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India And China Textile Trade Relation Impact On Global Textile Industry

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Abstract

This paper examines the trade performance of textile industry of India and its competitors namely China and Vietnam by using revealed comparative advantage, value index and compound annual growth rate and also aims to investigate the export competitiveness (EC) of the Indian textile industry by using time series analysis. Growth has been increasingly found to occur in regional agglomerations of firms producing interlinked goods and services. Such dynamic agglomerations/clusters in the "developing" countries have gained more visibility recently among policy makers and global capital looking for "effective" locations. The growing recognition of such phenomena — along with a perceived reduction in the role of the nation-state has led to scholars arguing a case for the rescaling of economic regulation (Peck 2002). Since then, the "regional agglomeration" has emerged as a prime target for intervention, to improve the ability of these agglomerations to compete in global markets. Critical to the dynamism of such clusters is an array of institutions ranging from those that reduce transaction costs, to those that help them dynamically compete — provisioning of credit, technological capabilities and market information. A vital component of this local institutional milieu is a dynamic labor market that fosters skill formation and diffusion across firms. Creating such conditions for skill formation and social upgrading is a key challenge for policy makers in the developing world, as they seek to negotiate the imperatives of production for global markets and move into more value-adding segments of global-value chains.

Keywords- Competitiveness, Trade Performance, Growth, Diversification, Sophistication, Textile Industry, Exchange Rate, Export Competitiveness, Real Effective Exchange Rate

Introduction

Times change! Be it good times or bad, they never last. Situations change with time. Monarchy had to end at one point of time. Colonialism came to be abolished at another point of time. Similarly, the current scenario of the global textile industry may change sometime or the other. Things may not remain as it is 100 years down the line. Importers may become exporters and exporters may become importers. Decisions taken by a single country may affect the entire textile value chain. It may also affect the overall economies of many countries. Good or bad trade relations between two countries may also influence the global textile industry to a certain extent.

China is one of the fastest growing economies of the world. Its Gross Domestic Product (GDP) growth was recorded to be 7.8 percent in the year 2012. Its textile industry is one of the largest textile industries of the world. The country exported textiles worth $20.44 billion and garments worth $29.57 billion in the first quarter of 2012. The country earns considerable revenue with the help of its textile industry. This industry is one of the major factors accelerating its growth. Deloitte Touche Tohmatsu Limited (a reputed accounting firm) and US Council on Competitiveness rated China as the most competitive manufacturing market of the world. Very few countries can match up to the level of China in the global textile industry.

India is an almost equally competitive market when it comes to textiles. The country has a well developed textile industry. It exported around 128.81 lakh bales of cotton in the year 2011 to 2012. India is the second largest producer of cotton in the world. India also exports jute and silk in large quantities. Textile industry has a huge role to play in the overall economic growth of the country. It has a vast reserve of natural resources and skilled labor. It attracts immense foreign investment on yearly basis. Indian textile industry walks hand in hand with the Chinese textile industry. Both the countries share a unique and diplomatic relationship.

As far as the current scenario is concerned, Chinese textile industry is far more advanced than the Indian textile industry. China has always remained under the watchful eyes of the western countries. But it has succeeded in maintaining a steady growth. Indian textile industry has still not reached up to the level that the Chinese textile industry holds in the world market. But it is gradually making its way to attain that position in the international market. Both the countries serve as markets for each other at a certain point of time. They are competitors as such on the international level. But this competition, from the looks of it, is pretty healthy! The people in China have developed a command over making efficient textile machineries. They have a huge market for it in India. Textile manufacturers import new as well as used textile machineries from countries like China in large quantities. Chinas total exports to India came to around$39.3 billion in the first ten months of 2012. Majority of it was for machineries. India too exports a large chunk of its textile products to China. Cotton yarn exports from India to China rose by more than 100 percent as noticed in the beginning of the fourth quarter of 2012. It became 9.4 millionkg. Both the countries share a good trade relationship in terms of textile.

Political relationship between any two countries does not normally affect its trade relations. But it can play a role to some extent in the overall export and import value. India-China political relations have remained diplomatic as till now. A serious war took place between the two countries in the past. But the two countries have risen above this war with passage of time and established diplomatic relations for the betterment of its own. Though political issues still prevail to a certain extent, trade relations between the two countries are completely fine. India serves as a big market for Chinese textile products in terms of technology and reverse is the case in terms of raw materials.

