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Impact of Global Recession on Global Textile Exports and Imports

Dr. Yoganandan.G Assistant Professor in Management Studies (MBA), K.S.R College of Arts and Science (Autonomous) Tiruchengode, India

Dr. Saravanan. R Director and Head, Department of Management Studies, Sri Krishna College of Technology, Coimbatore, India

ABSTRACT *Textile industry is one of the oldest and largest industries in the world providing employment to billions of people. In this article an attempt was made to study the impact of global recession that started in the year 2008 on global textile exports and imports. China in the global textile imports decreased from 8.1 percent in 2011 to 6.6 percent in 2012. India on the other hand doubled its share of textile imports in the global textile imports from mere 0.4 percent in 2001 to 1.1 percent in 2012. The textile imports of both European Union and United States of America got affected due to the severity of the recession, the repercussions of which were felt as early as 2008.*

KEYWORDS : Global exports, global imports, textile exports, textile imports

INTRODUCTION

Textile industry is one of the oldest and largest industries in the world providing employment to billions of people. Global textile industry plays a vital role in fulfilling one of the basic needs of humanity that is, clothing. The global textile industry was doing well in the eighteenth century. But, the textile industry faced challenges in the middle of the nineteenth century. Particularly, in the 1950s, due the reduction in the capacity of textile industry due to physical damage inflicted by Second World War, the shift in international politics and political regrouping, loss of purchasing power of buyers and end consumers, shortage of foreign exchange were the hurdles faced by the global textile industry. The four countries namely United States of America, United Knigdom, Japan and India played a vital role in the re-emergence of cotton industry (Karmakar 1951). On 1 January, 2005, the quota restrictions of the Multi-Fibre Arrangement (MFA) expired, ultimately the developed countries brought down the restriction they imposed on developing countries for four decades on trade in textiles and garments. Trade in these products is now governed by normal WTO rules.

OBJECTIVE OF THE STUDY

In this article an attempt was made to study the impact of global recession that started in the year 2008 on global textile exports and imports. For this purpose, two leading developed countries (or blocks) that are United States of America and European Union (EU27) and two leading developing countries namely, India and China were selected for the analysis.

REVIEW OF LITERATURE

McKinley & Khurasee (2009) in their report "Global Financial Crisis and Recession: What Could Happen to Major Emerging Economies?" predicted the future of four emerging economies namely China, Brazil, India and South Africa. The report predicted that South Africa and Brazil would be growing at a modest pace of 3-4 percent. Out of the four economies, India was predicted as the poor performer during the crisis and post crisis period with a very modest GDP growth rate of 4-5 percent until 2015.

Jha (2009) in his study "History and causes of global recession" put forth the conceptual frame work and history of global recession. The author highlighted that a recession is a decline in country's GDP growth for two or more consecutive quarters of the year. According to the International Monetary Fund (IMF), a Global recession occurs when the global growth rate moves below 3 percent. Merry Linch (Global Investment Bank) defined it as negative sign in economic development for two or more consecutive quarters of a year. The study found that the US led global recession that started in 2008 was due to the 'sub-prime' crisis.

Verick & Islam (2010) in their study "The Great Recession of 2008-2009: Causes, Consequences and Policy Responses" pointed out that the global financial crisis quickly metamorphosed from the bursting of the housing bubble in the US to the worst recession the world ever has witnessed for over six decades.

Sturm & Sauter (2010) in their study "The impact of the global financial turmoil and recession on Mediterranean countries' economies" found that the major effects on the economies of this region have come through transmission channels associated with the global recession viz., declines in exports, oil revenues, tourism receipts, remittances and foreign direct investment (FDI) inflows, with the drop in exports so far appearing to have had the strongest impact.

Paul and Ichinoise (2010) in their article "Impact of Global Recession on Developed and BRIC Countries" highlighted that the crisis response measures were not adequate though in response to this critical situation, the US Government enacted the Emergency Economic Stabilization Act of 2008 authorizing the United States Secretary of the Treasury to spend up to US$700 billion to purchase distressed assets, especially mortgage-backed securities, and make capital injections into banks. The authors also pointed out that the financial crisis spread and became extremely critical in Europe, Japan and emerging countries as well. Bhatt (2011) in his study "Recent Global Recession and Indian Economy: An Analysis" highlighted that during the financial crisis, India was less affected than others solely on the back of the rural sector and due to the domestic demands, strict banking rules and the mindset of the people. The study suggested that India should return to Food-First doctrine, not only to ensure food security of the large population but also due to the fact that food production will be more profitable given the current signs of a shrinking market for export oriented commercial crops.

