

INDIAN GARMENTS INDUSTRY EXPORT PERFORMANCE: A CASE OF CHINA & USA

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India is in a position to increase its market share in garment export to USA after the removal of Quotas. The performance of Indian garments export to US has been examined. The study of china slowdown markets brings out the winners and strugglers in the market. This research paper makes a critical appraisal of the prevailing issues affecting the export import trend.

Approach of the Study: The study has been carried on in two phases, the first phase was exploratory research and the second phase was primary research.

Limitation: The research is carried out on the exports of garments only. The study will not give any detail of the fabric exports from India. The research is based on a questionnaire survey of garment exporters in New Delhi, India.

KEYWORDS: *Garment export, Value Chain, export performance, export competitiveness***I. INTRODUCTION**

The textile and garment sector plays an extremely significant role in India in terms of its share in value added, foreign exchange earnings, and employment. The Indian textile and apparel industry has the comparative advantage in international market as compared to China. The industry has several strengths including a supply of cheap cotton, low wages, a good knowledge of production techniques and its slow emergence as a supplier of manmade fibers and yarn at competitive rates. The critical factors include high cost of power, capital and lack of sufficient infrastructural development is hindering its progress. Apparel industry competitiveness is a function of factors related to cost of production, as well as those related to factors such as delivery schedules, reliability of producers, and such intangible factors like image of the country/company and brand equity. Together, they define the competitive sinews of a product to compete under free market conditions.

T&C industry is the second largest sector after agriculture. With excellent textiles manufacturing base and availability of massive raw material, it is gaining acknowledgment on the world platform. India being the second

largest producer of cotton in the world makes it self-sufficient, by providing a competitive edge to its competitors worldwide in terms of cost of raw material. Along with abundant cotton production, India has availability of semi-skilled and highly skilled labour at very low prices. After China and Vietnam, India ranks third largest exporter of T&C to U.S.

II. TRADE AGREEMENTS WITH USA

USA has signed Free Trade Agreements with neighbouring Canada and Mexico as also with Caribbean Basin countries and sub-Saharan Africa in the garb of improving the economy of these countries. The agreement makes it mandatory for the supplying countries to use American yarn or American fabric for conversion into garments prior to exporting to USA in order that such garments may enter USA import duty free; alternatively, of course, they can use local yarn or local fabric, but cannot import the same from third countries in which case the garments thus manufactured will lose the benefit of free import duty in USA. Worse still is the fact that all countries in Africa are not included. Some of the major countries like South Africa are excluded.

Table 1: Trade Agreement with US

Country	Description of Agreement	Impact
India	Generalized System of Preferences	Does not extend to most textile and apparel products
China	Generalized System of Preferences	Does not extend to most textile and apparel products

Source: IMACS analysis, 2009

III. INDIAN TEXTILE AND GARMENTS MARKET SIZE

There are general five categories of RMG such as RMG of cotton and accessories, RMG of silk, RMG of wool, MMF and RMG of other textile. India exports almost more than 110 consignments particularly to U.S.A of all the major categories. During 2007-08, the market size of domestic and export for T&C were around 65% and 35% respectively, which was much more than during 2005-06 (post LTA).

From 2010-2016, the trade deficit remained at 118.5 US billion dollars lowest. Due to its quality and sensitivity, readymade garment industry of India is proving itself the most influential, therefore selected consignments of RMG are continuously increasing y-o-y and contributing impressively in the total foreign exchange.

With a significant share of apparel and home textiles, the total Indian textile and clothing exports to the US stood at US\$ 8,220.74 million in 2018. Apparel share 52.7 % and home textiles share 40.8% of the total textile and clothing exports.

Since 2014, the average realization per square meter equivalent of apparels exported by India to the US has been in the range of \$3.4-3.6 as comparison to the average for China fell by 13 per cent to \$2.3. (OTEXA, USA),

Between 2014 and 2017, China lost market share by 380 basis points to 38.2 per cent, whereas India's share rose by 80 basis points to 4.5 per cent and expanded market share.

In April 2020, Yarn exports fell between 80-90% and about 30% during the quarter ended March as imports by China, which accounts for a third of India's yarn exports fell as garment units there shuttered.

India took the top spot in market share in the men/boys knitwear shirts cotton' category with respect to garment exports to the US between January-June 2017. The domestic textile and apparel has been one of the largest contributors to India's exports. The size of India's textile and apparel market is expected to reach USD 226 billion by 2023, growing at a CAGR of 8.7 per cent between 2009 and 2023. Table 2 shows the performance of Indian export to US is quite impressive.

