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Textiles Committee
Sub-Committee on Adjustment

INFORMATION RECEIVED BY THE TECHNICAL SUB-GROUP IN RESPONSE TO THE QUESTIONNAIRES SET OUT IN DOCUMENT COM.TEX/W/193, DATED 16 MARCH 1987

Addendum

1. The first compilation of submissions by participating countries to the Sub-Committee on Adjustment, containing twenty-five reports, was issued in COM.TEX/54 dated 13 November 1987. In this document it was explained that sumbmissions from other participating countries, received subsequently by the Secretariat, would be similarly issued at a later date.

2. In addition, the Chairman of the Sub-Committee on Adjustment while making an interim report to the Textiles Committee on 4 December 1987 expressed the hope that information would also be provided in the very near future by the eleven members which had not yet done so.

3. Between 6 November 1987 and 9 March 1988, submissions were provided by India and Mexico. These submissions have been reproduced in this document.

88-0412

INDIA

A. AUTONOMOUS ADJUSTMENT MEASURES

The Textile Industry in India is one of the oldest in the country, having significant weightage in the industrial production and exports. It comprises not only the organized mill sector but also the decentralized sector including handlooms, powerlooms and khadi. The industry is further divided into segments depending on the fibre predominantly used i.e., cotton, art-silk, man-made fibres, wool, silk, etc. All the sectors of production together produce about 12.50 billion metres of cloth (as on 31.3.1986).

By virtue of its size, employment potential and its contribution to the domestic production, the cotton textile industry occupies a unique place in the industrial map of the country.

The tables below show the production figures of yarn and cloth:

TABLE I
Producton of Yarn

(Kg. million)

Year	Cotton yarn	Blends yarn	100% non-cotton	Total spun yarn
1983-84	1,112	134	75	1,321
1984-85	1,183	129	70	1,382
1985-86	1,253	128	70	1,451
1986-87 (Estimated)	1,255	140	76	1,471

TABLE II
1985-86 Sectorwise Production of Cloth

(Metres million)

Sector	Cotton	Blends	100% non-cotton	Total
Mill	2,587	783	6	3,376
Handlooms	3,156	45	35	3,236
Powerloom	3,435	509	1,942	5,886
Total	9,178	1,337	1,983	12,498

At the end of May 1986, there were 732 cotton spinning mills and 282 composite mills adding up to a total of 1,014 units. The total spindlage installed at that very time was 25.93 million. The number of looms in the mill sector at the end of May 1986 amounted to 210 thousand as against 195 thousand in 1951. This would indicate that in terms of installed capacity there has been no significant expansion in the weaving sector and the increase in the production of cloth by mills has been largely on account of replacement of old looms with relatively modern and more productive looms. The capacity utilization in the spindlage was 69 per cent in 1984-85 and 73 per cent in 1985-86. In the case of loomage the capacity utilization was 63 per cent in 1985-86.

As is obvious from Table II above, a substantial portion of Indian textiles is manufactured in handlooms and powerlooms sectors and a smaller portion is manufactured in the mill sector having both spinning and weaving capacity.

There were 638,000 powerlooms in the decentralized sector on 31 March 1986, manufacturing fabrics out of cotton, art-silk, synthetic and blended yarn.

Handlooms is by far the most important cottage industry in India spread throughout the country and almost in every village and provides employment to a sizeable number of people. Over 10 million people working on 3.8 million handlooms depend either fully or partly on handloom for their livelihood. It is a major source of village economy next only to agriculture. This sector accounts for more than one-third of cotton textiles production. The work is generally undertaken in the weaver's home itself with its sizeable production capacity, it provides employment not only in handloom weaving and associated activities but also in technical, commercial and service sectors linked to handlooms.

There is a small sector in India which is called khadi sector where the yarn is spun by hand and the cloth woven on handlooms. This sector produced 105 million sq. metres of khadi cloth in 1985-86. Out of this cotton khadi amounted for 86 per cent, woollen 10 per cent and silk makes up the remaining 4 per cent.

