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Can Indian-Afro Relations Sustain the Growth of India T and C Industry?

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ABSTRACT

Textile & Clothing (T&C) being a footloose industry has witnessed a continuous shift in its key players. Countries like Cambodia and Vietnam who offer cheap labour can be a grave threat to Indian T&C industry in years to come. As a result, the soon to emerge problem of unemployment across Indian economy cannot be ignored. This study therefore establishes this shift and dwells deeper into the necessary steps that the Indian state needs to take now, in order to prevent an economic slowdown in India. The study suggests that India should build strong ties with African nations just like China, as a safe and protective measure in order to experience sustainability in the Indian T&C Industry: which once was the leading industry globally. The study finds that measure like focussing more on the Outflows of capital resources than the inflows to the LDCs, undergoing Trade Facilitation Agreements under WTO, extending its “deemed export” duty drawback to priority manufacturing industries, judicious use of infant industry protection etc would hold a significant role in sustainable development of T&C industry.

Keywords: Textile and Clothing, India, Africa, Trade, FTA, Comparative advantage, Cambodia, Vietnam, Growth, Least Developed Country. JEL Classification Codes: F10; F20; F55; O02; O40

1. INTRODUCTION

Textile and Clothing industries play an indispensable role in the growth and development of an economy. These are the basic industries which has been generating employment both for skilled and unskilled workers. These industries are important both for social as well as economic reasons. Between 1450 to 1800, textile production all over the world was second only to agriculture in economic importance. The Textile & Clothing industries provides as a crucial aspect to incomes for few countries. T&C incomes provided to its employees are also high than those paid in agricultural sector. Overall, textile and clothing industries hold a significant position in any economy.

Recently it has been observed that less developing Asian countries like Cambodia and Vietnam are posing threats to China and India. The threat is due to the shifting of comparative advantages in the Textile and Clothing industries to Cambodia and Vietnam. Vietnam and Cambodia has been successful in drawing foreign investors. The major reasons are its low cost labours, preferential market access in terms of duty as well as quota free access to the US and European Union markets. Furthermore, location proximity in the ASEAN markets, closeness to source countries of FDI in garments has also been facilitating the whole process and having quota free access to the US markets as against other Asian countries, particularly China, are factors helping make these LDCs, the fastest growing garments exporters in the world. The abolition of the Multi-Fibre Arrangement (MFA) regime in the year 2004 further helped the Asian producers by eliminating the imposed export quotas.

As textile companies are always looking for low cost countries, China's increasing labour cost and land cost is causing the country to lose its advantage in T&C industry towards Vietnam. The wage levels in Vietnam are about one-third of those in China's coastal regions. According to Booz Hamilton survey in the year 2008, around 63% of the companies named Vietnam as their top low cost sourcing alternative to China. Ig Hortsmann- a professor of Business Economics at the University of Toronto clearly pointed the example of Nike by saying that Nike originally outsourced manufacturing to Japan. Then due to increase in labour costs it moved to South Korea and Taiwan. Then it moved to China and finally to Vietnam..

The fact that comparative advantages are getting shifted to less developed countries like Cambodia and Vietnam tends to have measure tremendous effects on Indian economy as well as Chinese economy. However, analysing this threat of the shift of comparative advantage to Vietnam and Cambodia, China has strategically taken an important measure. China has indulged into trade affiliations with the backward nation: Africa, so as to tap its cheap and abundant resources to supplement its growth which experiences a slowdown, by undergoing and signing Free Trade Agreements (FTA) with Africa.

Over 15 years, Chinese government has been pouring billions of dollars to drive out the competitors by investing in the textile and clothing sector of Africa. The investments have been in the form of direct subsidies, indirect subsidies as well as capital. Ms. Ciliaka Gitau- a leading lecturer at the Institute of Nairobi's Economics Department mentioned the strategy of Chinese companies have been establishing their subsidiaries in Africa since early 2005. These subsidiaries are widespread among countries like Ghana, Kenya, Madagascar, Lesotho, Malawi, Mauritius, Namibia, Nigeria, Tanzania and South Africa. The African Growth and Opportunity Act (AGOA) between Africa and US indirectly benefit the Chinese economy. This is because under AGOA Africa has access to US trade programs by expanding the (duty-free) benefits.

The Chinese investment in Africa therefore, indirectly benefits the Chinese cloth makers who through African economy can continue to export textiles to USA. In Ethiopia, Chinese firms are renting plants and hiring local cloth workers to serve the needs and requirements of clients of US and EU. So China has been able to protect itself through FTAs and these tie ups are helping China to remain a major investor in African economies in spite of challenges from other Asian economies.

Thus, it is in the need of the hour for the Indian T&C industries to take necessary steps, just like its partner China, in order to sustain the growth of Indian T&C industry. It must take advantage of upcoming nations and backward countries like Africa which have rich resources available cheaply in order to restore the comparative advantage. However, it is known how India is strengthening its relations with Africa after India-Africa Summit in October 2015 but the level of integration of India into African nations is nothing in comparison to nations like, China and will not reap significant benefits.

Therefore, the study analyses how India in recent times should start working on the treaties or agreements to do exactly what China is doing i.e. protecting its economy from the emerging competitors. Finally the study suggests that the Indian Government like the Chinese economy should tap the untapped resources of African subcontinent with a strong Free Trade Agreement (FTA) other measures, which will aid India's growth despite the shift in comparative advantage and thereby restore its stand as a global leader in T&C production.

2. OVERVIEW OF THE INDIAN T&C INDUSTRY

The Textile & Clothing (T&C) industry is of grave importance among developing countries, as it aids anyeconomy's benefits gained from trade, Gross Domestic Production and employing levels and capacity. T&C industry has contributed significantly in providing opportunities for diversify their outflows and increase of processed exports for poor countries which are capable to overuse their cheaplabour resources and cater to the upcoming markets and satisfy the demands. Indian economy since liberalization has enjoyed this comparative advantage in T&C industry.

