

Indian Textile & Clothing in Post-Quota World

A global comparative perspective

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Views are strictly personal

Indian Textile and Clothing
industry's contribution to
Indian economy has been
impressive...



5% share in GDP

Only 2-3% of Import Bill

14% of Industrial
Production

Over 38 Million
people employed

Textile Industry : A Vantage Position

**Self-reliant & Complete
in Value Chain**

**Largest Net Foreign
Exchange earner**

4% share of the world market

...But...how about Performance?

- Between 1991 and 2008, IT & ITES industry has grown from \$500 mln to \$61 billion, 120 times in less than 2 decades!
- In the same period, Auto industry grew from 2 mln vehicles to 11 mln vehicles, telecon from 1 bln to 25 billion in size.
- However, T&C industry grew from \$17 bln to \$55 bln, and its share in India's total exports declined from 28% to 11% over the same period.



Clothing is the Engine of global Growth

World Trade in Textile & Clothing, US\$ billion				
Region	Year	Textiles	Clothing	Total
World Total	1980	54.99	40.59	95.58
	1990	104.91	108.37	213.28
	1994	130.12	140.10	270.22
	2000	157.00	199.00	356.00
	2005	200.00	280.00	480.00
	2007	238.00	345.00	583.00
	2015	300.00	505.00	805.00

Percent Annual Growth rate of world trade		
	Textiles	Clothing
2000-2007	6%	8%
2006	8%	12%
2007	9%	12%

Leading exporters of textiles, 2007

(Billion dollars and percentage)

	Value	Share in world exports/imports				Annual percentage change			
		2007	1980	1990	2000	2007	2000-07	2005	2006	2007
Exporters									
European Union (27)	80.62	-	-	36.2	33.9	5	-4	5	9
extra-EU (27) exports	23.72	-	-	9.9	10.0	6	-3	5	10
China a	55.97	4.6	6.9	10.3	23.5	19	23	19	15
Hong Kong, China	13.42	3.2	7.9	8.6	5.6	0	-3	1	-4
domestic exports	0.46	1.7	2.1	0.8	0.2	-12	-12	-12	-13
re-exports	12.95	1.6	5.8	7.8	5.4	1	-3	1	-3
United States	12.39	6.8	4.8	7.0	5.2	2	3	2	-2
Korea, Republic of	10.37	4.0	5.8	8.1	4.4	-3	-4	-3	3
Taipei, Chinese	9.72	3.2	5.9	7.6	4.1	-3	-3	1	0
India	9.45	2.4	2.1	3.6	4.0	8	13	7	7
Turkey b	8.73	0.6	1.4	2.3	3.7	13	10	7	15
Pakistan	7.37	1.6	2.6	2.9	3.1	7	16	5	-1
Japan	7.11	9.3	5.6	4.5	3.0	0	-3	0	3
United Arab Emirates b	4.02	0.1	0.0	2.0	1.7	4	-24	29	36
Indonesia	3.83	0.1	1.2	2.2	1.6	1	13	8	6
Thailand	3.11	0.6	0.9	1.2	1.3	7	8	4	8
Canada	2.32	0.6	0.7	1.4	1.0	1	1	-4	-2
Mexico a	2.21	0.2	0.7	1.6	0.9	-2	3	3	1
Above 15	217.67	-	-	91.7	91.4	-	-	-	-

Leading Importers of textiles, 2007

(Billion dollars and percentage)

	Value	Share in world exports/imports				Annual percentage change			
		2007	1980	1990	2000	2007	2000-07	2005	2006	2007
European Union (27)	84.21	-	-	34.4	33.7	6	-2	7	10
extra-EU (27) imports	27.31	-	-	9.7	10.9	8	2	11	14
United States	24.09	4.5	6.2	9.6	9.6	6	9	4	3
China a, c	16.64	1.9	4.9	7.7	6.7	4	1	6	2
Hong Kong, China	13.56	5.2	9.4	8.2	5.4	0	-2	1	-3
retained imports	0.60	3.7	3.8	0.9	0.2	-12	14	5	1
Japan	6.30	3.0	3.8	3.0	2.5	4	4	6	2
Turkey b	5.98	0.1	0.5	1.3	2.4	16	6	6	28
Mexico a, d	5.66	0.2	0.9	3.5	2.3	0	5	-2	-5
Viet Nam b	4.94	...	...	0.8	2.0	20	17	16	24
Canada d	4.46	2.3	2.2	2.5	1.8	1	5	2	2
Russian Federation b, d	4.41	-	-	0.8	1.8	19	25	26	22
Korea, Republic of	4.14	0.7	1.8	2.0	1.7	3	5	10	6
United Arab Emirates b	4.10	0.8	0.9	1.2	1.6	10	1	10	15
Brazil	2.28	0.1	0.2	0.6	0.9	12	13	38	42
Morocco a	2.28	0.2	0.3	0.8	0.9	8	-1	7	19
Thailand	2.16	0.3	0.8	1.0	0.9	4	8	4	5
Above 15	172.25	-	-	70.0	68.9	-	-	-	-

