



APPAREL / INSIGHTS

LAYING BRICS FOR A BETTER FUTURE!

BINDU GOPAL RAO gives an insight into the recently concluded 8th BRICS summit and what it means for India.

BRICS—Brazil, Russia, India, China and South Africa—is neither an organisation nor an institution but an annual summit of these countries which represent three billion people (or 40 per cent of the world's population and account for \$20 trillion of the GDP), which is growing at a rate of 28 per cent. With the Central Government's 'Make in India' policy getting a big push, it is exactly in summits like these that India can encash this brand proposition. In fact, better the relations amongst these nations, the better it will augur for them and indirectly for the world. The growth of trade amongst these nations is a win-win scenario, for all. In fact, each country is currently battling its own set of issues, whether it is Brazil's biggest recession, Russia's falling economy, China's

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and South Africa's stagnant growth and India's lack of jobs. The idea of this summit is to provide a collaborative fillip to mutual trade and economy and help each other to mitigate problems and aid mutual growth.

THE BRICS IMPACT

"The relevance of BRICS has dimmed considerably. If we look at the countries comprising it, all of them barring India, have shown slowing economies. Also, Russia and China are trying to increase their influence in Asia by supporting various regimes. The recent BRICS Summit, which commenced just after the Uri attack, strained relations between India and Pakistan. China, being a strong ally of Pakistan, has not helped. While there might be some impact due to



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straining of relations with a trading giant like China in the near term but the overall impact will not be substantial on the trade industry in India,” says Pranal Modani, Director, Sangam Lifestyle Ventures Ltd, a Sangam group initiative. “Even though a lot of consignments with regards to raw materials, clothing supplies and other apparel related features are imported from China. The supply from China is cost-effective for businesses in India. However, after China, India’s strongest trading partners are Russia & Brazil. India’s EXIM trade with the BRICS nations was strong at 6.5 per cent and 7.8 per cent respectively, in 2015 and 2016. We will have to wait and see what the impact will be.”

TEXTILE DEVELOPMENT

The first BRICS Trade Fair and Exhibition was held before the BRICS political summit this year as a major initiative was proposed by Prime Minister Narendra Modi. The fundamental premise for this came from the fact that measures like this need to be taken to deepen intra-BRICS economic engagement, trade and investment ties. The trade fair showcased 20 key sectors, including textiles and apparel. The most important development under BRICS has been the creation of the New Development Bank which aims to serve as a source of finance for developing and emerging economies to meet their developmental needs. The four original BRICS countries are expected to represent 47 per cent of the global GDP by 2050, which would dramatically change the list of the world’s ten largest economies. “An important change that we may expect over the medium to long term is that the top ten countries in terms of GDP may be different from the top ten countries in terms of per capita GDP. The inherent strength of BRICS emanates from strong, domestic and demand-based economies in the case of India and Brazil and the significant outward linkages of China and Russia,” says Arvind Sinha, Business Advisors Group, Mumbai, according to a Textile Association (India) report. “We can comfortably say that the BRICS region is providing textiles of all types to seven billion people around the world. Everybody, wherever they are, are using some textile products manufactured by the BRICS Region. The textile and apparel industry has, on several occasions, shown that it is an industry of great relevance for the Brazilian economy, and has a strong social impact. Textile production worldwide grew by 97 per cent for the last

ten years, international trade in textiles and clothing grew by 175 per cent, if we consider only the clothing, and the growth was even greater, 220 per cent over the same period.”

APPAREL MATTERS

While the impact on the apparel industry will not be immediate, there is a general consensus that things will change over the long term. “The meeting held between Mr Narendra Modi and Chinese President Xi Jinping is a positive step for improving the bilateral relationship between the two countries. As they discussed that terrorism should not be a reason that affects relations between the countries. If this actually happens, the trade sector, including the apparel sector wouldn’t be affected. If not, there might be an impact on the apparel industry, but we believe that the Indian apparel industry is resilient enough to weather these storms,” says Modani.

Vineet Chhajer, Director, Vineet’s Sarees, explains, “China, though an essential part of BRICS, is the biggest competition in textiles among the BRICS countries but our textile sector in India is now upgraded and with the advent of new import restrictions, is shaping well enough to take the competition head on. The handloom sector has undergone a major revamp and the mills in Surat are at par (if not ahead) with the best in the world. The imports have decreased from China but that is not because of the BRICS summit but because of a general mood in the country towards Chinese products and their dual policy towards Pakistan and terrorism.”

SWOT ANALYSIS

The general consensus is that all opportunities can be explored only if terrorism is kept away from trade and business as an industry, in totality. The challenges would arise if issues with China are not completely resolved, as



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India will have to strengthen its trade ties with other countries who can better the businesses in India. The case in point is the improved relationship with Japan, as seen in their commitment to contribute to the bullet train project. India and Brazil signed four MoUs, which could further strengthen ties between these two countries. “The growing demand for garments in Brazil, Russia and South Africa—three important economies in the five-member BRICS block—gives an immense business opportunity to Pakistan’s textile industry to expand sustainable production,” says Modani.

Clothing demand is rapidly increasing in the emerging markets of South Africa, Russia and Brazil. Garment sales are growing eight times higher in developing and emerging economies as compared to the developed world. Two other BRICS



members—China and India—are also lucrative markets but these two economies already produce all types of clothing to cater their domestic markets. Pakistan’s apparel manufacturers could grab the fast-growing clothing market. Millions of people are entering the middle class market every year in the developing countries. The main challenge is not price, but sustainable production.

GOVERNMENT IMPETUS

The opportunities for India lie in the manufacturing setup in the remaining countries like Brazil, Russia and South Africa. “Our handloom is the best in the world and I am sure the trade would be boosted in these countries and that too, at premium pricing. Although our government is taking steps to revitalise the Indian economy, the MSMEs could be taken special care of by providing a better setup, aid and upgradation. The ongoing scenario of the world economy has not been the best and most supportive. I think it is time our government to help boost trade and smooth business and trade,” Chhajaj concludes. ■