The table below portrays the volume of textile exports to total exports in the Indian economy between 1992-93 to 2004-05. The data clearly shows that exports of Indian textiles (including handicrafts, jute, and coir) in 1992-93 was around Rs.146.85 billion of total exports. Since 1992 the exports of Indian textiles has witnessed an increasing trend. This trend establishes the significance of T&C industry for Indian economy. The only downfall in Indian textile exports was seen during 2001-02,which was primarily due to inadequate supply of domestic cotton and high prices of imported cotton. This resulted ina marginal decline in the volume of Indian textile exports to Rs. 487.2 billion from Rs. 517.76 billions.

However, the industry picked up the trend and the volume of exports in the subsequent year 2002-03 increased from Rs. 487.2 Billion to Rs. 562.71 billion, which affirms the significance of T&C industry in the Indian economy.

Table 20.1
Volume of Textile Exports to Total Exports in the Indian Economy

<i>Year</i>	<i>Total Textile exports (Rs. in billion)</i>	<i>Total exports (Rs. in billion)</i>
1992-1993	146.85	536.88
1993-1994	188.17	697.40
1994-1995	237.01	826.73
<i>I Phase</i>		
1995-1996	285.2	1063.53
1996-1997	339.2	1188.17
1997-1998	344.58	1301.01

<i>Year</i>	<i>Total Textile exports (Rs. in billion)</i>	<i>Total exports (Rs. in billion)</i>
<i>II Phase</i>		
1998-1999	375.08	1397.53
1999-2000	426.39	1595.61
2000-2001	517.76	2035.71
2001-2002	487.2	2090.18
<i>III Phase</i>		
2002-2003	562.71	2551.37
2003-2004	597.21	2933.67
2004-2005	613.29	3753.4

Source: DGCIS, Calcutta, 2013

Therefore, table 20.1 clearly depicts the strong global position that India enjoyed (having cheap labour available) in the international market for T&C industry. Although India's cotton and textile industry saw an increasing pattern in its export volume for almost over a decade (signifying the importance of the textile industry in the global economy), the picture has been registering a gradual shift now. Post 2000 period (particularly 2005 onwards) India's cotton and textile industry has witnessed sheer downfall in its volume of trade. This downward trend is clearly visible by the low growth rates of Indian textile exports post 2005 (given in table 20.2). (DGCIS, Calcutta; 2013)

Table 20.2
Percentage Growth Of Textile Exports In The Indian Economy

<i>Year</i>	<i>Total Textile Exports (Rs. In Billin)</i>	<i>Growth (in %)</i>
<i>IV Phase</i>		
2005-06	755.22	23.14
2006-07	847.21	12.18
2007-08	870.74	2.78
2008-09	949.3	9.3

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<i>Year</i>	<i>Total Textile Exports (Rs. In Billin)</i>	<i>Growth (in %)</i>
	<i>IV Phase</i>	
2009-10	1037.27	9.25
2010-11	1235.35	19.1
2011-12	1559.36	20.23
2012-13	1685.13	8.07

Source: DGCIS, Calcutta.2013

The table above clearly depicts the fluctuating growth of the Indian Textile Exports. The growth of textile exports registered a strong jump in 2005-06, increasing from 2.69% in 2004-2005 to 23.14% in 2005-2006. But India was not able to continue the same momentum in the succeeding years. In 2007-08, textiles exports recorded growth of about 2.78% compared to previous year despite of the fact that the total value of exports kept increasing. This was because the increase in value of exports was insignificant as the increase shows a diminishing rate.(DGCIS, Calcutta;2013)

According to the *Economic Survey, Indian Textile Exports:Past and Present;2011* it has been shown that over time i.e.from 1995-2004, the ranking as well as the export earning from the export of textile products was quite significant. Indian textile products ranked 1 throughout this period and the export share grew to 25.3% from 15.9 % during the same time period; 1995-2004.

However, as per the same source (*Economic Survey, Indian Textile Exports:Past and Present;2011*) there has been a steep fall accross Indian T&C industryspecifically during the time period 2005-2011 such that by the end of 2010-11T&C ranking reached to 6 and export earning share declined to a mere 9.2% of the total earnings from exports for India.

This implies that early 2000s' witnessed a downfall in the textile value of the Indian Textile Industry. This phenomena ultimately is a threat to the Indian economic growth, since its global market share is gradually decreasing. On one hand economies like Vietnam and Bangladesh possess major threat to Indian T&C exports to US markets, and on the other handeconomies like Turkey and Bangladesh are increasingly gaining momentum across European Markets. This is because Bangladesh & Turkey enjoys duty free access to European markets,while Indian firms have to pay 9.6% duty on their exports (*Economic Survey; 2011*). This has put India in a disadvantageous position in the European market.

Ideally the T&C industry was a source of generating significant job numbers in advanced economies, however, in the last few decades theseindustries took an initiative to incline in the production processes as well as creating more employment in several emerging economies. As the cumulative global employment in Textile-Clothing industries have merely volatised in past few years, the arrangement of employment fluctuates significantly such that the European Union and United States are facing loses in their employment levels while the Asians aregaining.(ODI et al. 2002).

Table 20.3
Average T&C Employability And Its Share To Growth For Few Exporting Emerging Economies

<i>Country Group</i>	<i>Share of manufacturing employment in T&C (%)</i>	<i>No. employed (*000s)</i>	<i>Average wages in T&C production (US \$ million)</i>	<i>Share of T&C wages in MVS</i>	<i>Value added per employee (US \$ million) in T&C production</i>
Less Development Countries	59.1	340,862	401	35.3	536.4
Low Income	34.4	567,348	1,498.5	38.9	1,749
Lower Middle Income	35.7	994,014	3093.3	41.7	2,791.1
Upper Middle Income	28.4	206,718	3153.6	43.3	1,846.7

Source : UNIDO Industrial Statistics, World Development Indicators, and ILO stats- averages are based on a selection countries in each groups, see Table

The figures explains clearly that T&C sector is a contributor to formal jobs in the LDCs and low income economies majorly, and a lesser share in the countries outside the strata of LDCs. However, these figures does not consider the specific features of the countries. For Low income economies, like India and Pakistan, T&C provides jobs to a relatively higher share of employment in manufacturing sector (44.3% and 50.2% respectively) with larger amount of pays : \$1,647 and \$2,675 respectively. (UNIDO Industrial Statistics; 2008). This shows that the Indian T&C industry is undergoing the generation of employment levels in higher proportion. In addition to it, the decrease in the proportion of export of Indian T&C industry globally will with time cause a decelerating trend in employment, reducing the per capita income levels and hence the overall growth trend.