International media houses claim that China does not see India as a major threat, but India may be a bit worried about the rising power of China. This may not be entirely true, at least for the textile industries of the two countries. Both the countries compete with each other on a certain level. When India took the controversial measure to ban cotton exports in 2012, China protested against this measure immensely. This was because the rule was hurting the textile industries of China. The same is true vice-versa. Trade with the textile traders of China is important for Indian textile importers and exporters.

Besides, political relations between the two countries have also remained questionable. The border issues between the two countries have still remained unresolved. To add to the same, political relations between China and the political rival of India, Pakistan has remained friendly throughout. Textile trade between China and Pakistan is also growing steadily. Exports from Pakistan to China have been increasing by around 10 percent per annum. Almost 80 percent of the total export from Pakistan to China consists of textile products.

It is a widely believed fact among economists that a booming textile industry is the initial stage of a progressing country. As the economy of any country develops, it gets over textiles and concentrates on other sectors that yield higher profits. China ruled the global textile industry for almost two decades. India, too, was a major player, but China was one step ahead in textiles. But as economists suggest, China is entering that stage of development wherein its textile production is gradually decreasing. Media reports and expert opinions indicate that it is only concentrating on manufacturing high value items like textile machineries and gaining an edge over the rest in this regards. Low value products may not interest the same.

Reports suggest that the Indian textile industry may benefit out of this situation. India is already getting more orders from the international market. Indian cotton yarn export orders and home textile export orders have increased considerably. The country is facing competition from its neighbors like Bangladesh and Myanmar. Still, the situation may remain favorable for India. Indian exporters expect to export textile products worth US$ 18 billion in the fiscal year 2013-14. The current situation of the Chinese textile industry has also been kept in mind.

India and China are two of the fastest growing economies of the world. Their textile industry, in particular, exerts immense influence on the global textile industry. Their relationship affects the global textile industry, as well. The political as well as trade relations between India and China affects the buying and selling decisions of many textile traders all over the world to a certain extent. They are competitors, but the two also have good trade relations.

Each one of them may find it hard to grow without the other. One cannot make out which of the two is dependent on the other in terms of textile trade. They have their own role to play in the global textile industry.

Growing India-China Textile Trade

The governments of China and India have both made it clear on numerous occasions that they are firmly committed to expanding their traditional trade in clothing and textiles (T&C). Obviously, bilateral trade in the sector has increased significantly over the past ten years. The two countries' current trade pattern helps each other grow because they have a lot of capacity installed at every stage of textile manufacturing and modern machinery installed in every part of the T&C value chain. Even though India's imports of processed fabrics from China have been steadily rising, China remains the single largest market for Indian cotton and cotton yarn. Further, the authority Indian gauge is that the general yarn trades from the nation could twofold and contact a record 2,000 million kg this year following China's new strategy shift for more noteworthy imports of Indian yarn known for its predominant quality. The ongoing India-China exchange materials mirrors a solid pattern. China imported $40 billion worth of clothing and textiles between 2012 and 2013, with India accounting for $4 billion, second only to the United

States. India's commodities during the year remained at $5.36 billion, of which Chinese supplies added up to $2.32 billion. An incredible 87 percent of imports into China is of natural substance, while home materials and dress comprise the equilibrium. In order to sharpen their competitiveness in finished goods, the Indian industry may very well seize this opportunity to improve its trade prospects by persuading Chinese importers that it would be most cost-effective to import particular varieties of fabrics and home textiles from India in addition to cotton yarn. A wider range of opportunities for increasing investments in modern looms in major weaving centers and a relatively lower conversion cost due to the competitive cost of raw materials and labor are two of the benefits of Chinese fabric sourcing from India. In addition, during its most recent trip to India, a high-level Chinese delegation mentioned the enormous potential for exporting basic fabric varieties from India. This is because Chinese businesses are having a very hard time meeting the growing demand for them in the local market due to the ever-increasing cost of production.

The textile industries of both countries, whose products are well-known all over the world, hope to take advantage of the opportunities presented by Indo-Chinese relations turning friendly rather than competitive in a variety of areas and intensify their efforts to increase their share of the global textile market.

China As The Textile Industry Leader

When it comes to textile exports to Vietnam, Bangladesh, and India, China has begun to lose market share. Chinese exports have decreased as a result of the pandemic's effects, rising raw material costs, and the US-led boycott of cotton, a key textile industry ingredient. A few Chinese organizations had lost up to 30% of their orders, the South China Morning Post cited counseling firm Beijing Cotton Viewpoint as saying.