Leading exporters of clothing, 2007

(Billion dollars and percentage)

	Value	Share in world exports				Annual percentage change			
		2007	1980	1990	2000	2007	2000-07	2005	2006	2007
Exporters									
China a	115.2	4.0	8.9	18.2	33.4	18	20	29	21
European Union (27)	103.4	-	-	28.4	29.9	9	3	7	13
extra-EU (27) exports	24.8	-	-	6.5	7.2	10	5	10	19
Hong Kong, China	28.8	12.3	14.2	12.2	8.3	2	9	4	1
domestic exports	5.0	11.5	8.6	5.0	1.4	-9	-11	-7	-26
re-exports	23.8	0.8	5.7	7.2	6.9	8	18	8	10
Turkey b	14.0	0.3	3.1	3.3	4.1	12	6	2	16
Bangladesh b	10.1	0.0	0.6	2.6	2.9	10	19	28	4
India	9.7	1.7	2.3	3.0	2.8	7	26	10	2
Viet Nam b	7.2	...	...	0.9	2.1	22	10	19	29
Indonesia	5.9	0.2	1.5	2.4	1.7	3	16	16	2
Mexico a	5.1	0.0	0.5	4.4	1.5	-7	-2	-13	-19
United States	4.3	3.1	2.4	4.4	1.2	-9	-1	-2	-12
Thailand	4.1	0.7	2.6	1.9	1.2	1	3	4	-4
Pakistan	3.8	0.3	0.9	1.1	1.1	9	19	8	-3
Morocco a	3.6	0.3	0.7	1.2	1.0	6	-6	14	11
Tunisia	3.6	0.8	1.0	1.1	1.0	7	-5	-3	18
Sri Lanka b	3.3	0.3	0.6	1.4	1.0	2	4	6	8
Above 15	298.1	-	-	79.2	86.3	-	-	-	-