Within the lower middle income country group Least Developed Countries such as Vietnam, Cambodia, have been experiencing significant share of employment in the manufacturing sector in the T&C industry i.e. 77% and 90% respectively (Bui Van Tot; 2014).

Therefore, given the overview of the gradual decline in the global exports of Indian T&C, and its subsequent relation with the level of employment in Indian economy it can be asserted that this fall in share of T&C industries global trade (losing the market to LDC's in global T&C) internationally is bound to affect the growth of Indian economy. This gradual decline in the employment levels, however, will eventually become the root cause for the economic slowdown, causing lower per capita incomes (due to huge dependence on the sector).

The following chapter in the study, therefore, dwells deeper into the analysis of the shift in the comparative advantage which affects the employability patterns and hence, establish that the decline in Indian share of T&C has been matched by the rise in share of T&C among the LDC's such as Vietnam.

3. CAUSAL RELATIONSHIP BETWEEN INDIAN AND VIETNAMESE T & C GLOBAL TRADE

A deeper analysis of this shift in T&C industry finds that the global share of T&C industry is shifting rapidly, from historical producers like India and China to less developed economies like Vietnam and Cambodia. India's cotton and textile industry has lost its competitiveness due to decreasing labour availability and increasing production costs.

This loss of comparative advantage has resulted in a shift of its market to other contenders having much more comparative advantage on labour such as Vietnam, Cambodia and African Economies. There are various contenders lining up to grab part of India's dominating market share in the coming years. Not all countries will benefit to the same extent from the ongoing changes in the sector however Vietnam has shown a huge increase in its export market in post 2000 period which serves as a great threat to the Indian export market for textiles and clothing industry.

Vietnam being a backward economy, is registered and is said to have the capacity of growing faster in the global T&C arena. In 2013, the Vietnamese T&C industry was ranked 2nd among the total exports from Vietnam which is a significant share and rank to be held in spite being under the strata of LDC.

Now, we will have a look at the changes the value and the growth rate of exports of Vietnam and India post 2000s using supportive data from 20015-2013.

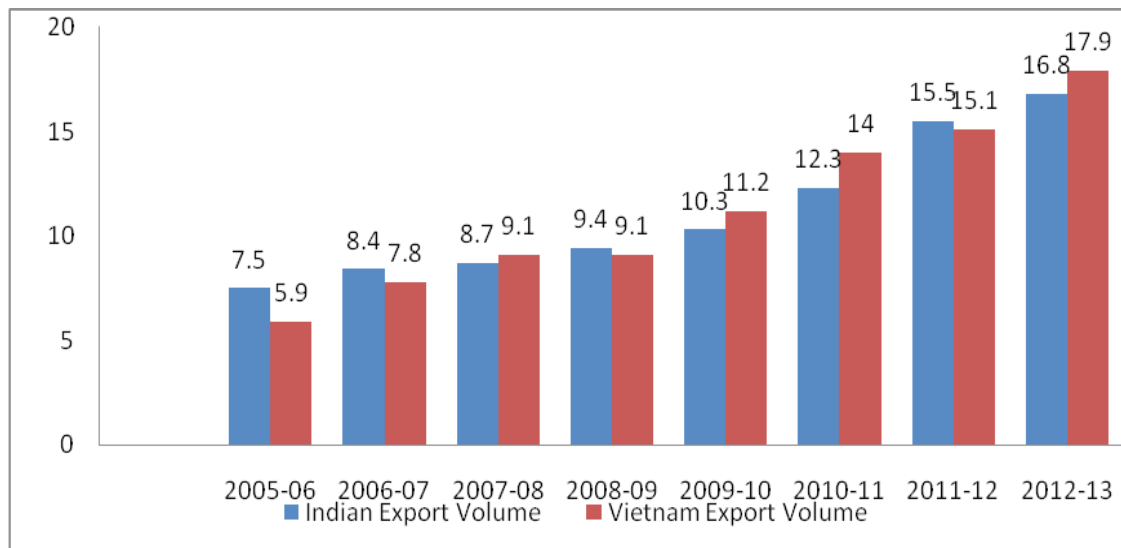


Figure 20.1 : The export volume of India and Vietnam T&C industry(US\$ Billion)

Source: Bloomberg,2011and DGCIS, Calcutta,2013

The data above depicts the causal relationship that Vietnam and India witnessed especially after 2005, when Indian Industry's share in the export arena started to gradually decline significantly and Vietnam on the other hand experienced a gradual increase in its exports. We can clearly see that how in 2013, the gap between the two economies reversed such that in 2005 where India had \$7.5 US Billion valued exports and Vietnam had the value of \$5.9 US Billion, in 2013 India faced the value of \$16.8 US Billion while Vietnam took over India value and reached \$17.9 US Billion.(Fpt Securities,2013)

There has been a gradual decline in the value of Indian exports and subsequent increase in the value of Vietnam exports in the respective years. However, if we consider the cases of 2006-07 , 2008-09 and 2011-12 there has been a fall in the value of Vietnam exports but this decline is not very significant as compared to the increase. The main concern is that the decline did not prolonged for a longer times and the export value picked up quickly in the seccessive year. This hence is a sign of development and the gradual increase shows that India will eventually lose out its stand in the global T&C market.