China's problems began in 2020 when the country failed to raise product prices in the face of the pandemic. According to a report published by the Economic Daily of China, this resulted in enormous losses, and the textile industry experienced a decline in profits throughout the pandemic. This presents Indian manufacturers with an opportunity to fill the void. At the moment, most orders for cotton textiles are moving to India, while fashion apparel orders are moving to Bangladesh, Vietnam, Indonesia, Cambodia, and India.

Government Support To Textile Industry

Support for the textile industry by the government of India The Indian government has implemented a number of policies and programs to help its textile industry. This includes programs and initiatives that encourage technological advancement, infrastructure construction, skill development, and sect oral growth. One such plan is the Creation Connected Impetus (PLI) conspire through which the public authority targets catching a significant offer in worldwide exchange these portions.

READ ALSO: Spontaneous environmentally friendly power drive compromises food security, biodiversity. The Association government has likewise endorsed a bundle with an expense of Rs 6,000 core to support work age and commodities, especially in pieces of clothing.

Issues With Indian Textile Industry

Issues in the Indian textile industry Although China's difficulties have provided India with an opportunity; the nation still faces challenges that need to be resolved before it can attract additional orders. High raw material costs are hurting the industry, forcing textile mills and garment factories to cut back on production as their operations became unprofitable.

Production has decreased by 50% thanks to the domestic market-focused garment units. This has not only upset thousands of workers, but it may also push up prices in the future. Due to a lack of high-quality cotton at reasonable prices, a number of textile mills in the Micro, Small, and Medium Enterprises (MSMEs) category have also shut down.

Protectionism, according to industry insiders, is the way to go, and multinational corporations shouldn't be allowed to stock domestic cotton. Cotton and yarn should not be exported until domestic requirements have been met. Besides, taking into account the ongoing emergency in China, India is the main country that can get a greater portion of the market on the off chance that it can ensure the natural substances in the store network.

In addition, industry insiders are of the assessment that the public authority needs to chip away at a material innovation conspire rather than the PLI in the business as the ongoing wanted extension pace of the material business must be accomplished by a quicker approach to taking on current innovation. The public authority had recently presented a material PLI plot last year which was pointed toward advancing assembling of pieces of clothing and specialty yarns that are not being produced in India. In any case, the equivalent just boosts deals esteem just and not creation based item materials. The test at this point is in regards to limit working in the Indian materials and clothing industry. According to industry insiders, tackling this issue is likely to aid not only in increasing exports to fill the void left by China but also in maintaining India's share of the domestic market, which is slowly being taken over by international brands.

