

Micro and Macro Dynamics to Be Globally Competitive in Quota Free Regime: A Case of Indian Textiles and Clothing Industry

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Abstract:

The world textiles and clothing industry, particularly after 1960, has gone through a series of protective arrangements and in 1974 eventually landed in the trap of Multi-Fibre Arrangement (MFA). However, in 1995 under the WTO a new agreement known as Agreement on Textiles and Clothing (ATC) came into existence that remained valid till 31st Dec. 2004 and laid down the roadmap of phasing out of quotas within ten years. Till this time quotas were most visible feature of global trade in textiles and clothing. From 1st Jan. 2005, international trade in this sector, however, has become quota free and is now being governed by normal WTO rules. The new regime has been posing several challenges and has also offered many opportunities for the developing countries like India, China, Pakistan, Bangladesh, Sri Lanka, etc. which have comparative advantages in the trade of textiles and clothing. There are several measures both at macro level as also at micro level that are necessary to be taken to meet the new challenges and encash the opportunities. This paper attempts to examine such dynamics at macro and micro level with reference in Indian textiles and clothing industry to be competitive in new global quota free environment and provides the some discussion on the following sub-topics:

- Indian Scenario
- Brief Historical Background on MFA
- Four Steps of Quota Phase Out Over a Period of Ten Years
- Liberalization of Previously Restricted Items, During the Four Stages of ATC
- The Beneficiaries of New Regime
- Dynamics to be Competitive – The Indian Case
- Macro Dynamics to be Competitive
- Non-Tariff Barriers (NTBs)
- Regional Blocs / Areas
- Social and Environmental Considerations
- Labour Laws
- Textile Parks and Special Economic Zones
- Redefining the Role of Export Promotion Bodies/Institutions
- Infrastructure Development and FDI
- Supply of Quality of Raw Materials
- Opportunity '2008'
- Micro Dynamics to be Competitive
- Setting up Units/Offices in Regional Blocs and Preferred Locations
- Modern Technology and Equipment
- Services of New Technology Driven Foreign Professionals
- Consolidations of Capacities – Mergers
- Building the Brands
- Re-defining the Role of Processing Houses
- Fashion Designers and Experts-Industry Institution Linkages
- Product Diversification – Technical and Specialised Textiles
- Modernisation and Technology Upgradation Fund

The paper concludes that speed and extent to which these macro and micro dynamics are taken care of will decide the new heights that this sector can achieve in the quota free regime and there is no doubt with timely and suitable actions, the Indian textiles and clothing industry will be resting on the top of the world.

Keywords: Multi-fibre Arrangement (MFA), Agreement on Textiles and Clothing (ATC), WTO, Quota phase out, Liberalization, Tariff and Non-tariff Barriers, Regional Blocs, Textile Parks, Special Economic Zones, Processing Houses, Technical Textiles, Specialized Textiles, Modernization and Technology Upgradation