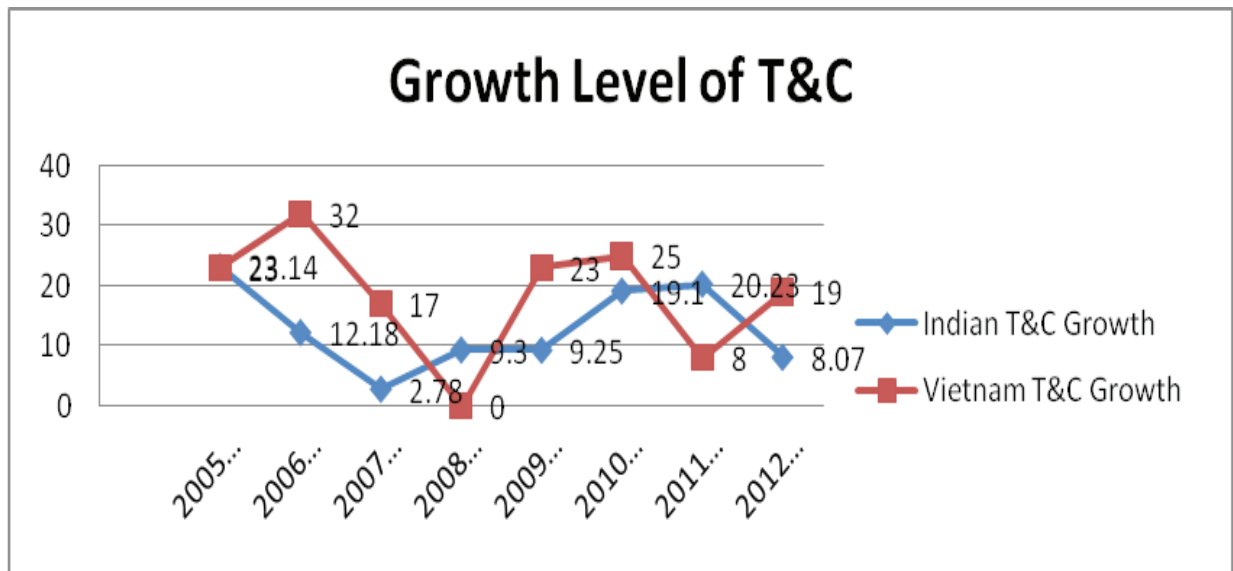


Figure 20.2 : Percentage Growth Of Textile Exports in India and Vietnam, 2005-2013 (in percent)

Source: DGCIS, Calcutta,2013 and Bloomberg, 2011

Textile and apparel export turnover of Vietnam have made it the 2nd largest export sector. This can be validated by discussing the above data which shows the percentage growth in T&C industry of both India and Vietnam.

Considering the growth of Indian and Vietnamese exports market for the time period 2005-2013, there are massive differences. The growth level in both country's industry shows high variations but the ability of Vietnam to exceed India's values, is quite appreciable. The Industry had 32% of growth, then fell to 0% and then bouncing back to 23% in three consecutive years. During this time period, India experienced constant growth of 9.25% (2008-2010), and Vietnam regained its growth to 23% from having 0% growth level in 2008 (Bui Van Tot; April, 2014).

Thus, we can say that Vietnam has shown quite positive and flexible growth patterns in its T&C Industry. This is because labor productivity index of manufacturing sector in Vietnam is very low and is only 2.4; while that of India is 5.2.

The study therefore clearly establishes that India and China are losing their share of T&C in global markets to LDC's. This phenomena in the near future is bound to negatively affect Indian and Chinese growth through lower levels of employment in their T&C industry. The subsequent chapter in thus tries and identifies the steps that have been taken by China (a nation which is witnessing the same trend as India in its T&C industry today) to protect their economy from a similar slowdown.

4. GLOBAL SCENARIO OF T&C INDUSTRY: THE SHIFT OF COMPARATIVE ADVANTAGE AND PROSPECTS ASSOCIATED

As we have discussed the overview of the Indian T&C industry and the gradual shift of the comparative advantage to other LDCs like Vietnam, this chapter explains the whole global scenario that has been ongoing since 1992 in the T&C arena as well as how the future prospects would be if the same trend goes on with Vietnam gaining the comparative advantage, China increasing its ties with the LDCs like Africa, and India doing nothing about it and taking no measures.

Therefore, the chapter tries to establish the scenario between the key participants of the industry namely **US/UK, India, China, Vietnam and Africa** and also their respective advantages and prospects attached to it using Venn Diagrams.

Scenario 1:

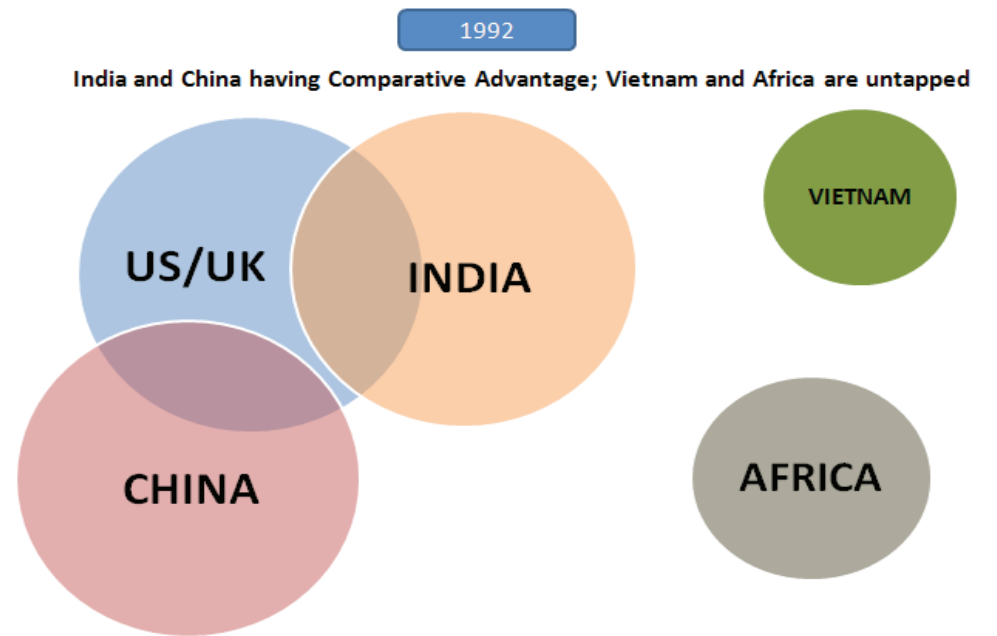


Figure 20.3 : India and China having comparative advantage in T&C Industry.