Table 1: India Performance in USA

Exporter	Import in USD mn		% change 2018-19	% share	
	2018	2019		2018	2019
China	28827.6	26396.7	-8.4	33.2	30.2
India	4025.4	4262.4	5.9	4.6	4.9

Source: UN Comtrade, 2020

IV. CHINA SLOWDOWN AND ARISING OPPORTUNITIES

Over the last three decade, China is an undisputed Leader and ranks number one among the clothing suppliers. China has maintained a dominant share of over 40% over the last twenty years. From 2001-2014, Chinese apparel exports increased more than 5 folds from US\$ 54 bn. to US\$ 193 bn. thus growing at 10% CAGR. China has achieved the status and success in the world trade by leveraging its large human resource base, low manufacturing costs and large scale infrastructure which has resulted in large scale investment across the sectors.

However, China's growth in the global textile and apparel trade has slowed down in the recent years.

Post-economic crisis of 2009, China's growth in the trade has slowed down from an average of 15% to 4% in 2014. This trend may expected to continue further coming years.

The major factors affecting growth slowdown are as follows:

- 1. Domestic Demand Growth:** The present apparel market of China is worth US\$ 237 bn. and since 2007 its growth rate is 15%. During the same period, China's Per Capita Expenditure on Apparel (PEAP) has grown at a rate of 15% to reach a level of US\$ 171, which indicates China's apparel domestic demand growth and panned for further high growth over the coming years. China's domestic apparel market may expected to reach US\$ 615 bn and its PEAP will reach US\$ 434 by 2025. In the domestic

market the ever growing demand will pressurize exports as the focus of manufacturers to shift towards domestic supply.

- 2. High Wage Growth:** the exponential growth of Chinese industry is availability of abundant workforce at low wage rates. But over the last decade, wage rates in China have grown in double digits and is expected to grow further, which resulted shrinking labor pool due to demographic changes and reduced migrant labor flow from rural areas. High growth in wages is pressurizing the labor intensive garment industries and will result in a slower growth of manufacturing.
- 3. Increasing focus towards value added segments:** In China, with increase in manufacturing costs, the conventional textile production and apparel products for export purpose will become less viable and less profitable. So, to maintain its export competitiveness and to reinforce higher productivity and greater incomes, Chinese enterprises are concentrating more on innovation driven industries like Aerospace, Artificial Intelligence, Biotechnology, Photonics, Nanotechnology, Robotics, etc. which in turn will result in a slower growth of apparel output.
- 4. Manufacturing relocation to neighbouring countries:** China has established trade agreements with several Southeast and East Asian countries

where manufacturing costs are lower than China. Therefore, China is expected to support investment in manufacturing set ups as well as in overall infrastructure in these alliance countries so as to cater to China's own demand as well as exports to other markets.

The mentioned trends stated indicate that China's share in the global textile and apparel trade may reduce in the coming years. The apparel exports CAGR of China is expected to reduce to 4% over the next decade as compared to previous decade by CAGR 12%. As a result, the China's share in global apparel exports will reduce from 41% at present to around 35% by 2025. During this period, global apparel exports may grow from \$ 457 bn. to US\$ 850 bn. at a CAGR 5.8%. This China's share reduction will lead to the generation gap of around US\$ 50 bn. which will serve as an opportunity for the competing nations to increase their share in the global trade.

V. INDIAN GARMENT INDUSTRY SHORTCOMING

Following are the identified cost drivers of India competitiveness:

1. Duties and Taxes: i) Import duties on raw material; ii) Corporate taxes rate; and iii) Local taxes and duties and their cascading impact.
2. Labour: i) Labour cost; and ii) Labour productivity.
3. Other Costs: i) Power cost and availability of power; and ii) Finance cost.
4. Infrastructure cost: Infrastructure issues (delay in port clearance, high freight rates etc.)
5. Preferential market access: Trade agreement with the global market.

