

NEWSLETTER

India can strengthen its growing exports of bicycle and parts

Government of India will soon select 11 cities, under the Smart Cities mission, to promote cycling as an eco-friendly mode of transport. Cycling is not only an eco-friendly mode of transport, but it also supports business prospects of thousands of bicycle spare parts manufacturers in the country and promotes investment in cycling track and other road infrastructure. Investments in cycling infrastructure have economic benefits of up to 5.5 times the initial investment. Cycling for short distances can result in an annual benefit of Rs 1.8 lakh crore to the Indian economy, points out the Ministry of Housing and Urban Affairs, Government of India in a press release dated June 10, 2020.

According to a survey by the ITDP India Programme, increasing cycling can help cities in a green economic recovery in the post-COVID world. ITDP is the Institute for Transportation and Development Policy, which is a global not-for-profit organisation.

International Trade

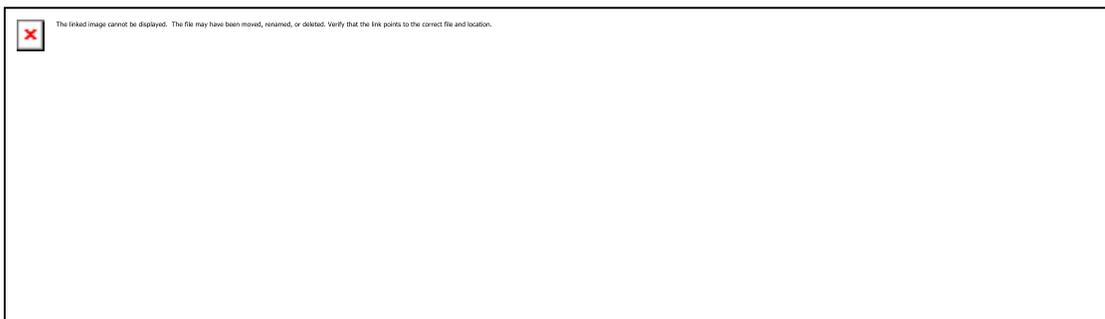
According to industry estimate, India is the world's second largest manufacturer of cycles after China and it ranks third in terms of annual cycle sales. However, the gap between India and China in terms of production volume is too high, with India clocking 1.72 crore annual production, compared to more than 22 crore by China. Thus, China has the scale economy to manufacture bicycles at globally competitive cost. Consequently, India is not a leading exporter of bicycles as it ranks 24th in world exports, although it ranks among the top 10 exporter of parts and components used in bicycles. World export market for bicycles is US\$ 8.7 billion, where China leads with a share of 33%, followed by Taiwan with a share of 16%. India's contribution to world exports is hardly 1% and this explains the untapped export potential for bicycle alone (excluding export market for parts and components). There has been marginal progress in exports of bicycles and parts from India in recent years. India's exports of bicycles and parts has grown at a CAGR of 3.5% since 2011-12 from USD 284 million to USD 383 million in 2019-20, compared to 0.3% growth in overall merchandise exports during this period.

Even though India is the second largest producer of cycles, majority of the bicycles produced are of low-end varieties. It is argued that India does not have the competitiveness to produce high-end light weight bicycles, which is demanded in Europe and USA. Therefore, major markets for Indian bicycle is restricted to Nepal, Bangladesh, Mozambique and other developing countries. Although India exports bicycles to Germany and UK, the volume is not substantial. Media reports suggest that Indian bicycle exporters could not benefit from the trade war between USA and China as they are constrained by weak

infrastructure and poor technology. Industry players expect government support for technology upgradation and availability of raw material at competitive cost. India is said to be dependent on import of 15 critical parts used in manufacturing bicycles. There is a need to promote capacity building among local component manufacturers to produce these parts domestically and reduce reliance on imports.

In order to discourage import of finished bicycles, government imposes 30% customs duty on finished product, while it allows imports of parts and accessories by levying lower duty of 20% on some parts and still lower 10% duty on some critical components. However, it is complained that Chinese manufacturers are supplying bicycles in the Indian market at concessional customs duty by routing them through Sri Lanka. India's imports of bicycles from Sri Lanka almost doubled to USD 23 million in 2018-19 from the previous year.

Despite surge in imports from China and Sri Lanka, India's overall trade balance in the bicycle and components sector improved considerably in the last 10 years. In fact, India became a net exporter of bicycle and components, from net importer. In 2011-12, India had a negative trade balance of USD 96 million, which gradually changed to a positive trade balance of USD 243 million by 2019-20. Specifically, India's imports of bicycles and its parts declined from USD 380 million in 2011-12 to USD 140 million in 2019-20, while exports grew from USD 284 million to USD 383 million during this period. the following table provides a snapshot of key product sub-segments within the bicycle sector where India's trade balance improved since 2011-12.



Going forward, Indian manufacturers should build on the recent gains in exports by enhancing their export competitiveness, especially by focusing in high-end low weight bicycle segments.

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