The diagram above represents the scenario where India and China were the key performers of the T&C industry globally. Both of these countries; India and China, were directly trading with the developed countries; US and UK. The intersecting spheres of US/UK, China and India shows the total participation of the two key traders of the T&C products which was quite high and significant too. The overall trade of India specifically was worth about Rs. 146.8 billion (*DGCIS, Calcutta*) which was quite good. However, the then Least Developed Nations; Vietnam and Cambodia, did not have any links with the developed and developing nations. They stood idle with their markets and resources both being untapped and un-captured.

The following years stood out very positive for the Indian T&C Industry where the overall worth of the exports of T&C exports increased from Rs. 146.8 billion to around Rs. 613.29 billion in 2004-05 (*DGCIS, Calcutta*) keeping India in the lead of global T&C Production.

Scenario 2:

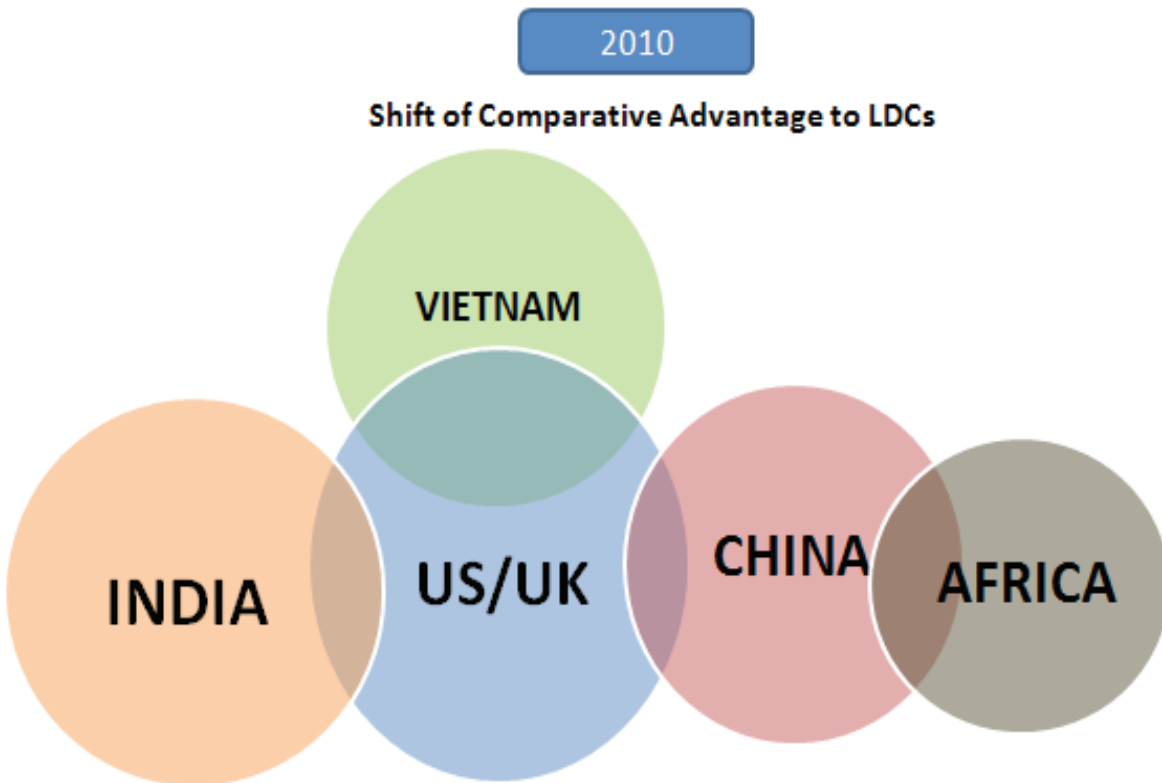


Figure 20.4 : Comparative shifts to other Asian Least Developed Countries: Threat to Indian Industry.

India enjoyed the comparative till the early 2000s and saw a shift in the same in the coming years. The diagram above depicts the same scenario, where in China and India witnessed a competitor in their trade relations with US/UK: Vietnam. This can be seen in the reduced intersection of the spheres of China and India while Vietnam having a greater proportion of the intersection with the advanced economies: US and UK.

This is because Vietnam possesses cheaper resources (especially labour) than that of India and China. However, with time, the resources and markets of Vietnam proves to be more profitable to the advanced nations and thus, the comparative advantage by 2010 got shifted to the other upcoming Asian LDCs like Vietnam.

Analysing this threat, China took a very strategic step in order to protect its market and industry. China identified Africa to be a more profitable nation where there is cheap resources both labour and cotton resources. In order to maintain its stand, China underwent in a FTA with the SACU countries tapping their resources and utilising them to drive their T&C industry. In return, China provided capital inflows in order to develop these nations. However, India yet has not undergone any such measure to protect their industries which means they still face a severe threat.

