

Spinning disaster

Textile industry's ills will not be solved by new Bill

Close on the heels of recent needless interventions and rollbacks on cotton exports, from which exporters and farmers are yet to fully recover, the government has now come out with a draft cotton trade regulation Bill to further hassle the sector. The Cotton Trade (Development and Regulation) Bill, 2012, circulated by the ministry of textiles, seeks to make it mandatory for all players in the cotton industry, including ginners, pressers, traders and yarn makers, to register with the textile commissioner or face imprisonment or fine. Not stopping at this virtual revival of the outmoded licensing regime, the measure also seeks to establish a cotton bale identification system, under which each bale of this fibre will have to carry a "press mark number" to be assigned to the ginning and pressing units by the textile commissioner. Cotton bales without such number-marking will attract legal penalty. This is tantamount to resurrection of the obnoxious inspector raj. On the whole, the proposed legislation will lead to pointless bureaucratisation, which may turn out to be worse than that under the Cotton Control Order of 1986. Unsurprisingly, the agriculture ministry, sensing the adverse fallout of this measure on the cotton trade and user industries and its effect on cotton growers, is opposing the Bill.

The Bill comes at a time when the textile sector, including yarn manufacturers and garment producers, is passing through a bad patch caused chiefly by the shrinkage of demand in its domestic and export markets due to the global economic slowdown. Particularly hurtful is the unrelenting recession of demand in the US and Europe, which together account for nearly 65 per cent of India's textile and garment exports. The industry is reportedly slashing jobs and demanding bailout packages — on top of the recent restructuring of loans to it worth ₹35,000 crore. Ginners and yarn makers, too, are feeling the pinch of a fall in prices and inventory build-up due to poor demand. Cotton farmers, on the other hand, dissatisfied with meagre earnings from cotton this year, plan to cut down acreage under this crop in the current kharif. This is likely to reduce cotton availability in the next season beginning from October.

Yet the logic offered by the textile ministry for bringing this Bill — to collect data on cotton and yarn production — seems frivolous. This ministry already has in place an elaborate system under which the Cotton Advisory Board (CAB) compiles this data, taking into account crop area, agro-climatic conditions, pest and disease outbreaks and inputs from different stakeholders and trade and industry bodies. Apart from that, the agriculture ministry also estimates cotton output on the basis of cropped acreage and average yield assessed through actual crop-cutting tests on the growers' fields. Reconciling these numbers should not require reintroducing a retrograde licence-inspector raj. The government will, therefore, be well-advised to abandon this perverse move — which, besides hurting the already beleaguered cotton sector, will send out negative signals on its reforms agenda.