Garment companies and jobs in the industry are uncertain because of the large number of small and informal clothing companies that are not registered. The India's declining apparel export from the year 2015 to 2017 were 17.1, 16.96, and 12.25 (USD Bn) respectively. The uncertainty is due to:

1. Costs of capital: Comparatively, India has one of the highest costs of capital which directly affects India's cost of production affecting the country's competitive position in the global market. The lending rate in India is from 11% to 12.5% whereas China, Vietnam, and Turkey offer capital at a rate of 5% to 7% only. In addition, high power costs in the country further push India back.
2. Factor Costs: The labour cost in India is marginally lower than in China and Vietnam. China, however, compensated for this disadvantage through its training infrastructure. India is also providing training through the Integrated Skill Development Scheme (ISDS).
3. Lower Efficiency: India production efficiency is 40%-45% which is lower than China production efficiency is 60%-65%.
4. Rejection Percentage: factors such as less automation, unskilled workforce, lack of work synchronization, lack of proper market studies, lack in R&D causes rejection rates to be high especially in the case of middle and small manufacturers.

Cost disadvantage

Total cost advantage/disadvantage for India in cotton garment manufacturing over China is -1.49%. India has cost

disadvantage in vis-à-vis Bangladesh, Vietnam, China and Sri Lanka in garment exports to EU27 and US.

Transaction costs on account of EXIM procedures are amongst the highest for Indian companies Documents preparation and Customs clearance take around 10-12 days for Indian companies. EXIM procedural costs in India are high as compared to other competing countries which further affect the competitive position.

VI. EXIM PROCEDURAL COSTS IN THE COMPETING COUNTRIES

Port handling charges for Indian companies are almost twice than that for Chinese companies. Indian custom procedures require comparatively higher number of documents which further included to the time and costs of EXIM procedures.

Inland transportation costs are the highest for the Indian companies, like it's more than three times than that for Chinese companies. Inadequate road and rail infrastructure coupled with barriers to inter-state transport of goods add up avoidable costs for the Indian companies. On account of high geographical spread, Indian T&C industry involves significant inter-state movement of raw material and finished goods; high inland transportation further affects the competitive position of the T&C industry.

In addition to the analyzed costs, Indian T&C manufacturers and exporters incur additional costs on account of the following:

- Non-refund of state level taxes and duties
- Anomalies in duty drawback rates: the rates are insufficient to neutralise the incidence of all duties.
- High transaction costs.

Duties and Taxes

Only recently the import duty on raw cotton was made 0% while that on polyester fiber and yarn was made 5% from the earlier level of 10%. The excise duty applicable has been reduced across all textile products.

When a manufacturer exports his produce, he is eligible for a drawback on the customs duty paid by him for the imports. This drawback is also available on excise duty paid for the purchase of raw materials.

There are two key factors which have a significant impact on the amount of indirect taxes paid by a manufacturer:

- Location of raw material (RM) purchase
- Destination of finished goods (FG) sale

On account of anomaly in tax structure, T&C manufacturers pay duties and taxes that are not refunded. The Goods and Services Tax that rolled out in July 2017 made imported garments cheaper by 5-6 per cent, as the GST regime will levy 5 per cent tax for both domestic textile manufacturers and importers. The effective GST duty on fabric is 5% but actually it is 8-9% because of the non-refund of excess input tax credit under inverted duty structure. Thus, the imports are reduced because they only pay 5% IGST. Therefore very less margin is earned. Duty draw back rates are not as high as effective duties as a result T&C exporters pay excessive duties.

The drawback rates or ROSL rates (Rebate of State Levies) for exports need to be increased to get them back to pre-GST level. The drawback rates have reduced considerably and the net the industry was getting has decreased. To leverage the exports, import duty should also be restored to pre-GST level. Earlier it was much higher therefore disrupting the export to import ratio. The impact has been worst on the SMEs.

VII. COMPETITIVENESS MAINLY IN GREY/ UNPROCESSED AND LOW VALUE ADDED PRODUCTS IN INDIA

India's competitiveness is confined to grey/ unprocessed products such as grey yarn and grey fabric. Dyeing and processing segment of the Indian textiles industry is not so technologically well advanced due to restrictive policy regime in the past. This is reflected in the relatively inferior quality of domestically dyed & processed yarn and fabric. This has resulted in a comparatively much larger share of grey yarn and fabric as compared to that of dyed and finished yarn and fabric in Indian textiles exports.

There is an urgent need for the modernization of the dyeing and processing segment of the industry along with other value added processing stages.

The low realisation per unit value of export is another indicator of low value addition. The unit value realization for woven cotton and blended fabrics is US\$1.57 per sq. mts. In case of manmade fabric exports, it is US\$ 1.64 and for knitted and crocheted fabric (of both cotton and manmade fibres) it is US\$ 4.03.

