

BRIEFING PAPER



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Indian Textiles & Clothing Sector

Environmental Standards and Consumer Knowledge in the EU

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The nexus between environmental standards and trade and issues arising there from are by no means new. While not all standards are trade barriers as most of them are created based on legitimate causes, yet various costs and complexities of standards give trade protectionists a new tool to bar market entry and safeguard their presence.

This Briefing Paper summarises a more comprehensive literature review (available on the CUTS project website) which analyses India's textiles & clothing (T&C) sector, its market potentiality and trade, including various prominent textile labels used by the Indian textile producers and their trade impacts. In particular, the study focuses on the existing sustainable labels for T&C in Europe and considers the relevance of labels for stakeholders of consumers. The study also assesses European consumers' values, knowledge, attitudes and practises related to environmental challenges, in general, and to T&C more specifically.

Textiles & Clothing Sector in India

The Indian T&C sector has an overwhelming presence in the economic life of the country. According to the Annual report 2010-11,¹ the industry provides direct employment to over 35 million people, which includes a substantial number of women (almost 50 percent) and it accounts for 21 percent of the total employment generated in the economy. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

During the period 2010-2011, the sector contributed 14 percent to industrial production, 4 percent to the gross domestic product (GDP), 15 percent to the

manufacturing sector and around 17 percent to the total export earnings. Thus, it is one of the largest foreign exchange earning sectors in the country and has a four percent share in world export of textiles and three percent in clothing exports.

According to the Ministry of Textiles, the country has the potential to increase its textile and apparel share in the world trade from the current (2011) level of 4.5 to 8 percent and reach US\$80bn by 2020. Likewise, the market size prospective for the T&C industry is envisaged at US\$100bn by 2015 (exports US\$43bn; domestic market US\$57bn) according to Confederation of Indian Textile Industry (refer to the chart below).

India's T&C Market

2008		2015	
Total T&C Market US\$52bn	Exports Market US\$22.4bn (43 percent)	Textile Exports US\$12.7bn	Textile Exports US\$22bn
	Domestic Market US\$29.6bn (57 percent)	Apparel Exports US\$9.7bn	Apparel Exports US\$21bn
		Domestic Textile Market US\$14.6bn	Domestic Textile Market US\$28bn
	Domestic Apparel Market US\$15bn	Domestic Apparel Market US\$29bn	Exports Market US\$43bn (43 percent)
		Domestic Market US\$57bn (57 percent)	

Source: CITI <[www.citiindia.com/images/PDF/Indian_TC_at_a_Glance\(1\).pdf](http://www.citiindia.com/images/PDF/Indian_TC_at_a_Glance(1).pdf)>

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India's Textile Trade

The industry is one of the largest industries providing high exports and foreign exchange revenue. While it is predicted that the country's share of the global textile industry will grow from four to seven percent by 2011-12, the share of apparel in the export basket will increase from 48 to 60 percent.² This increase in exports of T&C products has been steady over the last few years, particularly after 2004 when textile exports quota were discontinued. (Refer Table 1)

Table 1: Exports of Textiles during 2003-11

Year	Export Value (US\$bn)
2003-04	13.5
2004-05	14.0
2005-06	17.52
2006-07	19.15
2007-08	22.13
2008-09	20.94
2009-10	22.41
2010-11	26.82

Source: Annual Report 2009-10 & 2011-12, Ministry of Textiles

The slight decline by over five percent in 2008-09 was due to factors like the financial sector meltdown and economic slowdown in international markets, increased cost of production due to increasing raw material costs, power and other input costs which have affected the profitability of textiles and garments units in India and their exports.

Table 2: Textile Exports from India - Top Five Countries

(value: US\$mn)				
Country	2007-08	2008-09	% Share 2007-08	% Share 2007-09
USA	4624.33	4268.45	20.88	20.38
UK	1663.64	1697.35	7.51	8.11
UAE	1357.80	1623.76	6.13	7.75
Germany	1366.83	1607.33	6.17	7.65
France	885.42	934.41	4.00	4.46

Source: www.ptj.com.pk/Web-2009/11-09/PDF-November-2009/Dr.Noor.pdf

Major Export Markets

India exports T&C to nearly 100 countries worldwide, however the US and the European Union (EU) account for about two-third of it. As per the latest figures with the Ministry of Textiles, during the April-September period of 2008-09, the US continued to be the single largest buyer of Indian textiles with a 20.38 percent share.

