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# INDIA: Textile Industry Could Use Shot in the Arm – Experts

October 7, 2010 By [editors](#)

Global Geopolitics & Political Economy / IPS

By Keya Acharya

BANGALORE, India, Oct 7, 2010 (IPS) – It is a sector that happens to be India's second largest employer and its annual revenues are expected to grow three- fold within a decade if it gets all the support it needs. But major players in India's textile and apparels industry say it remains low in the government's list of priorities, rendering the sector incapable of realising its full potential.

That includes having a greater share of the global textile and garments market, they say.

"We are not doing as well as we should be doing," says Premal Udani, chairman of the government-supported Apparel Export Promotion Council of India (AEPC). "We have actually had an eight percent decline in exports this quarter."

AEPC is based in Gurgaon, Haryana but has 8,800 manufacturers as members across India. According to

Udani, the government is fully aware of the textile and apparel industry's contribution to the economy, including its ability to employ a significant share of India's multimillion-strong labour force, but has not given it enough support.

He concedes that the government extends the industry some support such as the usual market development assistance (MDA) grants and measures to regulate the export of cotton yarn and hold garment fairs abroad. "But," says Udani, "there are no 'real' subsidies offered by the Indian government of the type that, say, China offers to its industry."

China, he says, has devalued its currency to help its garment export sector and has exempted it from a 12 percent value-added tax. By comparison, Udani says that "since liberalisation, there have been no effective subsidies by the government of India" to the country's textile and apparels sector.

The sector can grow from being a 70-billion U.S. dollar industry that it is today to a 220-billion dollar one by 2020, says the Haryana-based consultant firm Technopak.

India's current textiles and apparels exports now make up about 4.5 percent of the global trade, or 23.5 billion dollars. Experts say this could reach 80 billion dollars in 10 years, or eight percent of the world market.

Almost all of India's exports in this sector are "high- end" – high-fashion garments outsourced by major international fashion labels like Tommy Hilfiger, Lecoanet Hemant, H&M, and Esprit.

The bulk of Indian garment exports goes to Europe, although the sector also has clients based in Asia and the United States.

"Fifty percent of our workforce are women," says Udani, noting yet another plus offered by the garments and apparels industry. "Think of the livelihood, empowerment opportunities and development potential that the industry can offer if the government steps in to train and encourage them. This is the right industry for India."

The right kind of government support for the industry would also bring on other social benefits, says Sashi Sekhar, director of the 99.8 million dollar-turnover Texport Industries here.

At present, 90 percent of all manufacturing units are based in metro cities in India, but these need to be relocated to interior areas where the bulk of the female textile workforce lives, he adds. "This will also stem the huge rural-urban migration that is now taking place all over India," he says.

And yet textile and apparel manufacturers in the country speak of poor government support, inadequate supply and high cost of electricity and other utilities, lack of government incentives to produce high-technology ancillary machinery, and other woes that bedevil the industry.

In Karnataka, one of India's biggest producers of cotton, once-flourishing spinning mills have shut down in the last two decades, dogged by high costs of production and obsolete technologies.

"The garment industry has regressed 20 years in Karnataka," says Vijay Kumar Tandle, chairman of Bellary Garments Export Cluster that is based in Karnataka's central district, Bellary. "When you want to go international, you need cutting-edge technology."

Bellary was the country's largest supplier of 'half pants' in the 1940s, and continues to be India's major hub for denim jeans in the domestic market. But pleas for government help from textile and garments manufacturers wanting to try exports have apparently gone unheeded.

Laments Tandle, referring to the government: "There is no vision even when there is so much potential to increase production, exports, and develop rural livelihoods."

For sure, the likes of Tandle and Udani can only look with envy at the information technology sector, which seems to be the government's current fair-haired industry, considering all the favourable policies that have headed its way.

But Udani points out that the IT sector involves just a few companies that have huge employee turnovers, are mostly closeted together in Bangalore and other metro cities, and employ just one percent of India's skilled labour.

He theorises that while the garments industry has a huge labour force, the companies themselves are small in size, scattered in metro cities all over the country, and are too loosely knit to be able to present a powerful lobby or pressure group that could push for the sector's interests.

Tandle adds, "We need policies that are linked to a 'decentralised' network of establishments in the districts, with high-tech parks that enable these units to operate at collective costs, thus helping keep costs down."

In the meantime, the global textile and apparel trade is estimated to reach one trillion dollars by 2020, almost double the current figure of 510 billion dollars. That growth is expected to involve increased outsourcing by Western countries to low-cost producers in Asia.

India is among those nations, but faces increasingly stiff competition from China, as well as Bangladesh, Sri Lanka, and even Cambodia.

Tandle predicts: "In ten years or thereabouts, we will become history, if we are not careful."

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