VIII. APPAREL VALUE CHAIN AND LOGISTICS

Global Value Chains of Apparel

The Apparel industry consists of buyer-driven value chains. The industry consists of a high number of backward and forward linkages and thus generates large number of jobs. The apparel value chain consists of five important parts namely- Raw material supply, Components produced by textile companies, Production networks made up of garment factories, Export channels; and Marketing networks at the retail level. These parts differ according to the geographical location, labor skills and conditions, technology and the scale and type of enterprises. The entry barriers are low for the garment factories, but these keep on increasing as you move upstream to textiles and fibers (Gereffi and Memedovic, 2003).

Most of the medium-sized and large firms are catering to the global value chains that are being sold in the US. The products are sold in bulk to the US market are low value added garments. The design, specification of inputs, standards of compliance, and the supply chain are largely determined by the buyer, Such as:

1. Raw materials: As a source in supplying raw materials to the US, either of the following conditions could prevail: (i) The source and specification of the raw material is provided by the buyer which is usually done when the firm first time is dealing with a buyer or the buyer has commissioned a mill for all the raw material required for production. This reflects the producer has very low bargaining power. (ii) The raw material specification is been provided and the producer negotiates the price with the mills. (iii) The source and specification of accessories is always specified by the buyer and usually they are imported from Hong Kong, China.
2. Design: There are three models followed in supplying products the US: (i) design, source and specification of raw material are provided by the buyer. (ii) The design is provided by the buyer. The producer and buyer collaborate on the type of material that would suit the design. Accordingly

the producer procures the raw materials. (iii) The design decided by the producer in collaboration with the buyer.

3. Product: basic garments and large volume is been exported in US market.
4. Production standards in US market: the factory has to comply with various standards and there are huge restrictions on outsourcing production. However, when production capacity is exhausted, outsourcing is allowed in the peak season. Samples are approved by the buyer at every point of the production process which considerably increases the time required for production. Maintaining production standards substantially increases production cost.

Value Addition in Manufacturing and Distribution

Around 57 % of the value of men's casual cotton shirts (valued at \$11.40) is generated at the level of retail because the global buyers control the design, branding and marketing. At the fabric stage 12% value is added at fabric stage and 23% value is added at manufacturing stage. The global buyers have begun to organize buying networks in India but for older ready-to-wear exporters the value addition will be bleak.

The Indian textile and clothing industries have one of the longest and most complex supply chains in the world, with existence of many intermediaries between the farmer and the final consumer. Each intermediary leads to lengthening of lead times and costs. By the time the product reaches the final consumer, price of it increases manifold. This has to be reduced if India has to become competitive. The industries would need to develop supply chain management SCM perspective and rationalize costs at each stage in the entire supply chain, and not only within their own units.

The supply chain in India is extremely fragmented mainly due to the government policies and lack of coordination between industry and relevant trade bodies. It is noteworthy that the countries that are globally competitive are the ones which have a significantly consolidated supply chain. Some of the countries with much less fragmented supply chains are Korea, China, Bangladesh, Turkey, Pakistan and Mexico, and these are close competitors of India in global market for exports.

Scope for Value Addition

There are several problems being faced in the textile industry on the cotton front, concerning to cost, the difference in supply and demand and poor quality of cotton such as low micronaire and low strength. There are problems concerning cotton contamination that distress both cotton growers and the textile industry which lead to severe complexities to spinning mills in preserving high quality standards of yarn.

To ensure value addition at the raw material stage, there must be improve-ment in fiber quality parameters like length, strength, fineness, uniformity ratio, elongation, contamination lev-el, trash content, etc. Though slow but Technology Mission on Cotton has yielded good results in the recent past.

By 30 March 2011, India has the second-largest installed capacity of spindles in the world, with 43.13 million spindles, after China, of which seven million spindles are obsolete/ dormant and need replacement. Table 3 states the capacities of the textile sector.

Table 1: Installed Capacities in Indian Textile Sector	
Description	Installed Capacity
Spindles	512 lac
Rotors	1.2 lac
Shuttleless Looms	23 lac
Powerloom	24 lac
Handloom	1800 mn. Kg
Man Made Fiber (MMF)	2300 mn. Kg

Source: Official Indian Textiles Statistics, Office of Textile Commissioner

By 2013, there are 1,900 spinning mills, of which 223 are composite units and 2608 are export-oriented units (EOU's).

The spinning and garment sector have made progress through cost cutting, expanding capacity and progression in technology. The weaving and processing sectors were not able to keep up with the pace. The flow of investments has been affected due to the control of unorganized players. The venture of big and organized players from the spinning into these segments promises well for garment producers. Augmenting installed capacity will help the apparel sector meet the outsourcing demand by global chains. The processing sector is a significant segment in the value chain that concludes the quality of fabric therefore the leading investment is required.