There is yet another sector which is engaged in production of pure silk cloth. This sector plays an important rôle in creating rural employment and promoting exports.

Clothing sector

There has not been any organized garment industry in India for quite some time and the production of garments was mostly undertaken in the cottage sector. However, in recent years the production of garments has increased substantially. The exports of garments were Rs.10,970 million in 1985-86.

B. GOVERNMENT POLICIES AND MEASURES TO FACILITATE ADJUSTMENT

The Government has reviewed the policy measures for the development of textiles industry from time to time and has announced the textile policy indicating the objectives of the industry and the approach for its development. The last textile policy was announced by the Government in June 1985. While each of these objectives is important, the multiplicity of objectives has inhibited the achievement of the main task of the textile industry, that is to increase the production of cloth of acceptable quality at reasonable prices to meet the clothing requirement of the growing population. The current textile policy is guided by this main objective. In the pursuit of this main objective, the employment and export potential of the industry shall be kept in view. The availability of cloth at affordable prices for the poorer section shall be augmented.

Under the new textile policy, an integrated view has been taken on the textile industry instead of treating it in a compartmentalized manner either in terms of various sectors, namely, organized mills, powerlooms and handlooms or in terms of fibre use, namely, cotton textiles, woollen textiles, man-made textiles and silk textiles. Such a restricted view in the past inhibited the technology use and production flexibility commensurate with the pattern of consumer demand. For achieving the main objective of the textile policy, the policy envisages the elimination of the hitherto existing structural rigidities in the industry. Restructuring of the textile industry has also been proposed covering, inter alia, the following three dimensions:

(a) the industry shall be viewed in terms of the stages of its manufacturing process, namely, spinning, weaving and processing;

(b) the industry shall be provided with fuller flexibility in the use of various fibres; and

(c) the industry shall be subject to more pragmatic policies regarding creation or contraction of capacities by units in order to increase competition and promote healthy growth in the industry.

Measures taken under the new Textile Policy

While suggesting several measures for optimum utilization of the spinning and processing sectors, the policy has stressed preservation of a distinct and unique rôle of the handloom sector in weaving of fabrics. The growth and development of handlooms shall receive priority. The composite mills and powerlooms shall, as far as possible, be treated at par and allowed to compete on the basis of their inherent strength and capabilities. Following are some of the important steps taken for implementation of the new policy.

(a) In order to preserve the unique rôle of handlooms and enable them to realize their full potential, as also to ensure higher earnings for the handloom weavers, several schemes for the development of handlooms have been initiated. These schemes would provide assistance for modernization of handlooms, technology upgrading, availability of yarn and other inputs, and marketing of handloom products.

(b) Protection of handlooms will be provided by reserving products for their exclusive production in the handloom sector under the "Handlooms (Reservation of Articles for Production) Act, 1985".

(c) Welfare schemes like contributory thrift fund schemes and work shed-cum-housing schemes have been launched with a view to improving the working conditions of handloom weavers.

(d) Full fibre flexibility between the cottage textiles and man-made textiles has already been allowed.

(e) Fiscal levies on certain man-made fibres/yarn have already been reduced in order to encourage their increased production and consumption in the country.

(f) The Government has also removed unnecessary controls on the industry by way of rescinding thirteen notifications. A single textile control order in place of erstwhile five control orders was issued on 11 April 1986.

(g) Ban on creation of capacity of new units and expansion of capacity by existing units has already been lifted so as to realize economies of scale in order to reduce cost of production.

(h) A standing Advisory Committee on modernization of textile industry has been set up at the national level. The Committee would consider modernization needs of the industry on a continuous basis and would suggest suitable measures for meeting them.

(i) A textile modernization fund Rs.750 crores has been created for facilitation of modernization of the cotton industry.

(j) In terms of the Textile Control Order published on 11 April 1986, all powerlooms are to be compulsorily registered.

