

## UCA for Indian Footwear Industry

### **Introduction**

In the current scenario of globalization, only the organizations which follow the fast moving competitive trend of industry means will survive, this is a clear indication of “survival of the fittest”. In case of developing nation like India, it is very important to expand footwear industry share in global market by taking advantage of UCA law. In the current era of economic affairs it is imperative that trade policies across the world ensure a level competing ground through laws that mandate genuine trade practices. In Washington and Louisiana states of the United States the most recent step towards the Unfair Competition Act (UCA) that has already been enforced in 2011. Those states signed a law to prevent manufacturers using illegal IT to be able to export their goods to the country.

After adoption of this law in two states, all states in USA have similar mindset for UCA which is an indication for exporters that practicing without legal IT is threat for their business with USA. They have to ensure lawful business practices and use of legal software in their supply chain, thereby preventing the manufacturers using illegal IT from having advantage over the genuine traders. It is therefore time for global exporters to completely legalize the IT usage in all business practices and not only ensure but also expand their global trade share.

### **How Indian Economy affected by Piracy**

According to a study by IDC in 2011 on the impact of piracy on Indian economy, a reduction of 5% in PC software piracy would have led to GDP contributions of US\$ 790 million and creation of over 26000 new high-skilled jobs in the country. Value and assured returns for Intellectual Property has the capacity to cultivate a culture of innovation in the economy. It is worth noting that as much as 75% of the benefits brought in by decline in IT piracy are contributed to the domestic economy.

### **Impact on Footwear Industry of India**

Globally, India holds 3.22% leather footwear exports with direct competition of China (14%), Spain (6%) and Italy (21%). Currently footwear industry is exporting 9.22%<sup>1</sup> share of whole export of footwear industry to US. There are nearly 4000 units engaged in manufacturing footwear in India. This footwear industry is dominated by Small Scale units with total production of 55%. If we talk about total turnover of leather and non-leather footwear, it is estimated at Rs.8500-9500 crore including Rs.1200-1400 crore in the household segment.

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<sup>1</sup> <http://www.smeworld.org/story/special-reports/upbeat-and-downbeat-proportions-of-indian-footwear-industry.php>

USA imports 0.49%<sup>2</sup> of total import of footwear from India. In term of exporting with US, Brazil and Italy are the main competitor of India. If, UCA compliance won't be understand and adopted by Indian footwear industry, in the near future industry will face adverse impact.

### **Should Indian manufacturing sector take action?**

This UCA law mandated fair trade for US companies in-turn pushing these companies to ensure legal IT usage in the entire value chain of the imported products. This translates to law enforcement not only at the point of transaction of import, but also the supply chain for the suppliers themselves. Therefore the exporter of finished goods requires now to perform a careful check on the IT usage of the source of the raw materials. In above context, it can be said that our footwear manufacturing sector should understand the complexity and its benefits to industry and act accordingly. If we analyze the footwear import data of US, its top three importers like, China, Indonesia and Vietnam have high piracy level as compared to India.

### **How can India take it as an opportunity?**

Countries where usage of pirated software is minimum, will be at an advantage. According to Fifth Annual BSA<sup>3</sup> and IDC<sup>4</sup> global software, Global Software Piracy Study May 2008, piracy levels in India are lower than footwear competitors China, Vietnam and Indonesia, but higher than Italy and Brazil. As an instance, China may lose out on its exports to the UCA enforced states despite being the fastest growing economies and having the most competitive prices, if it doesn't take measures to reduce IT piracy. The illegal software market, being close to \$9 billion in 2011 in contrast to a legal market of less than \$3 billion (Business Software Alliance), China faces a huge challenge of legalizing this humungous illegitimate market.

It is clear that in the current situation, this is the most crucial time for India to penetrate its position as a preferred IT compliant country in industry, simply by legalizing the IT used in the business operations of manufacturing segment. Similarly for footwear exporters, this is the best time to expand their market and buyer base as the United States are already searching for alternatives to their non-compliant business partners and suppliers.

### **Conclusion**

Manufacturers using illegal or unlawful software to get unfair advantage bring imbalance in the pricing market and largely distorting fair competition. According to experts, preventing piracy will generate jobs, bring innovation, and stimulate economic development with approach of

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<sup>2</sup> <https://www.wewear.org/assets/1/7/usimportsfootwear1112.pdf>

<sup>3</sup> Business Software Alliance

<sup>4</sup> International data Corporation