Theoretical And Empirical Foundations

Different perspectives exist to survey the exchange seriousness and different methodologies have been applied in breaking down determinants of exchange intensity. In the wake of globalization, a number of studies have been carried out all over the world to determine and evaluate the impact of key determinants of trade in both export and import dimensions of textile and apparel as well as the change in the textile and apparel industry's competitiveness. (Trade quotas were abolished and trade barriers were removed.) Bhavani and Tendulkar, 2010) The similar benefit of India in articles of clothing is because of low pay according to efficiency of that work and not because of modest work. The impact of FDI inflows on India's export performance was studied by Prasanna (2017). Better technology and scale of operations, both of which have a positive impact on the firm's export performance, define the firm's competitiveness. Manufacturing and export growth are two outcomes of FDI, as is a deeper integration with the global economy. While, FDI helped increment the products in short-run, to emphasize the commodity pace in lengthy run, homegrown assembling ought to be extended in accordance with the FDI strategy system. (Bhattacharyya & Ghosh, 2019) India's export performance was significantly affected by the 2008 financial crisis. (Rasiah, Kaur, & Kumar, 2011) compared differences in export, technological, and marketing intensities between Large Enterprises (LE) and Small and Medium Enterprises (SME) for garment exports and discovered that SME have deep integration with global value chain, strong export intensities with positive relationship with technology, and well-set policy support from the Indian government to generate demand helped address the problem of slowdown. LE has an advantage in terms of marketing intensity and technological intensity. Ramaswamy & Gereffi, 2000) Despite India's lead in apparel production, the country must diversify into new product lines, receive policy support to increase investment, and restructure its production base in order to integrate into the global value chain. Simple admittance to import texture, decorations, and frill will additionally work with commodities of materials. (You, 2009)Indonesia's piece of clothing, a work concentrated industry lost its sheen subsequent to rejecting of Multi Fiber Understanding (MFA), losing its serious situation in the global market. In order to address the issue of unemployment in the country and restore Indonesia's comparative advantage, it is necessary to raise minimum wages in tandem with rising labor productivity in order to improve the garment industry's international competitiveness. Before MFA was abolished, the textile industry was restricted by stringent policy measures, which prevented the industry from fully integrating with the rest of the world. (Chen, Lau, Boansi, & Bilgin, 2016) The study looked into the reasons for the implications for tariffs and NTB, as well as how these policy measures affect trade. It was observed that imports of clothes are more receptive than material imports to changes in different exchange related costs, geographic and monetary markers. (Kimura and Chen, 2018) underlined on the unbundling model in Indonesia, guaranteeing that a nation will in general commodity the merchandise that seriously utilize its unevenly conveyed element of creation. The exploration centers around three unmistakable degrees of unbundling supported by innovative progressions to conquer geological distance. In the three packaging system proposed, the first unbundling involved Indonesia practicing and overhauling their abilities in businesses with relative benefit which are work serious like articles of clothing to coordinate with the worldwide worth chains. (According to Chi & Kilduff (2010), while China has a comparative advantage in textile products that require a lot of labor, it has a disadvantage in textile exports that require a lot of capital. According to Hossain & Karunaratne (2010), the acceleration of manufacturing exports has contributed to making Bangladesh an export-led economy. Alam, Selvanathan, & Selvanathan, 2017) has become a major exporter of garment exports, next to China, contributing greatly to GDP and generating employment opportunities in the economy. Batra, 2007) While analyzing the pattern of specialization of India and China in the world and ASEAN markets using relative market shares methodology and RCA analysis According to the findings of the study, Bangladesh's garment industry's outstanding performance can be attributed in large part to factors such as low production costs, proximity to ports, firm size, high labor productivity, and a preferential trading agreement. Hasan, Kapoor, Mehta, & Sundaram (2017) argued that India has a distinct advantage due to its well-developed apparel product supply chain. Right from cotton creation, to turning, winding around and handling of materials and further planning of RMG's India appreciates benefit and mastery in every one of these store network exercises. Being work serious industry and utilizing greatest work, Indian clothing industry meets the target of comprehensive development. However, India's labor regulations and large informal sector prevented the apparel industry from experiencing phenomenal growth. According to Anner (2019), suppliers in the Indian garment export sector use predatory purchasing practices over their buyers. These suppliers have no regard for the fundamental rights of workers or the stability of their jobs, and they use their influence over workers to reduce wages and mandate overtime during peak production orders.

Conclusions

We examine the global imports of textile fabrics, textile yarn, and clothing products from the United States in relation to two major developing nations—China and India—in light of the significant increase in Chinese textile exports following China's entry into the WTO in 2000. Our focus was on examining the factors that led to the implementation of ecological standards for domestic textile production in China in 2003, the re-edited international Oeko-Tex Standard 100 in 2008, and China's trade policy regarding imports related to the United States in the face of green trade barriers. The complete industrial chain, large production scale, and high degree of industrial cluster are China's primary competitive advantages over India's infrastructure, which is less developed. In the meantime, India's competitive advantages include abundant raw materials, low labor costs, high added value, excellent product design, fewer export restrictions, a language advantage, and government support. India's textile industry's increased international competitiveness has been significantly bolstered by imports of production equipment and cutting-edge technology in recent years. India still has a large labor force to come in comparison to China. The long-term competitiveness of India's textile industry on the international market will continue to rise, affecting China's textile trade in unpredictable ways. It will also have some effects on other textile-related businesses at the same time. China must consider how to best respond to the potential future competitive advantages of other countries that export textiles if it wants to maintain sustainable development and competitiveness in its textile industry. In 2003, a mandatory eco-environmental standard was implemented in China's domestic textile production; however, international standards are frequently modified. We find that the effect of the re-altered Oeko-Tex Standard 100 on the U.S. worldwide imports comparative with China was not huge, and that implies that this change didn't influence the general imports of the US. Additionally, it suggests that China and India's textile competitiveness was insufficient to influence U.S. imports from other regions. However, the United States' imports of related goods are significantly affected by China's own trade policy. China has significantly increased its textile exports as a result of ecological standards and the elimination of 78 textile export taxes. This has had a significant impact on the United States' relative imports. We note that the R2 of some textile fabrics, like silk, cotton, and jute, was less than 0.4. This suggests that the responses and results may have been influenced by unknown or uncontrollable factors in these fabrics. However, these were not taken into account in this study.

It would be significant for additional examinations to research not just the U.S. yet in addition other fostered nations' overall imports in material related items from other significant exporters of material, like Mexico and Bangladesh. Besides, it would be advantageous to consider more green exchange obstruction factors comparable to material items, particularly silk, cotton, and jute utilizing a few elective procedures to make sense of the information and make strong outcomes in additional exploration.

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