Leading importers of clothing, 2007

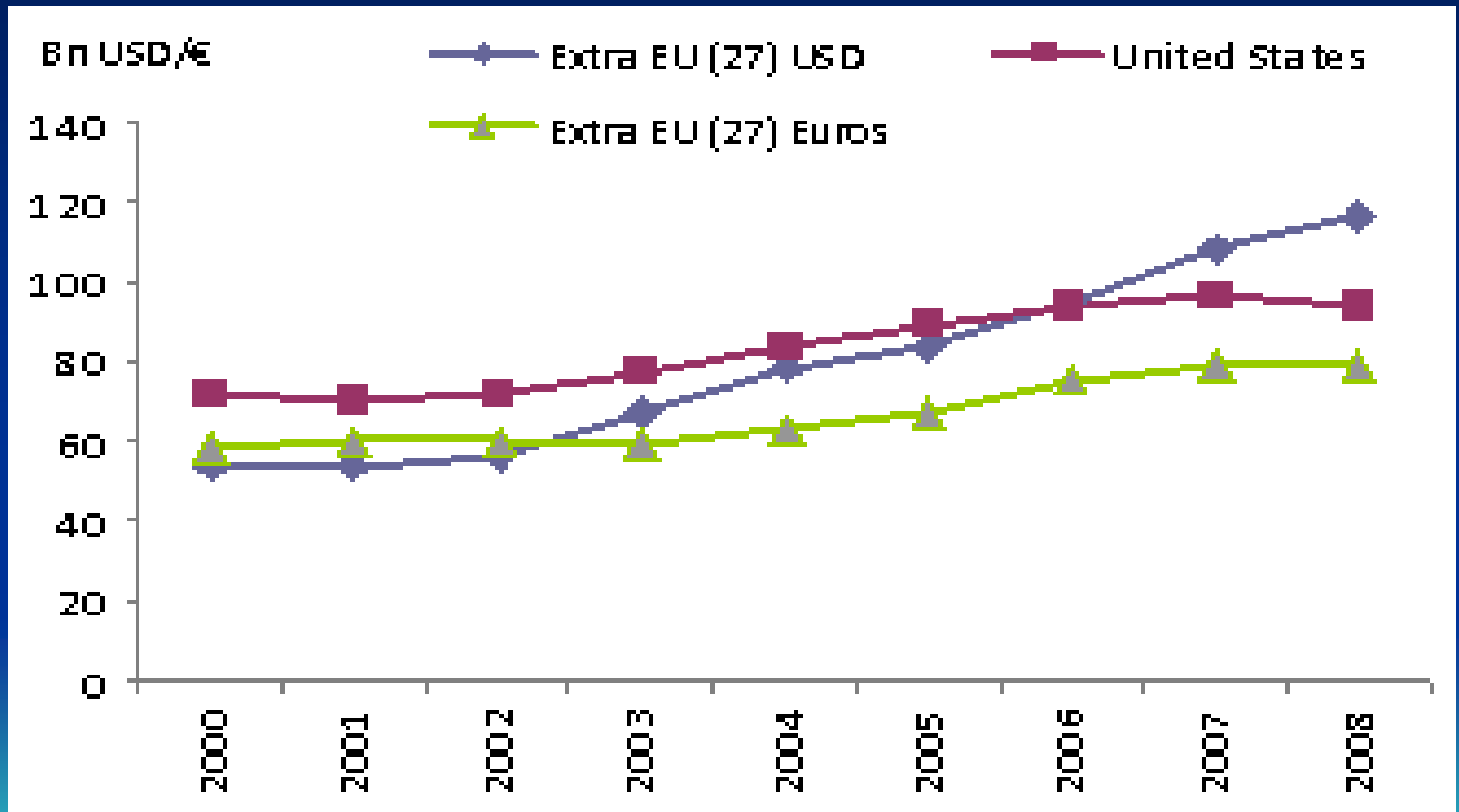
(Billion dollars and percentage)

	Value	Share in world imports				Annual percentage change			
		2007	1980	1990	2000	2007	2000-07	2005	2006	2007
European Union (27)	162.8	-	-	39.7	45.5	10	5	10	13
extra-EU (27) imports	84.2	-	-	19.2	23.5	11	9	13	13
United States	84.9	16.4	24.0	32.1	23.7	3	6	4	2
Japan	24.0	3.6	7.8	9.4	6.7	3	4	6	1
Hong Kong, China	19.1	1.6	6.2	7.6	5.4	3	8	2	2
retained imports	...	...	...	...	...	...	...	...	...
Russian Federation ^{b, c}	14.5	-	-	1.3	4.1	27	23	2	79
Canada ^c	7.6	1.7	2.1	1.8	2.1	11	14	14	12
Switzerland	5.2	3.4	3.1	1.5	1.4	7	2	5	11
United Arab Emirates ^b	5.0	0.6	0.5	0.4	1.4	29	7	72	64
Korea, Republic of	4.3	0.0	0.1	0.6	1.2	19	6	29	15
Australia ^c	3.7	0.8	0.6	0.9	1.0	10	17	5	13
Mexico ^{a, c}	2.5	0.3	0.5	1.7	0.7	-5	-2	0	-2
Singapore	2.4	0.3	0.8	0.9	0.7	4	-5	17	-3
retained imports	0.9	0.2	0.3	0.3	0.2	7	7	12	16
Norway	2.3	1.7	1.1	0.6	0.6	9	11	7	16
China ^a	2.0	0.1	0.0	0.6	0.6	7	6	6	15
Saudi Arabia	1.9	1.6	0.7	0.4	0.5	13	25	13	18
Above 15 ^d	323.1	-	-	91.8	90.3	-	-	-	-