Scenario 3:

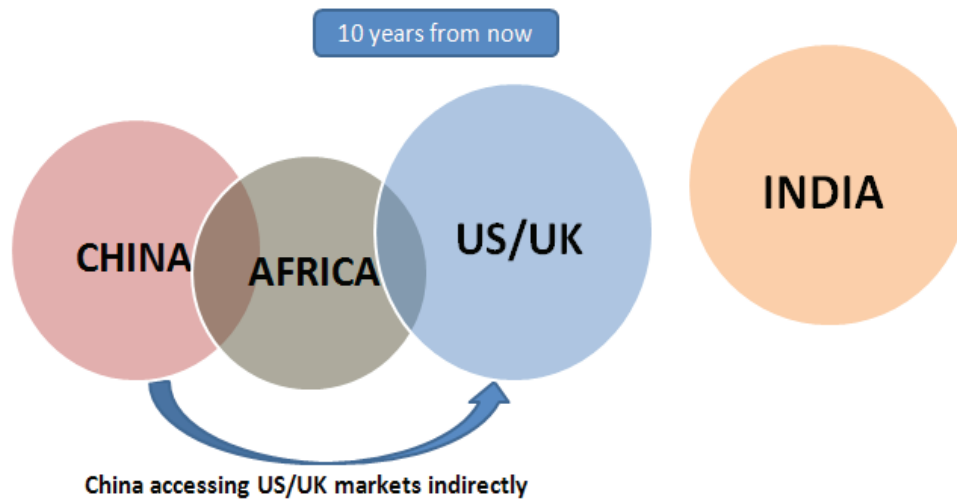


Figure 20.5 : China tying up with Africa to protect its industry and market.

As we have discussed in the previous scenario that China tapped the African nations in lieu of protective its T&C market and production. The reason behind this step was to get access to the US/UK markets in an indirect manner. China was aware of the AGOA ties between China and US, and thus, to get indirect access to the US markets, China undertook the step of tapping the African nations through a FTA.

As we know that African nations come under the strata of LDCs, so the resources available there would be cheaper comparatively. Now, China undergoing an integration with African nations prior to the US/UK would enable them to utilize the African resources and have a profitable trade relation so that when the US/UK approach Africa for cheaper production activities, the Chinese already having good relations with Africa, will get access to the US/UK markets too, indirectly.

Thus, the diagram above depicts the same scenario, where China and US/UK intersects with Africa. Eventually China will be accessing the US/UK markets indirectly when they access the African resources. India, doing nothing about the threat experienced from Vietnam at present would result it in being totally aloof, losing out all its market share and failing as a global performer in T&C arena.

Therefore, to sustain the growth of India, it is important to protect the T&C industry currently because it is a footloose industry, employing a large number of population and possess a significant determinant of the performance in trade activities. Hence, it is an urgent need for India to pace up in order to ensure sustain the growth and development of the nation and protect its market shares especially that of the T&C Industry. The subsequent chapters therefore dwells upon as to what should India do and take up few measures which are greatly inspired by the Chinese strategies.

5. CHINESE STRATEGY TO PROTECT ITS T&C INDUSTRY SLOWDOWN

As we have discussed the case of declining share in the T&C share globally in India, the similar trend is also witnessed in China. This continuity of declining trend in China, also threatens Chinese employment level and therefore its overall growth. China is strongly integrating its economy with less developed economies like Africa, to continue accessing the markets of US and EU. Chinese dependence on increased engagement with

Africa could generate important analysis and advantages, and to formulate the approach which are crucial to augment the China's development levels. Yet, a paramount aspect of gaining betterment from China's commerce and investments initiatives would depend upon gradual advancements in the administration of the African Nations involved with China.

Impact on African Trade: The effect of China on African Trade have seen variability depending upon the distinct composition, the economic administration and control. China's impact is apparently maximum on nations having good amount of resources and these nations gain from supplying the desired amount of raw products to China.

Taking the case of Africa particularly in the T&C arena, countries exporting industrial inputs to China such as Cameroon, Chad, Cote d'Ivoire, Mali, South Africa, Sudan, Tanzania etc. will enjoy increases in export volume and prices. On the other hand it does have an important impact on Africa's import prices as well where in African nations gain intensively from the diverse accessibility at cheaper prices of products to be consumed particularly Textile and Apparel Industry comprising of countries like South Africa, Mauritius, Gambia and Nigeria.

Since trade with African Economies is of great significance for both the nations as a whole therefore and Free Trade Agreement (FTA) signed between China and South Africa Customs Union (SACU) is bound to have a positive and beneficial impact on both China as well as African nations.

The investment of China in African states have been over 40.74 % out of which 16.4% (African Development Bank Group; 2011) goes to the T&C industry and its development.

In 2008, trade between Africa and China reached \$100 and FDI valued \$5.4 billion. In addition to this, China's help and support in financial terms enabled and provided a wide range of benefits with easy availability of raw materials, expanded exchange of manufactured goods, the setting up of asset affiliation that helped in generating profits with time under foreign influence. The banks of China have been into disbursing monetary support in order to promote exchange of goods and capital flows under China-Africa Development Fund (CADF) which was established in 2007 by the China Development Bank (CDB).

Considering the benefits of trade between the two nations, the FTA asserts that Chinese imports is their domination of the market where they compete, with most of their textile, clothing and footwear imports holding a market share of at least 50 per cent. Secondly, South Africa already being a major exporter of cars and aircraft into China, there are indications where South Africa could export to China in the T&C arena where an FTA like SACU facilitate such benefits and thus stimulated model indicates that an FTA would lift economic growth and welfare in China and South Africa. Overall, Chinese imports into South Africa have increased dramatically over the last ten years.

On average, South African exports and imports accounted for 97 percent of the Southern African Customs Union's (SACU's) total merchandise trade with China over the period 2000 to 2008, and the remaining SACU members (Botswana, Lesotho, Namibia and Swaziland) account for the remaining 3 percent of trade with China. The share of goods sold to China has grown more rapidly for Namibia and South Africa from less than 4 percent in 2000 to 16 percent in 2010. (Lejour, A and M. Salfi, 2015)

Benefits gained by China with the FTA: As of 2010, more than 2,000 Chinese companies have invested in Africa. Most of the investment has gone into energy, mining, and textiles clothing. Between 2003 and 2007, five countries—Nigeria, South Africa, Sudan, Algeria and Zambia—accounted for more than 70 percent of China’s FDI. Also, on the basis of the above mentioned background and the features of the FTA carried out between SACU-China clearly indicates that with this initiative, both the nations equally (or likely) gain from the whole practice of undergoing the FTA.

