

Addressing Issues in India's Textiles Industry

What is the issue?

\n\n

Indian textile industry has some deep-rooted problems which needs to be addressed with long-term sustainable solutions.

\n\n

What is the potential of Indian textile Industry?

\n\n

\n

- The textiles and apparels industry in India is valued at around \$127 billion in size.

\n

- The sector is a large foreign exchange earner, and is the second-largest employer (after the agricultural sector) in the country.

\n

- In India, the sector enjoys the presence of the entire value chain from fiber, yarn, fabric and apparel apart from the availability of cheap and abundant labor.

\n

- Thus for India the textiles industry is important not just for labor absorption and as a source of foreign exchange, but also as a symbol of India's rich heritage.

\n

\n\n

What is the status of Indian textile trade?

\n\n

\n

- Indian textiles industry which is one of the oldest industries of the Indian economy is finding it difficult to compete with much smaller players such as Bangladesh and Vietnam.

\n

- However, in spite of these benefits, India's share in the global textiles

exports is just 5%, which is minuscule as compared to China's share of 38%.

\n

- Much smaller players like Bangladesh and Vietnam have a share of 3% in global exports and are increasingly threatening India's exports.

\n

- The exports from the sector are valued at around \$37 billion, amounting to 13% of India's total exports.

\n

- The share of textiles in India's total exports has fallen sharply from a high of 25% in FY02.

\n

- The rise in labor cost in China could have been the perfect opportunity for India to increase its share in the global textiles industry.

\n

\n\n

What are the problems in the textile industry?

\n\n

\n

- **Market Reality** - India's textile industry grapples with domestic issues including outdated technology, inflexible labor laws, infrastructure bottlenecks, and a fragmented nature of the industry.
- \n
- The textiles sector in India, primarily dominated by the unorganized and small players, had taken a major hit with demonetization and the implementation of the goods and services tax (GST).
- \n
- **Global Policies** - According to the WTO's Agreement on Subsidies and Countervailing Measures, a country needs to phase out export subsidies for a product as it achieves export competitiveness, defined as 3.25% share in world trade, and the per-capita income reaches more than \$1,000 per annum.
- \n
- As per this agreement, India is under pressure to end export subsidy for the textiles sector by 2018.
- \n
- This implies that the existing subsidy schemes including the Merchandise Export from India Scheme (MEIS) and the Export Promotion Capital Goods (EPCG) Scheme will get affected by the same.

\n

- **Demand for MMF** - Globally, manmade textiles and garments are in high demand, with the ratio of cotton-to-manmade-fiber consumption at 30:70.
\n
- India, despite being the second-largest textiles exporter in the world, lags in this category because of unavailability of manmade fibers at competitive prices.
\n

\n\n

What sustainable solutions needed in this regard?

\n\n

- \n
- Government needs to move away from export-specific subsidy, which violates WTO norms, to focus on regional and cluster subsidies, technology upgradation and skill development subsidies, which benefit all the producers.
\n
- In India, cotton and manmade fibers (MMF) have differential tax treatment, here fiber neutrality will give a boost to the industry.
\n
- Under differential tax treatment cotton is taxed at 5% and manmade fibers at 12%.
\n
- In fact, of the total textiles and clothing exports from India, cotton accounts for around 75%, there is a need to increase production with the global consumption patterns.
\n
- While India has abundant supply of labor, flexibility in labor laws and adequate skilling will give a big boost to the textiles industry.
\n
- For instance, women should be allowed to work in all three shifts, after taking into account adequate safeguard measures.
\n
- Technology upgradation schemes will help Indian players to increase both their productivity and competitiveness.
\n
- In addition, the government needs to carefully evaluate the various trade agreement opportunities Bangladesh and Vietnam benefit from favorable access to some of the big apparel markets.
\n
- The government also needs to re-look at fiber neutrality and evaluate

various trade agreement opportunities, while domestically focusing more on technology upgradation and skill development.

Source: Financial Express