Trends in T&C Imports in US and EU A Snapshot



Snapshot of T&C Imports in US and EU, 2000-08



Annual import growth rates, pre- and post-MFA in US and EU markets

Products/Markets	1995-2004	2004-2007
<u>In volume terms</u>		
Textiles and Clothing		
United States	11.0%	4.2%
European Union (25)	7.4%	6.2%
Clothing only		
United States	8.9%	5.4%
European Union (25)	10.0%	6.5%
Textiles only		
United States	12.9%	3.3%
European Union (25)	5.7%	6.0%
<u>In current dollar terms</u>		
Textiles and Clothing		
United States	7.4%	5.0%
European Union (25)	6.3%	10.3%
Clothing only		
United States	7.2%	4.5%
European Union (25)	7.6%	10.6%
Textiles only		
United States	8.0%	6.6%
European Union (25)	3.5%	9.4%

Exporters' performance in EU & US, 07-08

	Change 2007-08		
	EU(27) market		US market
	Euro terms	US dollar terms	US dollar terms
World	0.30%	7.70%	-3.30%
Bangladesh	7.10%	15.00%	10.80%
Vietnam	7.50%	15.50%	19.00%
Egypt	4.10%	11.80%	5.00%
Honduras	34.20%	44.10%	3.70%
El Salvador	-7.70%	-0.90%	4.20%
China	12.90%	21.20%	1.10%
India	-1.80%	5.40%	-0.50%
Pakistan	-4.30%	2.70%	-2.90%
Indonesia	-8.30%	-1.50%	0.80%
Sri Lanka	7.10%	15.00%	-7.20%
Thailand	-5.00%	2.00%	-3.90%
Cambodia	4.50%	12.30%	-2.00%
Turkey	-11.30%	-4.80%	-18.80%

Trends in US Imports



US Imports of T&C

Change over previous year/period

	2007	2008	Q1 2009*
<u>In volume terms:</u>			
Textiles and clothing combined	1.9%	-5.2%	-11.3%
Clothing	3.5%	-2.7%	-9.2%
Textiles	0.6%	-7.1%	-13.0%
<u>In dollar terms:</u>			
Textiles and clothing combined	3.4%	-3.3%	-12.7%
Clothing	3.2%	-3.2%	-10.5%
Textiles	3.9%	-3.9%	-19.6%

* January-March, 2009 compared to January-March, 2008

US Imports of Textiles

	Value	Share	Annual percentage change		
	2007	2007	2000-07	2006	2007
Region					
World	24089	100.0	6	4	3
Asia	14948	62.1	9	9	4
Europe	4011	16.7	2	-3	3
North America	3595	14.9	0	-3	-3
South and Central America	674	2.8	7	-5	6
Middle East	576	2.4	5	-3	3
Africa	229	1.0	5	9	-7
CIS	56	0.2	-6	-34	47
Economy					
China	7661	31.8	22	15	10
European Union (27)	3263	13.5	2	-2	4
India	2348	9.7	10	11	3
Canada	1842	7.6	-1	-5	-6
Mexico	1753	7.3	2	0	0
Above 5	16867	70.0	-	-	-
Pakistan	1700	7.1	8	12	-11
Korea, Republic of	902	3.7	-1	-4	-7
Turkey	643	2.7	5	-11	0
Taipei, Chinese	640	2.7	-3	-5	0
Japan	594	2.5	-1	1	2
Brazil	412	1.7	10	-1	9
Israel	333	1.4	5	-3	-4
Thailand	313	1.3	-2	-7	1
Indonesia	236	1.0	2	9	2
Egypt	186	0.8	7	7	-4
Bangladesh	121	0.5	2	-3	3
Iran, Islamic Rep. of	100	0.4	-2	-10	-16
Viet Nam	97	0.4	83	28	18