European Market

EU is a major market for India. Following the elimination of quotas, while in some product groups, India has improved its market share in EU market, in other product groups, it has lost its market share to some other competitors like China, Bangladesh and Turkey.³ (Refer Table 3)

Table 3: Status of Market Share of Different Product Groups in EU Market

Market Share	HS code	Textile Product
Improved	6205	Men's or boys' shirts not knitted or crocheted
	6105	Men's or boys' shirts, knitted or crocheted
	6111	Babies' garments & accessories, knit or crocheted
	6209	Babies' garments & accessories, not knit or crocheted
	6305	Sacks & bags of textile material for packing goods
	6214	Shawls, scarves, mufflers, mantillas, veils etc
Unchanged	6201	Men's or boys' coats, not knitted or crocheted overcoats, car coats, capes, cloaks, anoraks, ski-jackets, windbreakers.
	6107	Men's or boys' underpants, bathrobes, pajamas, knitted or crocheted briefs, nightshirts, dressing gowns.
	6203	Men's or boys' trousers, jackets, shorts, not knitted or crocheted (not swimwear) suits, ensembles, jackets, blazers, bib & brace overalls, breeches.
	6202	Women's or girls' coats, not knitted or crocheted overcoats, car coats, capes, cloaks, anoraks, ski-jackets, windbreakers
	6108	Women's or girls' panties, slips, bathrobes, pajamas, knitted or crocheted briefs, petticoats, nightdresses, dressing gowns, negligees

Contd...

Market Share	HS code	Textile Product
	6102	Women's or girls' coats, knitted or crocheted overcoats, car coats, capes, cloaks, anoraks, ski-jackets, windbreakers
	6302	Bed linen, table linen, toilet linen & kitchen linen
	6303	Curtains & interior blinds; curtain or bed valances drapes
	5911	Textile products for specific technical use bolting cloth, straining cloth, textile fabric reinforced with metal
	6116	Gloves, mittens and mitts, knitted or crocheted
	5208	Woven cotton fabrics, 85 percent or more cotton, weight less than 200 g/m2
	5209	Woven cotton fabrics, 85 percent or more cotton, weight more than 200 g/m2
	5515	Other woven fabrics of synthetic staple fibers
Lost	6206	Women's or girls' blouses, shirts, blouses not knitted or crocheted
	6306	Tarpaulins, awnings and sun blinds; tents; sails for boats, sailboards or land craft; camping goods
	6307	Other made up articles, including dress pattern

Imports

India's textile sector has relatively negligible import content reflecting the fact that most of the supply chain from textiles to readymade clothing is located within the country. Major markets for textile import are Chinese Republic, China Taipei, Korea Republic and middle and low-income countries, accounting for around 36 percent of imports in T&C.

Textile Labels: Overview of EU Market

Below is an overview of different types of T&C labels in EU market. The description starts with mandatory labels, continues to ISO-type I-III and ends with other relevant labels.

Mandatory Textile Labels

There are two mandatory labels in Norway and the EU – washing instructions and fibre content. None of these

deal directly with environmental claims, though it can be argued that they indirectly are linked to the environmental performance of the products (Klepp and Strandbakken, 2009).

Voluntary Textile Labels

There are a number of different institutions responsible for the labelling schemes. On one hand, there are schemes run by political authorities at the national and European level, on the other hand, there are strong public-private partnerships among some institutions. The EU Energy label, the EU flower and the EU organic label are examples of the former schemes while both the Nordic Swan and the German Blue Angel represent the later.

Also there are labelling schemes run by private interests or by NGOs in the market. The Swedish KRAV is one example and the Global FSC (Forrest Stewardship Council) run by World Wildlife Fund (WWF) is another.

Table 4: Textile Imports 2006 - 2011 (US\$mn)

SN	Item	2006-07	2007-08	2008-09	April 2009 -March 2010	April 2010 -March 2011	% variation
1	Raw Material	593.36	739.28	831.72	721.42	735.95	2.01
2	Semi Raw Material	650.93	751.12	799.69	863.56	1076.36	24.64
3	Yarn & Fabrics	1449.30	1624.15	1569.78	1562.03	1839.46	17.76
4	Readymade Garments	73.86	113.19	138.69	107.68	161.30	49.80
5	Made-up Textiles	71.46	98.72	220.99	179.98	226.89	26.06
6	Handloom Products				1.59	2.55	60.38
	Total Textile Imports	2838.91	3326.46	3560.87	3436.26	4042.51	17.64
	Overall Imports	185,735.24	251,654.01	303,696.31	288372.87	352574.91	22.26
	% of Textile Imports	1.53	1.32	1.17	1.19	1.15	
	% Growth of Textiles over previous year		17.17	7.05	-3.50	17.64	

Source: Ministry of Textiles, Government of India

Likewise, the content of the schemes may also vary. For instance, the classical Eco-labels focus mainly on the environmental impact of the products, based upon a life-cycle approach. Fair trade or organic production is not among their criteria. But for organic labels, they only deal with one dimension and have no criteria for water or air pollution in the production phase. Some organic labels worth mentioning are Global Organic Textile Standard (GOTS), EU organic label, Naturtextile label, Eco-wool and KRAV label. Similarly, examples for classical ecolabel are EU Flower (common for all EU 27 member states), the Blue Angel in Germany and the Nordic White Swan in the Scandinavian countries.