A con-scious drive has been initiated to upgrade it by incentives in investment to the high-tech processing machinery, strengthening the testing infrastructure by upgrading or setting up new laboratories, developing natural and vegetable dyes for commercial scale application, providing support for eco-friendly processing and other such measures. Thus will improve the garment quality, contributing to value addition and higher unit value realizations in exports and hence larger markets share.

Competitor countries like China, Korea, Turkey, Pakistan and Mexico have a consolidated supply chain. Garment sector is fragmented in India. The supply chain in garment and apparel industry is beset with bottlenecks that slow down the growth of the sector. Thus, the average delivery lead times (from procurement to fabrication and shipment of garments) still takes about 45-60 days. India needs to cut down the production cycle time substantially to stay in the market as the international lead delivery is 30-35 days. Besides, erratic power and water supply, adequate road connectivity availability, inadequacies in port facilities and other export infrastructure have been adversely affecting the competitiveness of Indian textiles and clothing sector.

IX. STRATEGIC AND POLICY INITIATIVES

Business integration — especially forward integration — by the larger textile companies has been prominent among Indian companies. Several companies that are engaged in fabric manufacturing are now keen to enter the readymade garments space such as Siyaram, which launched its readymade garments range following suit with other majors like Century Textiles and Raymonds.

Most of the large textile companies have opted for an inorganic growth strategy to scale up operations. Acquisition is the most logical step towards integrating operations and building the value chain. Domestic acquisitions are on the rise, while acquiring foreign assets is yet to gain traction.

Some domestic acquisitions that have been executed include KSL & Industries' acquisition of Deccan Cooperative, and Ambattur Clothing taking over Celebrity Fashions. Another growing phenomenon observed among Indian textile companies is the setting up of manufacturing facilities in strategic regions outside India, where they can avail of duty concessions and reduce export lead-time. Zodiac and Ambattur Clothing have set up facilities in the Gulf region to cut down on export delivery schedules to the European and US markets. Raymond's has set up a unit in Bangladesh to avail of the zero duty access to the EU.

This trend is seen primarily among the large domestic players, who are trying to achieve sizable scales in order to win orders from the large retailers in the US and EU. Global retailers prefer large-sized companies that can scale up capacities consistently, keep up with delivery schedules and meet their growing demand. They have clear preferences for companies with integrated design, process and manufacturing facilities.

An interesting commonality in countries like China with successful garment exports is that they have a much lower level of sub-contracting than India. A study during the 1990s found that apparel firms Future Outlook XXXIII in India subcontracted 74% of their output, as compared to only 11% in Hong Kong, 18% in China, 20% in Thailand, 28% in South Korea and 36% in Taiwan. Consequently, these countries have a wider base of exports and have done very well in the market for large volumes of uniform products.

The exports market remain favourable for India till 2008, when quota restrictions on China end. Post 2008, competition became tougher and Indian textile companies came under tremendous pricing pressures and tighter product delivery schedules. Nevertheless, the value-added segments of readymade garments, home furnishings and made-ups continued to grow.

Local Brands

The introduction of domestic brands by the leading textile and apparel firms is another interesting feature of the Indian textile market. Prior to 2000, there were around 5-6 brands in India, prominent amongst them being Zodiac, Monte -Carlo, Raymond, Bombay Dyeing.

Some of the brands built in recent years are "Pantaloons", "Killer" Jeans, "Easios", "Tibre", "Colour Plus", "Trigger" etc. Many of these brands have now reached a stage where they can look towards gaining a regional, if not a global presence. Various strategic and policy measures taken up to upgrade the textile and garment industry such as:

1. There has been focus on high growth domestic market. In 2016, the Ministry of Textiles signed

- MoUs with 20 e-commerce firms to engage with various handloom and handicraft clusters. In strategic alliance with importers from UAE, the 1st ever exhibition of, "Incredible Indian Textiles" was held in Dubai in February 2017. The event was organised by Synthetic and Rayon Textiles Export Promotion Council (SRTEPC) of India and witnessed participation of 19 Indian companies. In March 2017, Welspun India Ltd opened a new plant (worth US\$ 23.35 million) - Needle Entangled Advance Textile Plant in Anjar, Gujarat, to manufacture multi-layer composites for various applications.
2. There has been focus on backward integration. The Ministry of Textiles signed 65 memorandum of understandings (MoUs) in 2017. Various domestic and international organizations signed MoUs from industry and government; three of the MoUs signed are G2G MoUs. The MoUs signed relate to exchange of information and documentation, Research & Development, commercialization of handloom products and silk production, cooperation in Geo textiles, skill development, supply of cotton and trade promotion with overseas partners, etc. For the strategic enhancement of Indian textiles quality to international standards, the Government of India has taken several measures including Amended Technology Up-gradation Fund Scheme (A-TUFS), launch of India Handloom Brand and integrated scheme for development of silk industry.
 3. There has been focus on forward integration. Future Retail entered into an agreement with UK based home furnishing brand - Laura Ashley, to operate and own stores and websites in India in 2017. The Indian fashion retailers' online market is poised to grow to US\$ 30 billion by the 2020, at present the online market is valued at US\$ 7-9 billion.
 4. There has been promotion of Khadi. with the aim of providing employment and promoting the khadi brand, the Government plans to connect around 50 million women in Indian villages to charkha (spinning wheel) in the next five years.
 5. There has been growing domestic and foreign investments.
 6. Government has set-up SITPs and Mega Cluster Zones to promote growth of the industry.
 7. Under Technology Up-gradation Fund Scheme (TUFS) TUFS, Investment was made to promote modernisation and up-gradation of the textile industry by providing credit at reduced rates.
 8. National Textile Policy-2000 focus include technological upgrades, enhancement of productivity, product diversification and financing arrangements.
 9. Technology upgradation scheme called SAATHI (Sustainable and Accelerated Adoption of Efficient Textile Technologies to Help Small Industries) for reviving the powerloom sector of India
 10. DGFT has revised incentives rates under the Merchandise Exports from India Scheme (MEIS) for Readymade garments (RMG) and Made ups - from 2% to 4%.
 11. India now allow 100 per cent FDI in textile sector.
 12. Scheme for Capacity Building in Textiles Sector (SCBTS) aim to provide a demand driven and placement oriented skilling programme to create jobs in the organised textile sector and to promote skilling and skill up-gradation in the traditional sectors.
 13. Apparel parks for exports *scheme (APE)* and textile centers infrastructure development *scheme (TCIDS)* have been allocated a sum of Rs 100cr each.
 14. The government has supported the technical textile industry with an allotment of US\$ 1 billion for SMEs and an exemption in custom duty for raw materials used by the sector.
 15. The Textile Ministry of India earmarked Rs 690 crore (US\$ 106.58 million) for setting up 21 ready-made garment manufacturing units in seven states for development and modernisation of Indian Textile Sector.
 16. Focus on establishing free trade agreements with major textile and apparel markets such as EU & USA, to combat the disadvantage against China and other competitors.

X.INDIA'S COMPETITIVE PERFORMANCE IN THE US- FINDINGS

1. India may not to worry much if China continues as it is, since the gap between Indian and Chinese prices is quite significant. But if India also upgrades its product then price competitiveness will be very risky.
2. In most cotton apparels in the US, India operates in the low value segment.
3. India must not only upgrade its values but also begin to find ways of competing increasingly on non-price factors.
4. India has done commendably in made-ups.
5. During the quinquennium, quotas have protected the exports of Indian fabric in the US market. Indian fabric exports have not expressed to be competitive in the US market.
6. In the 11 apparel categories- both cotton and MMF- as China's unit value ratio of exports to US is significantly higher than India, so China is not India's close competitor, and these two countries operate in quite different price-segments. India must upgrade in fabric exports and also seek newer non-price criterion for competing. India must begin to focus more on apparel and made-ups exports.

CONCLUSION

As compared China and other competing nations, India is the largest and more resourceful country that is capable to take maximum advantage because of its huge textile base, manpower availability and infrastructure. India has yet to tap its potential in apparel exports. To capture the opportunity, India need to make large scale structural changes in policy framework starting from refining of labor laws to exit policies so as to fast track the approval process and changes among several other bottlenecks.

Many big international buyers are now adopting "China plus one" sourcing model wherein they are active in at least one other country than China.

The most important conclusion is that the nature of the value chain matters—whether domestic or global. In the global value chain, the export destination determines the governance

structure within the chain. Export promotion strategies of the government tend to overlook this aspect, and a more nuanced approach to global value chain activity may help the industry more.

In comparison to China and other competitors, India is a better and stable sourcing destination for international buyers.

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