African economies gain and yield the benefits of huge investments made into it by the Chinese economy by establishing a strong infrastructural base, techniques and technology, knowledge leading to skilled workforce. The billions of dollars that China commits to Africa are repayable, long-term loans. From 2009 to 2012, China provided USD 10 billion in financing to Africa in the form of “concessional loans.” The head sovereign risk analyst of Export-Import Bank of China announced in November 2013 that by 2025, China will have provided Africa with USD 1 trillion in financing, including direct investment, soft loans and commercial loans. (African Development Bank Group; 2011)

Motive behind investments in African Nations: The profits earned by China majorly involves their strong desire to secure a solid base of raw materials to fuel China’s own rapidly growing economy as African nations are rich in resources but lack the infrastructural framework to utilize the resources. There will be and is (presently) a strong and firm global political influence of China over Africa and affiliated nations and further with this FTA the desire and control increases. With such an FTA the Chinese would be able to penetrate the African markets as well as secure more predictable market access for its global exports and to obtain much needed natural resources as well as raw material that will prove to be conducive to enhance the trade and growth perspective.

The key objective for investments analysed include those which concerns serious struggle in local market of China; shift of high production levels locally and the exporting them; entering the infant international markets as imports from trading countries; and reaping benefits from African regional or Foreign Agreements relating to trade and hence utilising the skilful manpower, technology and knowledge along with diversification of risks.

With all of this, the Chinese tends towards attaining its important motive of having a political control over the African nations so as to absorb the benefits out of the FTA. Since SACU- China FTA is a Custom Union FTA, therefore it will be beneficial for both the nations to trade with each other and using the respective abundant resources: China using the cheap labour available in Africa along with the rich natural resources and raw materials (Cotton) for the development of the T&C industries: Africa on the other hand will get an access to a better infrastructure, knowledge and skill development practices and acquire an increased amount of Chinese financial inflows which is cumbersome to growth for the Under-Developed Nation.

Therefore, Chinese acquire the comparative advantage in terms of labour and raw materials from Africa which in a way will help China to emerge as a strong trading nation as well as Africa would secure itself and develop it simultaneously with all the funds and aid provided by the Chinese in accordance to the removal of the trade barriers while undergoing the trade practices and becoming a strong and solid economy.

6. WHAT SHOULD INDIA DO? : LEARNING LESSONS FOR INDIA

The present times witnesses tremendous investment needs. In order to meet the sustainable development goals, there is huge requirement of foreign direct investment or capital inflows to stimulate the economic production and the overall development. This international inflows helps in to bring the required amount of funds, knowledge and innovations, technological skill, market approachability and other physical and virtual indicators to the host countries along with the domestic production levels and mobilization of the resources.

6.1. China's Initiative

International Investment Agreement is a type of treaty involving two countries which addresses the issues of the overseas investments made in order to promote, protect and liberalize such cross border investments.

Considering this, China has evolved an approach towards the International Investment Agreements (IIAs) which needs to be identified on a macro level of the altering international capital flows (Karl P. Sauvant, 2017). With the statistic and extent of Multinational Enterprises (MNCs) from upcoming nations serving as markets – as well as their volume of outward foreign direct investment - growing rapidly, the constellation of national interests of important emerging markets is changing profoundly, in a way which promotes a multipartite process in order to acquire capital flows.

6.2. Initiative to be taken by India

When we talk about expanding capital flows from the perspective of India, the “Make in India” campaign in itself proves a big driving force for Indian economy to increase its capital flows by implementing important reforms like infrastructure, absorbing domestic potential and skills. However, the concern is not only attracting and disbursing foreign direct investment, but benefitting from it fully as a host country (Zhan, J., 2016). The industrial policies to transform India's technological capabilities are conspicuously absent and hence targeted industrial policies are an essential requirement. Moreover, India can pursue policies to foster industrial clusters and domestic linkages which focuses more on the internal aspect of a sustained growth of the Indian industry which too are highly inspired from China's experiences and is sufficient in order to meet out the short term assistance so as to get benefitted from foreign direct investment made.

5.2.1. Outward Foreign Direct Investment v/s Inward Foreign Direct Investment

For a sustainable growth and development of India especially in the manufacturing sector, T&C being a footloose industry requires a more strategic and focused direction when it comes to investments in other nations. To ensure a prolonged sustainable growth of the Indian T&C industry, India firstly, need to focus on its outflow of foreign direct investment (OFDI) more rather the inflows of capital resources to developing and especially to least developed economies. This will help India not to be under liabilities and instead receive more benefits from countries invested in (Shan, W. H., 2015). Therefore, considering this, India should start investing the African nations (LDCs) to tap their markets and cheap resources in order to sustain the manufacturing activities specifically to protect the Indian T&C Industries from witnessing a slowdown.

Now this OFDI can further be expanded with the help of State Owned Enterprise (SOEs) such that firms coming under the control of governments will enable “matching services” to find suitable domestic suppliers for foreign firms and “training services,” so that domestic suppliers could better meet foreign standards. If this matching and training is directed towards the African resources, there will be no supply and demand side bottlenecks for the industry and therefore, will result in establishing a manufacturing hub for Indian T&C market; both domestically and globally.

5.2.2. Trade Facilitation Agreement (TFA)

Trade Facilitation looks after how the processes and procedures concerning the trade of goods and services can be improved and managed in such a way that the cost burdens are minimized and efficiency can be maximized keeping in mind the legitimate objective. Thus, encouraging the TFA (Trade Facilitation Agreement) as an Investment and Trade Facilitation Agreement in Services under the WTO, can also be a measure to sustainable investments which will help in reducing the costs, maximise efficiency thereby ensuring the security of trade of services to African nations and hence securing the T&C Market and manufacturing hub. It will cover the commercial presence of the General Agreement on Trade in Services. Therefore, a subsidiary body of the Committee on Trade Facilitation established when the TFA enters into force, could provide the platform to consult on any matters related to the operation of what would effectively be a sustainable investment module within the TFA (Min, B., S. Mujumdar and J. Rhim, 2011).