US Imports of Clothing

United States					
Region	Value	Share	Annual percentage change		
	2007	2007	2000-07	2006	2007
World	84847	100.0	3	4	2
Asia	61220	72.2	7	9	7
South and Central America	10120	11.9	-1	-6	-7
North America	5859	6.9	-8	-12	-15
Europe	3691	4.4	-2	-8	0
Africa	2263	2.7	8	3	3
Middle East	1618	1.9	1	-1	-15
CIS	76	0.1	-23	-32	-61
Economy					
China	28530	33.6	18	15	17
Mexico	4743	5.6	-8	-13	-15
Viet Nam	4619	5.4	89	18	35
Indonesia	4306	5.1	9	27	8
India	3505	4.1	7	5	-2
Above 5	45703	53.9	-	-	-
Bangladesh	3286	3.9	5	23	5
European Union (27)	2927	3.5	-1	-4	6
Honduras	2649	3.1	1	-6	3
Cambodia	2559	3.0	17	25	13
Thailand	2311	2.7	0	2	-4
Hong Kong, China	2162	2.5	-11	-21	-27
Philippines	1821	2.1	-2	9	-14
Sri Lanka	1711	2.0	1	2	-7
Pakistan	1696	2.0	6	13	4
El Salvador	1523	1.8	-1	-13	5
Guatemala	1517	1.8	0	-7	-13
Malaysia	1422	1.7	0	8	2
Jordan	1194	1.4	59	16	-9
Canada	1116	1.3	-8	-10	-17
Dominican Republic	1083	1.3	-11	-16	-32
Macao, China	1073	1.3	-2	-4	-12

EU Imports



EU T&C Imports

Change over previous year

	2007	2008
<u>In volume terms:</u>		
Textiles and clothing	7.2%	-1.3%
Clothing	4.9%	2.8%
Textiles	8.9%	- 4.5%
<u>In value terms US dollars</u>		
Textiles and clothing	14.3%	7.7%
Clothing	14.2%	9.7%
Textiles	14.7%	2.0%

EU Textile Imports

	Value	Share	Annual percentage change		
	2007	2007	2000-07	2006	2007
Region					
World	84208	100.0	6	7	10
Europe	63630	75.6	5	5	9
Asia	16572	19.7	9	13	17
North America	1432	1.7	-2	12	4
Africa	1169	1.4	6	6	17
Middle East	733	0.9	0	3	6
CIS	465	0.6	3	0	-1
South and Central America	184	0.2	0	-8	-4
Economy					
European Union (27)	56894	67.6	5	5	9
China	7428	8.8	21	21	21
Turkey	5092	6.0	13	12	13
India	3165	3.8	8	9	16
Pakistan	2099	2.5	11	13	20
Above 5	74679	88.7	-	-	-
Switzerland	1309	1.6	1	2	13
United States	1277	1.5	-2	12	4
Korea, Republic of	866	1.0	-2	-9	12
Japan	644	0.8	-2	4	8
Indonesia	578	0.7	0	13	9
Taipei, Chinese	470	0.6	-5	-4	4
Egypt	435	0.5	5	11	14
Thailand	385	0.5	1	4	4
Tunisia	374	0.4	13	10	27
Bangladesh	345	0.4	16	27	25
Israel	320	0.4	5	6	11
Viet Nam	186	0.2	19	33	24
Iran, Islamic Rep. of	171	0.2	-8	-7	-11
Morocco	164	0.2	8	-1	22
Malaysia	159	0.2	2	9	-9
Norway	155	0.2	4	3	1
United Arab Emirates	119	0.1	11	44	39
South Africa	118	0.1	6	-2	5
Belarus	118	0.1	10	2	17
Russian Federation	100	0.1	-5	-6	-25

EU Imports of Clothing

European Union (27)					
	Value	Share	Annual percentage change		
	2007	2007	2000-07	2006	2007
Region					
World	162806	100.0	10	10	13
Europe	93939	57.7	10	6	13
Asia	57657	35.4	12	18	12
Africa	8665	5.3	6	5	14
CIS	980	0.6	5	2	0
North America	759	0.5	4	11	6
South and Central America	399	0.2	4	10	2
Middle East	394	0.2	-6	0	-9
Economy					
European Union (27)	78603	48.3	9	6	12
China	32285	19.8	21	12	24
Turkey	12388	7.6	13	3	17
Bangladesh	6004	3.7	14	32	3
India	5719	3.5	14	17	10
Above 5	134999	82.9	-	-	-
Tunisia	3556	2.2	6	1	14
Morocco	3477	2.1	7	5	16
Hong Kong, China	2340	1.4	-3	46	-27
Indonesia	1689	1.0	0	18	-8
Viet Nam	1605	1.0	12	51	19
Pakistan	1547	1.0	9	13	11
Sri Lanka	1492	0.9	9	22	16
Thailand	1324	0.8	4	13	-1

How does India macro-compare with China in post-quota years in US market?

