

13 Feb, 2023

[95-3] - Economy

2. one of the reasons for modest performance of India's textile sector is high import duties in developed countries. In this context, analyse the role of free trade agreement in lifting the textile exports

Free trade Agreement is an agreement between 2/more nations, to reduce tariff barriers for imports exports.

[Indian Textile sector]

one of largest in world with 4% global share;
contributes to 2% of Gross domestic product and 12% of foreign earnings, employment opportunities

[Concern]

High import duties especially from developed countries affecting the textile sector in India. on other hand, competitors like Vietnam & Bangladesh - benefiting from zero duties [improves their cost competitiveness]

[Current Free trade Agreement in arrival]

currently India - negotiating with UK, EU etc;
US & EU forms sizeable share in import of India's textile products - 60% & 52%.

Prerequisites to improve exports post-Free trade Agreement

1. Investment in High branded Fashion textiles - currently 40% are being brought by developed countries.
2. Chief Executive officers of the company must educate the firms regarding the benefits of Free trade Agreement on the exports.

3. NO incentivisation on the Low-value added products.
Remission of duties & Export promotion schemes incentivises exports. - Instead of low-value added products, high value added products must be incentivised.

4. Design compliance

Eg: Japan - focus more on design preference.

VS, EU → prefer mostly on compliance with rules.

This distinction must be understood, and approached on case by case basis.

5. Liberalise Labour Laws → for Indian firms to employ large workforce in single roof & easy exit option.

In the current negotiating Free trade agreement & existing one's India must consider the above factors to increase the share of textile exports.