	7411122	6602640	5837360	5032441	5391795	5780520	5699063	6247988	1089036	17.43	-5.29
7	Hong Kong	3666389	2940344	2173271	1654446	345993	253306	231307	209317	1434297	1382124	96.36	-38.45
8	Indonesia	3128737	3949555	4278874	4328283	4098815	4742281	5430728	5286869	4405518	745978	16.93	6.79
9	Thailand	2253604	2236944	2178281	2110336	1565650	1664166	1549442	1388167	1868324	359462	19.23	-7.26
10	South Korea	2302552	2013519	1692963	1449698	1021134	1142323	1234967	1299044	1519525	449186	29.56	-9.06
11	Taiwan	1866562	1719838	1619303	1406910	977762	1107156	1134270	1125381	1369648	331838	24.22	-8.13
12	Philippines	1952029	2119929	1831098	1462584	1091139	1109178	1287135	1263761	1514607	399819	26.39	-8.36

Source: U S Department of Commerce, Office of Textile and Apparel

CGR: Compound Growth Rate.