Likewise, there are CO₂ labels that are based upon a numerical estimation of the carbon footprint of consumer products. The UK Company *Continental Clothes*, in cooperation with the Carbon Trust, introduced clothes certified with Carbon labels for the first time in 2010 with a claim of 90 percent carbon reduction.

Other Relevant Labels

Oeko-Tex standard 100 introduced in 1992 is probably the most used label for textile in Europe. However, it is not an organic or environmental label. The textiles are tested for harmful substances with some built-in environmental criteria such as, water and energy use, air pollution, and social criteria such as workers and consumer safety.

Similarly, there are fair trade labels in the market. The most important organisation certifying is the Fairtrade Labelling Organisations (FLO). Here the certification is carried out by an independent international certification company, FLO-CERT. Their main focus is on the social and economic aspects of production.

Specific Cotton Initiatives

There are two relevant specific cotton initiatives – first one developed by WWF and is called the Sustainable Cotton Initiative (SCI) which deals with three criteria – use of water in the cotton production, chemical residuals and social criteria. The other is the Better Cotton Initiative, which is a public-private-partnership partly financed by the Swiss government and partly by the members who are from NGOs, cotton producers, industries and retail chains.

Environment Labels and Trade

The above overview of environment labels justify that it is possible to identify a large number of relevant environmental standards for T&C in the European market. To some degree, these labels support each other as they are covering different dimensions in the concept of sustainability. However, there is also a competition between them. This competition is relevant along various dimensions – the organic dimension; the environmental dimension; the health dimension; and the fair trade and social dimension.

At times, criteria are developed in a combination of two or more of these dimensions which make it really difficult to meet them. This is especially relevant in world trade perspective.

Analyses of eco-labelling trade effects have shown differing results. An Organisation for Economic Cooperation and Development (OECD) paper⁴ that considered eight labelling programmes did admit that there is a potential of trade effects. Likewise an assessment of eco-labelling programmes among North American Free Trade Agreement (NAFTA) countries suggested that there is a need for criteria harmonisation among labelling programmes.⁵

But there are also claims that eco-labelling schemes can facilitate market access for developing countries.⁶ Scheer⁷ in his paper stated the general benefits from properly designed and implemented eco-labelling schemes for target countries. Such schemes encourage and expand trade volume and stimulate domestic development in line with local and national environmental net gains.

Environment Labels and T&C Trade in India

Around 40 percent of India's textiles are directed to the EU but now-a-days the stringent environmental conditions in the developed countries pose adverse consequences in India's export performance.⁸ For instance, the paper highlights how the two German eco-labels, viz. *Markenzeichen Schastoffgepruflth Textilien (MST)* and *Markenzeichen Unweltschonende Textilien (MUT)* constitute a trade barrier. Likewise, similar concerns with respect to increased cost compliance and small price premiums are highlighted by Samir Gandhi (2006).⁹

The problems faced by Indian manufacturers were further compounded by difficulties in accessing technologies, developing testing facilities and verifying compliance. Studies¹⁰ also highlight the concern of small and medium enterprises (SMEs) because of the total ban in use of certain dyestuffs in the international market. Though viable substitutes are explored, switching over to them requires higher investment mainly for the upgradation of the technology and new treatment plants in order to obtain the requisite quality.

However, according to a research report¹¹ the Oeko-Tex Standards 100 brought several market advantages to Indian textile industries and the market widened by 10 percent in the first year. Also the exporter feels that barriers in the form of quality and standard requirements are good for Micro, SMEs as these firms increase their competitiveness during the process of meeting standards.¹² The paper also claims that in India, majority of exporters are not worried about standards as they feel that some of the certifications are desirable and it also help them to differentiate their product from the competitors.