(k) A long term policy for the export of cotton yarn with liberal ceilings has been announced. The ceiling for the export of yarn up to 60s counts has been increased to 75 million kgs. for 1987.

(l) The stress has been laid on the need for improving the quality of production. Sophisticated machines not manufactured indigenously are allowed to be imported at a concessional duty to encourage modernization. A many as 119 machines for garment and hosiery manufacture have been placed under open general licence, ninety-seven of them enjoying concessional import duty.

(m) The Fashion Technology Institute in Delhi for education research and training in the areas of fashion, design and manufacturing has been set up.

(n) Many items of raw materials/fabrics are permitted to be imported under different schemes.

(o) Under 100 per cent export-oriented units and free trade zone schemes, facilities for liberal import of capital goods and raw materials along with many other concessions are given.

(p) Permission for use of foreign brand names for domestic sales has been approved in the case of ready made garments with the stipulation that only indigenous fabrics are used, at least 75 per cent of the production is exported and no royalties are allowed on domestic sale.

(q) A coordination council for textile research associations has been set up and the following priority areas for research have been identified:

(i) energy conservation measures in the industry;

(ii) improvement in the quality to boost the export efforts;

(iii) providing cheaper and more durable fabrics for internal consumption;

(iv) research on textile machinery; and

(v) improvements in the Handloom Sector.

A number of research projects of national importance are being undertaken to meet these objectives.

C. MARKET ACCESS

Apart from bilateral quota limitations, there are other tariff and non-tariff barriers which are affecting our exports of textiles. In contrast to this India (as mentioned above) has liberalized the import of synthetic fibre, filament yarn, machinery for garments and made-ups spinning and weaving machines, etc. which are supplied by developed countries.

INDIA

	ISIC	Unit	1973	1978	1979	1980	1981	1982	1983	1984	1985	1986
PRODUCTION												
Textiles 1/4/		M Rupees	36,079	71,610		86,220	93,517	103,242				
Spinning, weaving 1/		M Rupees	33,989	67,733		81,091	87,493	97,042				
Spinning Yarn		M Kg	1,091	1,240	1,238	1,286	1,282	1,175	1,304	1,349	1,456	
Weaving Cloth		M Meters	8,908	10,419	10,544	10,874	11,144	10,393	11,390	11,747	12,434	
Clothing 1/		M Rupees	494	2,334		3,486	3,935	4,827				
Total manufactures 1/		M Rupees	185,805	406,544		561,317	671,291	784,550				
IMPORTS 2/												
Textiles (SITC 65)		M $	7.00	51.00	57.00	72.00	84.00					
Clothing (SITC 84)												
Total Manufactures		M $	1,690.00	3,664.00	4,312.00	5,347.00	5,685.00					
EXPORTS												
Textiles (SITC 65) 2/		M $	690.00	803.00	979.00	1,141.00	1,109.00					
Clothing (SITC 84) 2/		M $	101.00	410.00	536.00	590.00	717.00					
Textiles and Clothing		Rs crores	na	781.79	883.69	927.01	1,114.55	1,128.35	1,231.45	1,642.24	1,776.90	
Total Manufactures 2/		M $	1,561.00	3,713.00	4,085.00	4,404.00	4,682.00					
EMPLOYMENT												
1) Number of employees		'000										
Textiles 1/*	321		1,447	1,624		1,610	1,546	1,616				
Spinning, weav. 1/*	3211		1,395	1,574		1,560	1,495	1,566				
Spinning mills sector			201	251	280	291	321	340	349	382	na	
Composite mills sector			820	875	881	887	879	860	857	800	na	
Clothing 1/*	322		19	49		50	50	51				
Total manuf. 1/*	3		5,139	6,366		6,801	6,851	7,028				
2) Number of workers 3/*		'000										
Textiles 1/	321		1,284	1,421		1,417	1,347	1,411				
Spinning, weaving1/	3211		1,245	1,382		1,376	1,305	1,370				
Clothing 1/	322		16	41		41	42	42				
Total manufactures 1/	3		4,190	5,013		5,411	5,448	5,609				
VALUE ADDED 1/												
Textiles	321	M Rupees	11,206	16,875		20,776	20,153	20,275				
Spinning, weaving	3211		10,854	16,209		20,061	19,242	19,269				
Knitting												
Clothing	322		92	421		490	573	659				
Total manufactures	3		46,399	81,146		102,899	120,618	139,816				
INVESTMENT 1/												
1) Total												
Textiles 4/	321	M Rupees		2,787		5,144	5,332	7,022				
Spinning, weaving4/	3211			2,595		5,056	5,209	6,847				
Knitting												
Clothing 4/	322			58		50	66	159				
Total manufactures 4/	3			30,455		32,897	46,899	49,924				
2) Machinery and equipment												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											

