

Question 3. “Garments have emerged as the star-performer in the Indian textile export scenario”. Justify the statement by giving data of the last 10 years. Also discuss various factors responsible for the export growth in this sector.

Solution3: Garments have emerged as the star-performer in the Indian Textile export scenario by the sheer magnitude of the achievement recorded by this industry. Look at Table below which allows India’s exports of readymade garments. The exports have increased from \$2583.41 in 1993-94 to \$4807.92 in 1999-2000. The garment sector has achieved an impressive export performance over the years despite stiff international competition. It must also be mentioned that the Indian garment industry is primarily in the small scale sector with a fairly low capital investment. Even though the total exports of India in this sector may be far lower than many of its competitors like Hong Kong, South Korea or Taiwan, the growth rate achieved by this country is reported to be far higher than most.

Table: Exports of Ready-made Garments Year	Exports (US \$ Million)
1993-94	2583.41
1994-95	3282.83
1995-96	3681.04
1996-97	3756.45
1997-98	3880.85
1998-99	4363.96
1999-2000	4807.92

The Indian garment export sector has maintained a pattern of steady growth over the years. A number of reasons have been mentioned for the escalating exports from this industry. Some of the factors responsible for the export growth of this sector are recounted below.

1. Rising Labour Costs in Development Markets: Studies conducted by various research agencies in the past had found that many of the developed markets found it difficult to maintain their garment manufacturing operations due to rising labour costs. In fact many of these nations found it more economical and cost-effective to import their requirements of clothing from the developing countries where there was relative abundance of labour and whose wages were also far lower.

2. Shift to Technology Intensive Industries: The 1970’s was also the period when many developed nations shifted their focus to the creation and strengthening of some of the hi-tech industries like computer hardware and Software, electronics, ship building etc. Certain industries which were basically labour oriented and pollution prone like textiles, clothing and leather industry were progressively de-emphasised since these did not basically fit into the economic profile of many of the developed countries. Developing nations like India stepped in to fill the vacuum so created.

3. Special appeal to Indian Fabrics: Indian made fabrics created considerable impact on foreign buyers’, particularly the Western designers by virtue of their rich colours and design variations. In fact, it was the Indian handloom fabrics which triggered the garment export boom in the early 1970’s. Two well known handloom fabrics of that time – “Madras checks” and “Cannanore crepes” captured the imagination of the western designers and clothing made out of these items became extremely popular in Europe. Though the phenomena was short lived, it did

reveal to potential exporters in India the opportunities abroad in the garment export trade and they did capitalise on this discovery during the subsequent years.

4. Swing towards natural fibres: There has been a gradual swing towards natural fibres and blends thereof as opposed to synthetics (nylons etc.) 'initially due to the oil crisis and the rising cost of petro-chemical based items in the mid-1970's and later on owing to factors like comfort in wearing apparel and health/environmental reasons. Cotton apparel derived a definite advantage from such swings in consumer preferences and Indian exporters also availed of opportunities thrown open.

5. Ability to cater to small orders: Import orders for garments emanate not only from the large importers and department stores abroad but also from ethnic shops and small boutiques. Despite the fact that the individual orders emanating from such sources may be small, collectively they account for a bulk of the import orders for clothing. The type of orders from these sources also differ from the larger stores in the fact that they indent for a variety of designs and colour combinations. The Indian garment sector being small in size and decentralised is extremely flexible and in an ideal position as compared to many of its competitors, to cater to small orders for diversified varieties. Most of our competitors who have set up composite clothing units with assembly line operations find such small orders for varied designs and colour combinations unavailable.

6. Improved Publicity and Promotional Campaigns: Having realised the potential of garment export Government of India has also stepped up its publicity and promotional efforts to popularise Indian made garments among importers and prospective overseas markets. India has been a fairly regular participant in several of the specialised clothing exhibitions abroad. Organisations like the Apparel Export Promotion Council which has been set up by the Government to direct exclusive attention to the cause of export promotion of garments and the Clothing Manufacturers Association have been holding periodic buyer – seller meets in the important production centres and conclusive business deals have been arrived at in such venues.

7. International Travel and Personal Contacts: The relative ease and volume of international travel in the recent years have also bridged the North-South divide and brought prospective sellers and buyers closer together. There is also a greater realisation of Indian capabilities in certain fabric designs and variety of clothing, especially summer wear. It has also been pointed out that the garment export sector rose to prominence due to private initiative i.e., the direct inter-face between the Indian entrepreneur and the overseas importer. Government assistance and incentive came later, once the industry established itself to some extent

8. Wage cost push in competing countries: In the early nineties and immediately thereafter the rising labour costs in some of the competing countries like Hong Kong, Taiwan and South Korea made exports of certain labour intensive goods like clothing unattractive for its exporters. Some of these countries had also shifted emphasis to technology intensive industries like electronics and automobiles and the accompanying spurt in their economy and exports had resulted in a sharp appreciation of their currencies. Indian exports of clothing therefore became relatively more competitive

It is evident from the preceding facts that there is no single factor but a cumulative set of factors which have led to the boom trade in garments. However, when we consider the fact that India as yet, accounts for only around **3%** of the international trade in garments, it points to some inherent weaknesses in the industry as also the scope for expanding our share in international trade of such items. The reasons for India's small share in the international trade in garments is not far to seek. World trade in clothing is largely in terms of polyester /cotton blends whereas India's exports is

virtually confined to cotton based clothing. Secondly, the export sector of the garment industry in India is dominated by merchant-exporters and small size units who have shown not much of an inclination to diversify their product range. Most of the competing nations have established large scale garment units with assembly line production facilities (i.e. starting from production of fabrics, fabrication of garments, final processing and merchandising of garments) with a capacity to manufacture and process a wide range of garments. Thirdly, the cut throat competition from the power loom sector and the fear of imposition of additional quotas seem to have acted as a deterrent for many of the large scale units particularly in the Indian mill sector from entering the export garment trade.

The share of some of the important exporting countries of garments like Hong Kong , Korea and Taipei (Taiwan) have shown a progressive decline over the years, while share of some of the new suppliers like China, Turkey, Thailand and Indonesia have registered a definite growth. China's performance has been the most impressive having risen from a modest 4% share of the world trade in garments to a significant 15% in 1996. China's performance may be due to the number of foreign investments that it has been able to attract for its various industrial sectors, including textiles and garments, particularly from the overseas Chinese. It has also apparently been able to modernise its textile sector at a much faster pace than India and this coupled with the fact that it also enjoys the benefits of cheap labour has provided that country with a distinct competitive edge in certain labour-intensive sectors.

Indian garments are currently exported to all parts of the world. However, the developed Markets notably the USA and the European Union countries account for the major proportion of our clothing exports. Indian exports are more or less in conformity with the international import trade in this sector since the developed countries account for the bulk of the trade in garments.

Look at following Table which shows major markets for India's exports of readymade garments. USA is the leading market for India's readymade garments followed by UAE, UK, France and Germany. They accounted for 63% of India's total export of readymade garments

Countries	Year			
	1996-97	1997-98	1998-99	1999-2000
USA	1273.49	1297.59	1426.06	1491.92
UAE	133.56	173.81	403.98	482.41
UK	356.27	311.12	291.76	405.92
France	263.98	287.30	312.03	347.88
Germany	429.27	380.360	393.33	321.84