Editorial

Indian Textile Market: Time to Join Hands with the Neighbours

Indian textile industry has a long and glorious past. The industry which ruled the roots and was often referred to as India's growth engine, has for quite some time slipped into a declining phase. In the past two decades the country has fallen behind some of its neighbors like Bangladesh, Vietnam and China especially in reference to global export market. In the year 2000, India's share in global market was 3 percent and Vietnam and Bangladesh both enjoyed 2 percent and 1 percent market share respectively. In past two decades, the share of India has increased marginally to 4 percent where as the share of Vietnam and Bangladesh has increased to 5.9 percent and 6.5 percent respectively. In 2017, India exported garment worth \$18 billion which further dipped to \$16.1 billion in 2018 where as Bangladesh exported \$27 billion worth of garments in the same year, thus, becoming the world's second largest apparel supplier after China, outpacing India. India's apparel exports declined for two years in a row, apparel export fell by 1.2 percent in 2019 from 2018 which in turn was lower by 4 percent then the previous year.

Despite of a considerable market size of Indian textile industry, which is worth \$150 billion and is the second largest employer after agriculture providing direct employment to 45 million people and indirectly to 65 million, the apparel industry is facing strong headwinds from key competitors like Bangladesh and Vietnam. These countries enjoy huge advantages over India in the global market on many counts. The foremost advantage is that of labor cost. The striking fact is that the labor cost in Bangladesh is the lowest in South Asia whereas, the productivity of its workers is manifold higher than the counter parts in the region. The World Bank report says that the worker in Bangladesh gets the monthly wage of only \$101, the Indian worker earns \$257 while the monthly wage of a worker in China is \$470 and in Vietnam it is \$216.

Another advantage to countries like Bangladesh, Vietnam and Sri Lanka, who fall under the category of least developed countries as classified by World Trade Organization is the differential duty treatment accorded by the European union and the other developed countries to the garments exported from these countries. While Indian garments attract 9 to 10 percent import duty, the least developed countries are allowed to be imported duty free to the European Union. Bangladesh in the last few years has been able to attract FDI amounting to \$2.15 billion in the garment sector as a result of these advantages; in contrast India could attract only \$3.2 billion of FDI from April 2000 to March 2018.

Another disadvantage with India is that the global demand is moving towards man made fibers where as in India, cotton still dominates as India is the largest producer and exporter of cotton yarn in the world.

Another major constraint is that of scale. Approximately 95 percent of the fabric in India is produced in small scale industries which are facing the problems of cross subsidization, power and high rates of interest making the Indian fabric inherently expensive.

What India needs to do: India must review long pending free trade agreement with European Union to take advantage of lower import duty rates along with signing similar agreement with Russia to get better access to the European market. India has been in long conversations with Russia to enter a Comprehensive Economic Partnership Agreement or a Free Trade Agreement, with EEU, which is a Russian lead free trade block. Such partnership will benefit Indian textile exporters as well as give boost to Indian products and make them cost competitive in the region. The government should also considered joining hands with the other market viz Hongkong, Israel, Japan, Bangladesh and Vietnam. All these measures could help India in meeting its export target of $82 billion for 2021, although India has missed the target of $45 billion set for 2017-18.

(Prof Mahima Birla)

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