US imports in msme, T&C categories

	India				China			
				YtD				YtD
	2007	2008	Annual GR	7/09 over 7/08	2007	2008	Annual GR	7/09 over 7/08
Total T&C	2723	2838	4%	-2%	21390	20613	-4%	-5%
Clothing	868	883	2%	5%	8034	7789	-3%	7%
Textiles	1855	1956	5%	-6%	13356	12824	-4%	-11%
Yarn	196	174	-11%	-36%	318	331	4%	-13%
Fabric	399	507	27%	-3%	1559	1688	8%	8%
Made-ups	1260	1275	1%	1%	11479	10803	-6%	-15%
cotton								
Clothing	749	765	2%	3%	3845	3695	-4%	5%
Textiles	1192	2003	68%	-4%	3264	3156	-3%	-19%
mmf								
Clothing	11	10	-9%	-33%				
Textiles	624	687	10%	1%				

Key developments in post-quota years

- Too early to say!!
- Post-2005 rates of import growth defy predictions, and unimpressive
- Import volumes have risen, but the overall prices of exports have declined
 - Unit values have fallen at an average annual rate of 5%
 - If only developing country exporters could have earned a price in 2008 only as much as that in 1997 [in nominal terms], they would have been collectively richer by \$26 billion!
- India and China have not disappointed pundits who had predicted a rising exports from these two countries, but India has surprised them by struggling to maintain market share in the face of some emerging exporters!



Key developments in post-quota years

- New low-cost, price-competitive exporters have emerged and made their mark in the global trade
 - Vietnam, Bangladesh, Cambodia from Asia
- Several other issues which are not altogether new, continue to exist, or accentuate
 - RTAs and rules of origin; T&C hubs
 - NTBs, specially post-global economic meltdown. ‘Buy American’
- Threat of increased protectionism
 - Role of G20 countries, and the WTO in preventing such tendencies



Key developments in post-quota years

- China and India emerging as consumer bases in their own right

Market Size in \$ billion			
	2005	2015 est	Change
US	225	275	50
UK	80	95	15
China	45	>100	>55
India	25	>55	>30

Key developments in post-quota years

- Accentuating trends in the marketplace- supply-side
 - Strategic sourcing
 - Supplier consolidation and rationalisation
 - Suppliers building non-traditional sinews: product development and design, inventory mgt
 - Transactional to long-term relationships
- Heightened value consciousness of mass consumer, deepened by global financial meltdown
 - Case of Primark vs M&S in UK



Key developments in post-quota years

- Existing/emerging issues at the Doha Round-WTO
 - Swiss coefficient of 20/22 implies applied mfn tariff on Indian T&C products decline from current 20-22% to 10-12% on average
 - Sectoral negotiations- pressure on T&C sector for zero/low harmonisation of tariffs.

Is IT&CI ready?



In Sum...then...

- As an industry, Indian T&C sector continues to remain stuck in low-wage/low-productivity/low-value spiral...
 - Continuing to seek government support for its existence and growth.
 - Not breeding national/international champions and value retailers
 - Continuing to attract very low levels of FDI
 - 1% of FDI flow during 2000-2008, compared to 12% and 8% in IT and telecom



In Sum...then...

- Continues to blame poor infrastructure and disabling business environment, unfavourable factor conditions and fiscal imprudence for poor performance
- Puts up a poor show in the field of innovation in T&C
 - Show me the NANO of IT&CI !
- Is unable to attract best managerial and technical talents
- And finally continues to believe in its 'inherent' and 'potential' competitiveness
- In sum then, so far, with occasional welcome sparks, has been absent from national/international thought leadership forums



Need of the times

- Evidently, under such circumstances, the Indian T&C needs visionary leadership, who can
 - defy the odds, and make the path by walking on it
 - And enable the sector to break free from the low-level equilibrium of low-wage/productivity/value spiral
- So how does one get such leadership?



How?

- One eminent ‘thinker’ has the following suggestion
 - Leadership is about making right decisions
 - Ability to make right decisions comes with experience
 - And experience comes with...



Making wrong decisions!!

Thank you

