Changes in the textile segment to sustain and grow business

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(Mains GS 2 : Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation.)

Context:

Bangladesh overtook India in exports of the global textiles and clothing in the past decade as Indian labour costs resulted in products becoming 20% more expensive.

Instrumental factor:

- Lower production costs and free trade agreements with western buyers are what favour Bangladesh, which falls third in the line as a global exporter.
- India holds a 4% share of the U.S.$840 billion global textile and apparel market, and is in fifth position.
- For Bangladesh, supportive industrial policy was an instrumental factor as access to global markets led to the industry's boom.

Developing backward links:

- India has been successful in developing backward links, with the aid of the Technical Upgradation Fund Scheme (TUFS), in the cotton and technical textiles industry.
- However, India is yet to move into man-made fibres as factories still operate in a seasonal fashion.

- Bangladesh concentrates on cotton products with specialisation in the low-value and mid-market price segment.
- Bangladesh has been ahead of time in adopting technology but the country faces the challenge of high attrition and skilling which results in higher costs.

Integrating technology:

- The Fourth Industrial Revolution (4IR) has been shifting focus from production machinery to integrating technology in the entire production life cycle.
- The production cycle incorporates all digital information and automation including robotics, artificial intelligence (AI), virtual reality, 3D printing, etc.
- However with change comes opportunities as well as challenges as the Asian Development Bank anticipates the challenges of job losses and disruption, inequality and political instability, concentration of market power by global giants and more vulnerability to cyberattacks.

Challenges of automation:

- With a 7% unemployment rate, India faces the challenge of job creation in the wake of increased automation and the World Bank expects this trend to accelerate in the post-COVID-19 market.
- The 4IR may result in unemployment or poor employment generation, primarily affecting a low skill workforce.
- The integration of skilling and technological investments will play a vital role in phasing out obsolete jobs, and adapting to new ones.
- The market switched from ‘seasonal fashion’ to ‘fast fashion’, and later to ‘accurate fashion’, reducing lead time thus digitalisation and automation in areas such as design, prototyping, and production are key in order to stay abreast, and in controlling production quality and timely delivery.
- While a transition may be easier for large factories, medium and small-scale entities may suffer as adoption of new technology and automation is closely linked to in-product basket diversity creation too.

Important consideration:

- Sustainability is an important consideration for foreign buyers as textile and apparel effluents account for 17%-20% of all water pollution.
- Sustainable practices such as regenerative organic farming (that focuses on soil health, animal welfare, and social fairness), sustainable manufacturing energy (renewable sources of energy are used) and circularity are being adopted.
- Thus, tax exemptions or reductions in imported technology, accessibility to financial incentives, maintaining political stability and establishing good trade relations are some of the fundamental forms of support the industry needs from governments.

India’s intent:

- A country such as India with a very high number of scientists and engineers could lead, as is evident in the areas of drones, AI and blockchain.
- India’s potential lies in its resources, infrastructure, technology, demographic dividend and policy framework.
- The creation of a Centre for the Fourth Industrial Revolution is indicative of India’s intent.
- The U.S. trade war on China owing to human rights violations along with its economic bottlenecks, opens doors for India as similar to China, India has a big supply of raw material to garments.

Investments in technology:

- India’s proposed investments of US$1.4 billion and the establishment of all-in-one textile parks are expected to increase employment and ease of trade.
- India extended tax rebates in apparel export till 2024, with the twin goals of competitiveness and policy stability.
- Labour law reforms, additional incentives, income tax relaxations, duty reductions for man-made fibre, etc. are other notable moves.

Way ahead:

- Cotton product dependency and a focus on only major export destinations may diminish the market scope for South Asia.
- Diversification with respect to technology and adaptability in meeting the demands of man-made textiles are also important.
- Newer approaches in the areas of compliance, transparency, occupational safety, sustainable production, etc. are inevitable changes in store for South Asia to sustain and grow business.
- Reskilling and upskilling of the labour force should also be a priority for the region to stay aloft in the market.
- Further, there is a need for governments’ proactive support in infrastructure, capital, liquidity and incentivisation.