

Information Technology and Quantitative Management (ITQM2017)

## Scenario Analysis of Textile Industry in Asia-Pacific Trade Agreement (APTA)

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### Abstract

Asia –Pacific Trade Agreement (APTA) is one of the major Preferential Trade Agreement integrating two major markets of India and China in the Asia-Pacific region. The textile industry is one of most important industry that requires APTA trade liberalisation to promote intra-regional trade. The present paper highlights how the export and import share of the select economies within APTA have changed and it provides a scenario analysis with a commitment to expand the sector. The paper also brings out significant improvement which India may focus on to improve the trade scenario of the textile industry and how APTA may provide a direction in this regard.

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Peer-review under responsibility of the scientific committee of the 5th International Conference on Information Technology and Quantitative Management, ITQM 2017.

*Keywords:* APTA; textile; export; import

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### 1. Introduction

The Asia- Pacific Trade Agreement (APTA) earlier named as the Bangkok Agreement was signed in 1975 as an initiative of ESCAP (Economic and Social Commission for Asia and the Pacific) [1]. It is a preferential trade arrangement that focuses on promoting intra-regional trade through exchange of mutually agreed concessions by its member countries. The member countries of APTA have established the framework of agreement in areas of Trade Facilitation, Trade in Services and Promotion and Liberalisation of Investment. Currently APTA has seven member countries namely, Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic, Sri Lanka and Mongolia. The Agreement is designed to expand mutual trade through fuller exploitation of their trade potential, expansion of productive capacities and higher economic growth. The textile industry is highly price sensitive. In order to produce them at lower costs, the

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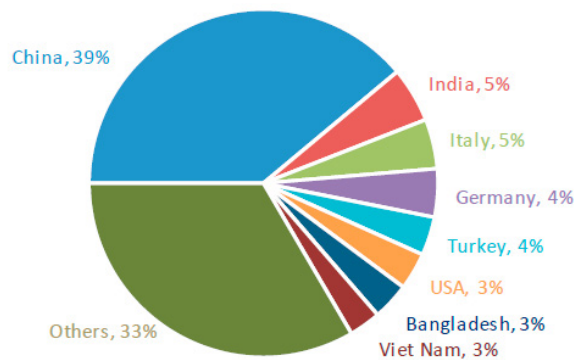
manufacturing industry has continued to shift from one part of the world to the other. As it is a labour intensive industry, several nations adopt a protected regime by imposing high import duties to safeguard the interest of domestic manufacturers. In this context the role of a trade agreement becomes particularly important which allows the countries to trade within the group at a preferential rate and reap the fullest potential of the industry by exploring the complementarities that exist within the countries. In this way the countries are able to leverage on their comparative advantages. The main objectives of the study are:

- To study the imports and exports scenario of textile industry in five member countries of APTA.
- To analyse where India stands in comparison to its four member countries of APTA.

This paper presents the scenario analysis of the textile industry in the context of the APTA and reveals that how tariff liberalisation would facilitate the growth of the industry in the region. Section 1 of the paper provides the introduction followed by Section 2 that provides the overview of the textile industry. This is followed by Section 3 that discussed the Analysis and interpretation of the results. Finally Section 4 discusses the implication and conclusion.

## 2. Overview of Textile Industry in APTA

The textile industry is mainly concerned with designing and manufacturing of yarn, cloth, clothing and finally their distribution. The raw material used to produce yarn, cloth etc. can be natural or synthetic. During the 20th century the textile industry underwent major changes with technological innovations in machinery, logistics, synthetic fibres and globalisation of businesses. Cotton and wool were not only source of fibre as many chemical companies manufactured new synthetic fibres with superior quality which can be used for multiple uses. One of the synthetic fibres used by the manufactures was rayon. Majority of synthetic fibres used for producing fibre grew tremendously during the 20th century. The global market share for textile exports in 2013 according to United Nations Commodity Trade Statistics Database stood at \$772 Billion. The top 5 textile and apparel exporting nations are China, India, Italy, Germany and Turkey. China, the largest exporter, has a share of 39% while India is distant second with 5% share [5].



Source: Ministry of Textiles, Govt. of India

Figure 1. Major Exporting Nations of Textile and Apparel (2013):

### 2.1 Bangladesh Scenario

The textile and Clothing industry is the only source of that is helping Bangladesh to growth its developing economy rapidly. The Exports of textiles and garments are one of the major sources of foreign exchange earnings in Bangladesh. After China is Bangladesh is the world's second largest apparel exporter of Western

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