Challenges before Indian Apparel Market

Why in news?

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Union government has decided to raise import levies on 50 items, from fibre to apparel.

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What is the status of India’s apparel import?

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- Readymade garments (RMG) imports increased from Rs.2,643 crore in 2013-14 to Rs. 4,983 crore in 2017-18.
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- This amounts to a compound annual growth rate of over 17%.
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- Bangladesh and China, with whom India shares porous borders, accounted for about 64% of India’s Ready Made Garment (RMG) imports in 2017-18.
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- China’s share in global apparel exports is on a gentle decline.
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- India has been losing out to Vietnam and Bangladesh, with the respective shares of the three countries at 4%, 5% and 6%.
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What is the decision on import levies hike?

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- To address the shocks from the climate of protectionism across the world, India has decided to impose levies.
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- Most of the imported items will attract a rate of 20%, against 10% now.
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- Since India has free trade pacts in place with Bangladesh and our less significant RMG import origins Vietnam and Cambodia, the higher tariffs are

unlikely to come into force with respect to these countries.
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- The hike in duty will contain direct Chinese imports, but not so much the influx from Bangladesh.
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- Lower RMG imports from China over the next few years will open up a section of the domestic market for local players.
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What are the concerns in Indian apparel market?

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- China could step up its relocation of apparel making into Bangladesh and ASEAN countries.
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- It a process that is already underway as a result of rising labour costs in China and a larger move by its industries to move up the skills and technology ladder into sectors such as electronics.
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- Despite the size of the Indian market, China has generally preferred to export its way into India rather than set up facilities here.
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- India too is not being entirely comfortable at the latter prospect, for strategic reasons.
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- India’s textiles and apparel industry has been not been impacted much by labour costs.
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- But it has largely been hampered by logistics shortfalls and tax-related hassles.
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- Besides, the price of cotton is a factor of concern in an industry where margins are under relentless pressure.
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- Union government could pitch in with housing costs for labour, as in China’s clusters.

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- India should take advantage of the large domestic market to stay competitive despite the shocks from shifting global market trends.
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Source: Business Line

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