5.2.3. Other Measures

Out of the measures suggested above, there are some other implications too that India can implement to sustain its way towards sustainable development of the T&C industry. These involve firstly, the *renegotiation of India's existing ILAs* using the Bilateral Investment Treaty model of 2016 helping in limiting national treatment and requiring exhaustion of local remedies before international arbitration. Secondly, *pushing the boundaries of the WTO* such that, India's current subsidy scheme titled “Merchandise Exports from India” utilize all available policy tools to increase domestic value-added. In, addition to this, India could *extend its “deemed export” duty drawback* to priority manufacturing industries contingent on domestic content (Non-specific subsidies tied to local value-added) as well as judicious use of infant industry protection helping to target the firms eventual growth. Along with all of these, *R&D subsidies to foster domestic, scientific ties with foreign firms and government procurement* can help nurture and improve the domestic suppliers in India in order to extract benefits from manufacturing FDI (Ilan Strauss and Vasiliki Mavroeidi, 2017).

Therefore, now the whole discussion of how India from the experiences of China, can sustain its growth and development avenue for the Indian T&C Industry just by focusing on the internal aspects as well and channelization of the investment towards attaining OFDI rather than IFDI (Robbie Schwieder, 2016). The role of state in the policy formation to facilitate the OFDI is of vital importance in order to make sure that the industry as well as the relations between the two nations aren't affected adversely. Also, the main motive will be that both the nations benefit from the whole process of building “effective” trade relations (between India and Africa) in terms of making investments in the potential markets (Africa) so as to sustain their own markets leading to a sustainable growth of the Indian T&C industry.

However, these measures will account for some difficulties in investment due to the shortness of time and certain risks associated to it since they are derived and inspired from a different nation altogether (*Karl P. Sawant, 2017*). Thus, the challenge, now, is to build on them and make them work effectively, which will make the stand of India altogether a progressive one globally considering the performance of the industry in terms of trade, production and manufacturing in T&C arena.

7. CONCLUSION

Having seen in the study it can be said that Textile and Clothing industries play an indispensable role in the growth and development of an economy especially in pre 2000 and early 1900's era. These are the basic industries which have been generating employment both for skilled and unskilled workers and are important both for social as well as economic reasons. The study shows that in the early 2000 era, these industries were an active participant in international trade and employment generation of the Indian economy.

It has been evident too that the Indian T&C industry is losing out on its market share significantly, especially post 2005. The emerging economies like Vietnam and Cambodia are coming out as threats to tap the T&C markets of nations like India. However, post 2005 the industry recorded signs showing the downfall in the industry's global market share. India's textile exports declined marginally in 2013 while that of countries like Bangladesh and Vietnam have grown significantly; causing severe threat for Indian T&C industry.

On the contrary, Vietnam has emerged as one of the fastest growing countries of global textile and apparel sector considering it to be as Asia's one of the least developed country. In 2013, the textile and apparel industry was ranked 2nd among Vietnamese largest export industries. This indicates that Vietnam is indeed a big threat to the Indian textile market where it is expanding and grabbing a huge market share due to its advantage of cheap labour. Vietnam has also been successful in drawing foreign investors due to its low cost labours, preferential market access in terms of duty as well as quota free penetration in the advanced economies like US and EU.

Over the years, the Chinese have been successful in identifying this threat of emerging LDCs and hence as a precautionary measure, in order to shield itself from the downfall; they have increased with engagement with African Nations. Free Trade Agreement (FTA) signed between China and South Africa Customs Union (SACU) and with collaboration of Africa and China under the FOCAC, both the nations have gained quite a lot benefits with the trade practices. This integration could generate important analysis and advantages, as well as some initiatives that are important to augment the developmental effect of China's aid. The impact of this Chinese aid depends upon the commodity specialization of that country as well as countries that export primary commodities, industrial inputs, capital intensive goods and technology which have less threat and thereby, a good market for the export of these goods reaping benefits to China as well.

Hence, having a look at all of this it will not be wrong if we conclude that over time the Indian textile and Clothing industry have lost most of its market share on a global platform to emerging economies like Vietnam. Along with this, China; too has entered in an FTA with Africa in order to tap its natural resources and acquire that comparative advantage over cheap labour.

Subsequently, it is very important for India to step up and undergo such a strategy (like signing up an FTA with the African Nations) so as to protect its foreign market share corresponding to the International trade. This will further help it get back the economical stand in terms of its T&C exports as well as have

a good trade relation with the emerging nations such as African nations in order to enjoy the profits through trade. Thus the key implications which India should adopt and henceforth implement in an effort to protect its Indian T&C market and production centres. These measure include like focussing more on the Outflows of capital resources to the LDCs, undergoing Trade Facilitation Agreements under WTO, judicious use of infant industry protection helping to target the firms eventual growth and various others which will be discussed in detail in the subsequent chapters. The risks attached to these measures will be another task to be dealt with.

In addition to these, the government's decision to offer a portion of Employees' Provident Fund will help to attract the labour force in the industry. The *issues of productivity* suffered by an industry largely by small scale and unorganized sectors needs to be addressed, Importance to be given to *promotion and marketing of textiles and designs that are indigenous to India, eliminating layers of middlemen and improve access* using e-commerce as a platform (example of the Taobao model in China where an entire village specializes in the production of a commodity and sells it at competitive prices online), are some other measures that needs to be implemented to prevent India from a gradual economic slowdown. Nonetheless, promoting traditional industries means diversify and embrace new innovations and not protecting the emerging competition.

Thus to conclude, with the above discussion and analysis, it can be said that it is the need of the hour for India to take advantage of economies like the African nations (just like China) so as to regain its image of a leading industry globally as well as to maintain the efficiency and growth of its international trade and production which thereby caters to the employment levels as well as the opportunities, benefitting the overall economy.

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