

FICCI calls for enabling labour laws to boost textile & clothing industry and raise India's share in world exports

Seeks Lowest Slab for Textiles Industry Under GST

A long term trade strategy for textiles sector needed: FICCI

NEW DELHI, January 1, 2014. FICCI has recommended the reform of the labour laws to boost textile & clothing industry and raise India's share in world exports. These recommendations have been submitted to **Mr. Ajay Shankar, Member Secretary, National Manufacturing Competitiveness Council and Chairman of Expert Group on National Textiles Policy constituted by Government of India.**

Assuming India's GDP grows by 7% on an average over the policy period as per the scaled down estimates of Planning Commission and assuming that the domestic textiles industry also grows by 7%, it would mean that the textiles industry would be a \$278 billion industry, of which exports would account for \$145 billion, noted FICCI.

To meet this target, Indian exports require to grow at a Compound Annual Growth Rate (CAGR) of 15.1% over the 10 year period (assuming world exports in textiles and clothing grow by 5%). Indian exports would reach \$145 billion by end of the policy period if we grow by 15%.

Table: Trebling the share of India in World Exports

Year	World Textiles Exports (\$ Billion)	India's Exports (\$ billion)
2012	708	31
2013	743.4	35.7
2014	780.6	41.1
2015	819.6	47.3
2016	860.6	54.4
2017	903.6	62.6
2018	948.8	72.1
2019	996.2	83.0
2020	1046.0	95.5
2021	1098.3	109.9
2022	1153.3	126.5
2023	1210.9	145.6

Source: WTO and FICCI Estimation

As per the 12th Plan working group on textiles and apparel, the textiles sector will create an additional employment of 15 million by 2016-17, which means the sector can provide 30 million additional jobs by 2023. Given that textiles & clothing sector is a labour intensive sector, FICCI projects that it can provide employment to at least an additional 20 million people from the current 45 million to 65 million by 2023.

Textiles is a labour intensive sector. To make the sector achieve a high growth path, there is a need for enabling labour laws to achieve the desired targets. Currently, the sector has to comply with a number of archaic labour laws

which are not so relevant in today's dynamic scenario. There is a need to relax certain provisions of the laws. The apparel and clothing industry which employs large number of people is considered the driver of growth for the whole value chain hence reforms are a must for garment manufacturing industry. Garment manufacturing is seasonal in nature and works on orders which are season specific, delivery schedules are hectic and have short lead time. Therefore, the industry requires large workforce in busy season and smaller workforce for other months.

On the labour front, FICCI also added that one of the major concerns of manufacturers and also as identified by HLCM (High Level Committee on Manufacturing) chaired by the Hon'ble Prime Minister, is irregular and inadequate supply of skilled and unskilled labour owing to harvest and other seasons since the sector employs mainly migratory workforce. In such cases, providing affordable houses closer to factories will act as a major factor for retention of these workers for stable and longer periods. This will ensure uninterrupted production schedules. These accommodations called "dormitories" are well established norms in many countries including Singapore, Malaysia, China and more recently in Bangladesh. World over such facilities for migrant workers are being provided around manufacturing clusters. National Textiles Policy should provide for such housing for textile workers.

On GST, **Mr. Shishir Jaipuria, Chairman, FICCI Textiles Committee**, said that the industry should be kept in the priority/lowest slab of GST as it provides a basic necessity to the masses with large scale employment potential. Currently, parts of the industry are VAT exempt and a large part of the industry is kept out of excise duty. Any sudden increase in rates would destabilize the complete industry as has been in the past. Excise duty has been levied twice and then removed, after observing a negative impact on the industry, noted Mr. Jaipuria.

FICCI has suggested that providing right kind of eco-system is the priority for making the Indian textiles sector globally competitive. There are more than hundred domestic textiles clusters (small and big) that have the capacity ranging from spinning to weaving and garmenting which require strong infrastructure support to make them competitive. The Government should provide assistance for upgradation of existing textile clusters for developing world class logistics, infrastructure and easy to do business facilities under its National Textiles Policy.

FICCI has emphasized the need for India to have a long term trade strategy for its textiles sector for both offensive and defensive interest.

Globally, the total textile and apparel trade has grown at a CAGR of 6.7% in the last 11 years, being valued at \$706 billion with major markets being USA, Germany, Japan, China and UK. India has a share of 4% in global exports of textile and apparel. India's product basket is majorly cotton focused, but the world trade in textile and apparel is tilted towards man-made textiles. Also, fibre consumption ratio in India is strikingly different from the world ratio. In India, consumption ratio between cotton and man-made fibres is 68:32 while it is almost 28:72 globally. This has led to India's negligible presence in many highly traded product categories, which are man-made textiles based. India's share is also very small in global trade of technical textiles, which is again majorly man-made textiles based.

Further, the National Textiles Policy should eliminate long standing discrimination between cotton and man-made fibre on excise duty front, noted Mr. Jaipuria. The excise duty structure on fiber and yarns be revisited and duties on man-made fibers/filament yarn should be brought down at par with cotton to bring fibre neutrality in the sector. In competing countries, there is no difference in excise duty between cotton and man-made fibres/filament yarns and India should be no exception to this.

Hank Yarn Obligation could be phased out with a strategic roadmap for relocation of affected workers. This could be concomitant with the plan or roadmap for facilitating relocation of the workers employed in these sectors to higher value added or emerging sectors. Skills of these workers can be upgraded to be used for higher value added segments that face shortage of skills.

Processing remains the weakest link in our textile value chain. Quality of fabric also remains an issue and many fabrics like spandex fabric, lingerie fabric, warp knitted fabric etc are either not available or are not adequate for the domestic industry demand. For processing, separate pollution free zones to be set up to increase consumption across the entire value chain from fiber to garments. At the moment due to absence of pollution free zones, value added in textiles sector is limited. Importers in developed countries like USA and EU demand value added ecological friendly textile garments due to environmental concerns. Setting up of pollution free zones for textile processing will definitely help in increasing textiles and clothing exports from India. A separate scheme in this regard needs to be introduced, which provides additional support of Rs. 5 crores for each Park for setting up Common Effluent Treatment Plant (CETP). Further, water as a resource will be under pressure always. This will require constant innovation in waste water recycling, low water discharge or zero water discharge technologies (digital printing, finishing). This would entail additional cost especially for SMEs. In addition to subsidy under TUFS, the sector deserves additional concessions like increased rates of depreciation etc in order to encourage investments in the sector.

FICCI emphasized that technical textiles is a major area and the Government should provide more thrust to this sector which has the potential to drive the growth of entire textile value chain in the country. Standards need to be formed on urgent basis for technical textiles in Geotex, Buildtex, Protex, Meditex, Mobiltex and Agrotex in view of health, safety and environment reasons. Already, some good work has been done with the support of BIS, TRAs and industry which needs to be taken forward. This may require some capacity building at standard setting level. Also, the Government regulation/guidelines are needed to encourage the production and consumption of certain technical textiles in India.

The National Textiles Policy (NTP) 2013 should be all encompassing for the textiles value chain with an aim to do away with the fragmented structure of textile industry leveraging fully the integration available to us. It is seen that even countries that do not have domestically integrated textile value chain have done better than India. There is no reason for India not to surpass these countries with an integrated value chain.

'FICCI'S SUGGESTIONS FOR NATIONAL TEXTILES POLICY 2013'

FICCI MEDIA DIVISION