See footnotes on next page

INDIA

	ISIC	Unit	1973	1978	1979	1980	1981	1982	1983	1984	1985	1986
NUMBER OF ESTABLISHMENTS												
Textiles 1/	321	Number	9,872	11,714		12,867	13,286	11,578				
Spinning, weaving1/	3211		8,561	10,164		11,197	11,520	10,055				
Spinning mills sector			309	347	357	370	400	442	525	595	674	
Composite mills sector			291	290	291	291	291	281	280	280	281	
Clothing 1/	322		336	1,042		1,253	1,215	1,001				
Total manufactures 1/	3		60,889	84,311		92,612	101,060	89,271				
PRODUCTIVE CAPACITY												
Textiles	321											
Spinning/spindles		Million	17.98	19.70	20.08	20.68	21.08	21.78	22.53	23.82	24.40	
Weaving/looms		'000	207.00	206.00	207.00	208.00	208.00	210.00	210.00	210.00	210.00	
Clothing	322											
Total manufactures	3											
CAPACITY UTILIZATION												
Textiles	321											
Spinning		%	80.9	77.7	78.7	76.7	77.4	64.6	67.5	69.6(E)	73.5	
Weaving		%	88.8	87.9	86.0	83.7	83.7	63.8	72.9	69.0(E)	70.0	
Clothing	322											
Total manufactures	3											
PRODUCTIVITY												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											
PROFITABILITY												
Ratio of gross profit to sales		%	11.1	7.9	8.9	6.1	3.3	4.7	7.2	6.5	7.8	

1/ Source: UN Yearbook of Industrial Statistics.
2/ Source: UN ComTrade Data Bank.
3/ i.e. engaged directly in the production process.
4/ 1978: Twelve months beginning 1 April.
* Twelve months beginning 1 April of the year indicated.

