

**ADDRESS BY HON D. GOKHOOL,
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WORKSHOP ON MARKET

PROSPECTS IN INDIA

Monday 18 May 2009

At 13 00 hrs

**Le Sirius Labourdonnais Hotel,
Port Louis**

Chairman of Enterprise Mauritius

CEO of Enterprise Mauritius

Distinguished Guests

Ladies and Gentlemen

Good Afternoon

It gives me great pleasure to be here amongst you today on the occasion of the workshop on Market Prospect in India, organized by Enterprise Mauritius. I would like to heartily thank Mr Raghav Gupta for having agreed to meet industry operators during today's interactive session and to provide information on the potential of the Indian Textile and Clothing market as well as the key trends. This is an excellent initiative at a moment when the textile operators need to re-position themselves on the global market and diversify their markets. I wish therefore to congratulate Enterprise Mauritius for this initiative.

Ladies and Gentlemen

This initiative comes at a most appropriate to assist our enterprises cope with the adverse impact of the global financial crisis. The strategic thrusts should lie on retaining existing markets and identifying new ones. Indeed, Market diversification assumes critical importance so that

we can be less dependent on the E.U and U.S markets which account for almost over 70% of our exports. Although we need to consolidate our presence in the E.U and the U.S, there are compelling reasons to identify market opportunities in emerging markets and successfully position our products on the shelves of their burgeoning shopping malls and other retail outlets. I commend Enterprise Mauritius for having identified India where we should attempt to improve our market position.

We all know that India has emerged as an economic powerhouse in the Asian region, alongside China. The Indian economy has been growing at an average 8% until the global financial crisis has unleashed its destructive forces on the global economy. Moreover, India stands prominently among the league of major retail markets in the world, having stepped in the exuberant age of retailing for some time now. It is estimated by many marketing analysts that, within seven to ten years, India will become one of the largest retail markets in the world. The retail industry in India, estimated at \$300bn is expected to increase to \$637bn by 2015. Studies have shown that India ranks second, after Russia, as the most alluring destination for retailers, being the second largest in the world in terms of growth potential. According to KSA Technopak data, the Indian market could be bigger than the projected size of the Japanese, German, French and the Italian markets by 2016.

At the same time, the current market for apparel in India, estimated at \$30bn in absolute terms is expected to double by 2016 due to changing lifestyles, strong income growth and favourable demographic patterns. In fact, Increase in demand in India will be boosted by two main factors: first, 65% of the population in India is below 35years and 54% below 25 years which denotes an age structure with the largest young people in the world. Second India has the world's largest expanding middle class after China. I understand there are other factors which make the Indian apparel market increasingly enticing for foreign producers. These are:

1. An increasing number of shopping Malls where Mall space from a meager one million square feet in 2002 was expected to reach an estimated 60mn square feet in 2008
2. Demand in semi-urban and rural areas, represent about 50% of the total market share and constitute to a great extend of incremental increases due to rise in disposable income
3. Apparel is a leading item in organized retailing

Ladies and Gentlemen,

The upward trend of demand in India now contrasts with stunted demand growth in several of the Western markets, including the UK,

France, Italy and Germany where there is stagnation in the population growth and rapidly ageing populations.

India, indeed, represents a large market to be tapped to diversify the Mauritian export basket within the textile and clothing sector. However, we must admit that Mauritius with relatively higher production costs does not have a comparative advantage in low value basic goods produced on a labour intensive mode. We need certainly to identify niches segments to sell differentiated, innovative and creative products where the price factor is not very significant. Here we can mention the Men's branded apparel market in India which is growing at about 20%, according to recent data. Or, we can refer to one of our stylists who has been dressing Miss India for several years now.

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Ladies and gentlemen,

Enterprises in Mauritius must therefore develop the right marketing strategy to capture the right market segment in India. Government, on its part, will take all necessary measures to develop supply-side capabilities of our business operators so that they can compete successfully in non-traditional markets like India. A number of projects are currently being implemented to improve the capacity, competitiveness of our enterprises.

Here I can mention that the Fashion and Design Institute (FDI) will be soon operational. This organization should assist our garment producers in their endeavour to develop brands for their products, through guidance, training or when seeking the necessary IPR protection. This Institute will be also responsible to promote development of a new class of entrepreneurs who can thrive as stylists, fashion designers, and fashion merchandisers, to name but a few areas of fashion. It is our wish that in the medium to the longer term, this new wave of entrepreneurs within a new fashion Industry can have a share of the high end market of countries like India.

However, in the meantime, Enterprise Mauritius will be pleased to assist you to penetrate the Indian market. It is in this context that Enterprise Mauritius is enlisting the support of a high caliber and seasoned resource persons who can assist us in formulating a cost effective and result oriented strategy towards the Indian market. This is particularly important due to the complex structure of the Indian market and because India is itself one of the leading suppliers of garments worldwide and is a direct competitor of Mauritius. However, I consider that efforts to penetrate the Indian market can be successful only if there is greater synergy between private and public sectors. Here, in the past, Enterprise Mauritius had plans to set up Trading Houses in certain countries to

improve on direct contacts with buyers. However, this project could not be implemented due to lack of interests on the part of the private sector. I believe that we must increase the visibility of our products to showcase their quality that have already earned a reputation in European markets.

Ladies and Gentlemen,

At Government level, we were keen to conclude negotiations for a Comprehensive Economic Partnership Agreement (CECPA) with India which would have allowed preferential access for a quota of 3 mn pieces of garments to India. However, the negotiations have stalled. We wish that the Indian and Mauritian side come to an agreement to restart negotiations on this issue. This is particularly important when India has concluded an agreement with Bangladesh which includes extension of duty-free imports for 8 million pieces of garments without hamstrung conditions.

I consider therefore that we must be active on all fronts in order to better represent our interests in India and help reduce our huge trade imbalance. I know that successful penetration of the Indian market represents a daunting challenge as we have comparative advantage in a limited number of products. I believe that we can have competitive advantages mainly in skill and technology intensive products. And this is what Government is committed to promote. I can here mention that

we are finalizing a strategy document in the Industry and SME sector and the strategy focuses on an entrepreneurial and innovation-led model where development of high tech industries is considered as imperative to produce high value products that can be more competitive in export markets. However, in the meantime we need to explore all opportunities to identify new markets and spare no efforts to penetrate these markets

Ladies and Gentleman.

With these words, allow me now to declare the Workshop open and Wish you all a fruitful deliberation.

Thank you

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