Besides, the fear of losing market share to eco-labelled competing products rather than the drive to

increase market share has often motivated producers to obtain an eco-label for their products.¹³

European Consumer Knowledge, Attitudes and Practices

The knowledge about consumer attitudes and behaviour linked to the environmental aspects of T&C are limited. However, a large number of studies have been carried out in the last decade, and below is the highlight of those studies (Rubik and Frankl, 2005; Stø and Strandbakken, 2009; Boström, and Klintmann, 2008; EU-COM, 2008a; EU-COM, 2008b)

- Even though there is an increase in consumer awareness of environmental problems, one can witness a substantial variation during the last 20 years
- It is possible to identify significant geographical and social differences in Europe
- Consumers link environmental challenges stronger to some consumption areas than to others
- Some labels are well known among consumers; while others are not understood and even misunderstood
- T&C have, so far, not been among the environmental front-runners!
- Potentials for increased consumer awareness in the textile sector are substantial

Also, in a United Nations Environment Programme (UNEP) study in 2001, young middle class people from 26 countries were requested to evaluate the impact of some of their actions (shopping, travel etc) on economy, society and the environment. The result – while they perfectly well understood that water, energy, transport and waste handling were strongly related to environmental challenges, they did not link their own shopping of food and clothes to the environmental dimension.

Likewise, in a recent Norwegian study¹⁴ it was asked whether the environmental challenges had affected their shopping behaviour of clothes. Results revealed that only 17 percent had done so.

Studies also show that the willingness to pay for environmental products is not very strong and varies substantially among consumer goods. However, a number of studies have concluded that consumers are willing to pay five percent more for ordinary green product alternatives, and even more for specialised products.

In a recent study¹⁵ on mothers' willingness to purchase organic cotton for their children showed an interesting dualism in the argument behind the buying behaviour. On the one hand, the study seems to show that the willingness to pay increases with environmental concern, but on the other hand, their preference of organic cotton was more linked to the quality of the product than to the environmental concern.

International Good Practices of Eco-labels on Textiles

There are some good experiences on general ecolabels, on organic labels and on FSC labels for wooden products, but a very few with respect to ecolabels on textiles in Europe. Though the criteria for textiles are developed within all schemes, but the market shares are, so far limited.

One sector worth mentioning is the clothes for babies and small children, which have a niche, as eco-labelled or organic textiles have gained market shares. The consumers are willing to pay a price premium for eco-labelled clothes for their children and grandchildren.

Governance of Ecolabels in Europe

Based on available literatures, it can be said that the labelling schemes are all scientific based though it is possible to identify substantial differences among the schemes. Also labels are to large degree based upon dialogue between the eco-labelling bodies and the actual industry. However, this does not mean that the labels are dictated by the industry.

Moreover, consumer organisations and environmental NGOs play a crucial role in the governance of schemes by participating in the steering committees or boards of the labelling schemes. This is obvious in the Swedish Falcon, run by an environmental NGO. Also in other schemes, one can find the voice of consumers in the steering committees but given that these organisations have no particular interest in T&C, but priority to other topics, there seems to be limited pressure from them to meet the environmental challenges. Likewise, governments and the EU give economic and political support to various labels, but the labelling schemes are independent institutions.

Harmonisation of Standards

Harmonisation is a complicated process, even on the European level. There are two initiatives within the textile areas that have failed (Klepp and Laitala 2009):

- A new standard for flammability of children's nightwear that came into force in 2007 (EN 14878 2007). Countries like UK have stricter rules than the new directive, and are still allowed to keep their old standards.
- EU initiative in 2005 to harmonise the standards for clothes size labelling. While it was possible to reach an agreement on many topics in this process, it could not agree on the actual size and the labelling of them.

Conclusion

It is true that environmental labelling has always been an issue in the international trade discourse between developed and developing countries from

the very beginning. But such labels are also often perceived as a tool to facilitate market access for developing countries. What is vital is the need for ensuring transparency while developing and implementing such labels so as to avoid causing disadvantages to foreign producers.

Likewise, more efforts should be taken within the T&C sector in India to ensure rapid modernisation, technology upgradation and capacity expansion in order to compete with other countries and meet such specifications. Currently, the Indian equipments and machineries are outdated, posing serious threat to the further growth of the industry. Most of concessions and grants provided for boosting exports till date have not yielded the desired

result as they are insignificant when compared to the quantum of loss incurred by the sector.

In the same way, globally there is a need for increased consumer awareness in the textile sector. This is needed particularly in Europe since this region has far more certification programmes than any other region of the world. If consumers are driven by price then there is need to re-think the approach of how to include sustainability within the current cost structures. More importantly, develop some concept and come out with an international scheme exclusively for textiles that is inclusive (environmental, social, cultural etc.) and affordable.

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