MEXICO

MEXICO

	ISIC	Unit	1973	1978	1979	1980	1981	1982	1983	1984	1985	1986
PRODUCTION (a)		M $										
Textiles			2,079.72	3,438.44	4,290.78	5,350.68	5,470.33	3,746.65	3,769.76	4,486.74		
Spinning, weaving			2,055.63	2,717.93	3,296.59	4,054.49	4,939.00	2,972.52	3,079.97	3,730.47		
Knitting			513.27	821.10	1,116.32	1,536.96	1,781.46	1,028.64	1,140.77	1,332.64		
Clothing			813.73	1,563.01	1,926.30	2,797.34	3,458.11	2,263.91	2,041.58	2,206.46		
Total manufactures			33,424.02	59,921.47	77,083.37	101,745.49	125,315.93	80,684.71	74,570.10	74,568.42		
IMPORTS (b)		M $										
Textiles (SITC 65)			-	-	-	-	-	-	-	-	-	-
Clothing (SITC 84)			24.73	51.27	71.59	95,154.00	167.60	113.38	8.16	13.69	27.90	26.36
Total Manufactures			3,448.94	7,241.77	10,244.37	16,002.83	21,018.22	12,971.38	6,644.21	9,121.64	11,261.15	10,202.21
EXPORTS (b)		M $										
Textiles (SITC 65)			74.00	72.04	85.54	48.65	74.69	72.28	106.49	145.12	99.00	161.90
Clothing (SITC 84)			12.29	20.15	28.57	38.09	28.13	19.52	16.36	25.37	16.86	20.13
Total Manufactures			893.77	2,119.20	2,372.15	3,382.90	3,427.33	3,386.05	5,447.87	6,985.67	6,427.90	7,782.12
EMPLOYMENT												
1) Number of employees		Persons										
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											
2) Number of workers (c)		Persons										
Textiles	321		152,353	156,228	168,914	175,867	180,005	165,244	161,393	161,367		
Spinning, weaving	3211											
Knitting												
Clothing	322		119,353	118,207	120,948	127,355	129,609	123,578	120,806	120,778		
Total manufactures	3		1,925,000	2,131,000	2,291,000	2,416,842	2,542,537	2,485,284	2,309,676	2,360,900		
VALUE ADDED		M $										
Textiles	321		831.11	1,417.45	1,865.26	2,413.44	3,033.12	1,748.01	1,713.10	2,024.21		
Spinning, weaving	3211		604.78	1,087.67	1,529.42	1,973.76	2,510.85	1,561.21	1,541.13	1,833.67		
Knitting			273.81	395.22	532.51	720.14	806.56	467.00	511.76	584.33		
Clothing	322		548.17	670.14	858.13	1,278.54	1,523.91	1,041.19	942.75	1,009.84		
Total manufactures	3		13,131.08	24,200.11	31,335.25	42,917.90	53,499.76	34,830.73	32,210.02	40,872.79		
INVESTMENT												
1) Total												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											
2) Machinery and equipment		Thousand units										
Textiles (d)	321		N.A.	3,762	3,946	4,138	4,442	4,593	3,405	3,520.00	3,520.00	
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											

See footnotes on page 11.

MEXICO

	ISIC	Unit	1973	1978	1979	1980	1981	1982	1983	1984	1985	1986
NUMBER OF ESTABLISHMENTS												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											
PRODUCTIVE CAPACITY												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											
CAPACITY UTILIZATION												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											
PRODUCTIVITY (e)		Dollars										
Textiles	321	per	5,455	9,073	11,043	13,723	16,850	10,578	10,614	12,523		
Spinning, weaving	3211	persons										
Knitting		employed										
Clothing	322		4,592	5,669	7,095	10,039	11,758	8,425	7,804	8,361		
Total manufactures	3		6,821	11,536	13,678	17,758	21,042	14,015	13,946	17,312		
PROFITABILITY												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											

Note: See footnotes on page 11.

MEXICO

FOOTNOTES

(a) In the preparation of the figures for production and value added, the following equivalences of economic activities between the International Standard Industrial Classification (ISIC) and the Mexican System of National Accounts have been used.

ISIC	NATIONAL ACCOUNTS
	Groups
321	240, 241, 242, 243, 250, 251, 260, 261 263 and 264
3211	240, 241, 242, 243, 251 and 261
9219*	262 and 270
322	271 and 272

*Knitting has been identified with ISIC heading 3213.

(b) For the years 1973, 1978 and 1979, the figures were prepared on the basis of the Mexican Classification of Economic Activities (CMAE). From 1980 onwards, the figures correspond to the International Standard Industrial Classification (ISIC).

(c) The data do not correspond to the concept of Economically Active Population (EAP), since in each branch of activity the average number of wage-earners is recorded. This information is derived from the Mexican System of National Accounts.

(d) Includes: spindles; looms: small-, medium- and large-diameter circular looms; manual and automatic ordinary looms; Raschel knitting machines; Kette tricot machines; and texturing spindles. Up to 1983, the figures stem from import permits granted by the Ministry of Trade and Industrial Development; as from 1984, the Ministry alters its figures as a consequence of inspections and operating licences, in order to obtain more realistic figures for the stock of installed machinery and equipment in the textiles and clothing industry;

(e) $$\text{Productivity} = \frac{\text{value added}}{\text{number of workers}}$$