

# Textiles lose out on export despite quota abolition

## Survey stresses need for attracting foreign investment

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**NEW DELHI:** The Economic Survey presented to Parliament on Monday has expressed concern that textile exports, once the largest foreign exchange earner, have shown a "disappointing" negative growth. The negative growth comes despite the new opportunities following the removal of the quota regime from January 1 last year. (According to the report, the textiles sector has shown a growth rate of minus 2.2 per cent in 2005 against 21.5 per cent in 2004).

The report noted that the new opportunities following the end of the quota regime have not fully materialised because of continuance of reservation until recently of certain items for the small-scale sector, the absence of labour market flexibility and an ineffective exit policy. This resulted in the prevention of economies of scale, longer lead

- **'Lacklustre growth' in synthetic segment must be addressed**
- **India and China are the major beneficiaries on quota elimination**

times and infrastructural and administrative bottlenecks, including delays at the customs.

Calling for steps to address these issues, the report has called for measures to promote FDI flows from major textile importers like the U.S. and the European Union and application of information technology in the operation of the sector.

The problem of "lacklustre growth" in the synthetic segment, where world demand is high, but India's output of fibre and fabric has fallen, must be addressed, it added. "Studies undertaken during the integration

period had concluded that the major beneficiaries of quota elimination would be India and China. In the event, China has performed well and far better than India. U.S. trade data show that India's exports to the U.S. during the period January-September 2005 grew by 25.17 per cent, which was higher than that of Pakistan (10.86 per cent) and Bangladesh (19.81 per cent), but much lower than that of China (58.60 per cent)".

While China enjoyed substantial advantage on account of huge capacities with economies of scale, flexible labour laws, cheap power, low interest rates, efficient and sound infrastructure, other developing countries including Pakistan and Bangladesh have taken fiscal and other policy initiatives such as duty-free import of capital goods and flexible labour laws. Bangladesh is also benefiting from its status as a least developed country.