Pallav Das (2012) in his article "Global Recession - Impact of Global Meltdown on the Indian Economy" highlighted that the global financial recession which started off as a sub-prime crisis of USA has affected all the economies including India. The GDP growth rate which was around nine percent over the last four year before 2008 has slowed. The author also highlighted that the demand for bank credit was also slackening despite comfortable liquidity in the system.

FINDINGS AND DISCUSSION

An attempt was made to study the global exports and imports of textiles during the last decade in order to find out the impact of global recession that started in the year 2008. For this purpose, the two leading developed economies of world namely United States of America and European Union (27) and two leading emerging economies of the world namely China and India were taken for the study. The export and import data of these economies are tabulated and analysed and is presented in the table 1 and 2.

Table 1
Global exports of textile – Select (leading) economies

Year	China	G	%	EU (27)	G	%	India	G	%	USA	G	%	World	G
2001	16825.2	-	11.4	55816.0	-	37.8	5522.6	-	3.7	10474.0	-	7.1	147506.0	-
2002	20562.0	22.2	13.4	57497.0	3.0	37.4	5813.2	5.3	3.8	10662.0	1.8	6.9	153846.0	4.3
2003	26900.2	30.8	15.6	65541.0	14.0	38.0	6434.8	10.7	3.7	10885.0	2.1	6.3	172476.0	12.1
2004	33427.9	24.3	17.2	73103.0	11.5	37.6	7405.6	15.1	3.8	12026.7	10.5	6.2	194346.0	12.7
2005	41050.2	22.8	20.2	70468.0	-3.6	34.7	8331.5	12.5	4.1	12397.9	3.1	6.1	202838.0	4.4
2006	48677.9	18.6	22.3	73845.5	4.8	33.8	8880.0	6.6	4.1	12679.7	2.3	5.8	218511.0	7.7
2007	56032.2	15.1	23.5	81944.4	11.0	34.3	9616.6	8.3	4.0	12425.5	-2.0	5.2	238581.0	9.2
2008	65366.6	16.7	26.2	81306.6	-0.8	32.6	10372.3	7.9	4.2	12496.1	0.6	5.0	249618.0	4.6
2009	59823.5	-8.5	28.3	62992.0	-22.5	29.8	9110.5	-12.2	4.3	9930.6	-20.5	4.7	211089.0	-15.4
2010	76871.5	28.5	30.5	67881.0	7.8	26.9	12833.4	40.9	5.1	12169.5	22.5	4.8	252220.0	19.5
2011	94410.7	22.8	32.0	76958.9	13.4	26.1	15340.3	19.5	5.2	13790.9	13.3	4.7	294953.0	16.9
2012	95450.2	1.1	33.4	69366.2	-9.9	24.3	15273.9	-0.4	5.3	13485.3	-2.2	4.7	285668.0	-3.1

Source: http://wto.org/english/res_e/statis_e/
Note:

1. G = Growth rate over previous year
2. % = Percentage share in the global exports
3. Export figures are in US Dollar (million).

It is clear from the table 1 that the global export of textiles grew at an average growth of 6.19 percent during the period 2001-2012. China had a market share of 11.4% with an export value of US dollar 16825.2 million in 2001 which increased to US dollar 95450.2 million in 2012 by growing at an annual growth around 17.09 percent. But the growth rate was more impressive during 2001-2007 with an astonishing growth rate of 22.20 percent but during the period 2007-2012 the growth moderated to 11.24 percent showing the negative impact of global recession on the export performance of China. Similarly India nearly doubled its share in the global textile exports from just 3.7 percent in 2001 to 5.3 percent in 2012 with a compounded annual growth rate of 9.69 percent, interestingly the growth rate of India's textile exports stood at 9.68 percent and 9.69 percent during 2001-2007 and 2007-2012 respectively indicating that India was able to maintain the growth rate.

The European Union had a market share of 37.8 percent in 2001 but dwindled to 24.3 percent in 2012 consequently the exports grew at a slower rate from US dollar 55816 million in 2001 to US dollar 69366.2 million in 2012. In the same fashion, United States of America's market share in the global textile exports decreased from 7.1 percent in 2001 to 4.7 percent in 2012. The United States of America's export of textile was valued at US dollar 10474 million and US dollar 13485.3 million in the year 2001 and 2012 respectively.

Table 2
Global imports of textile – Select (leading) economies

Year	China	G	%	EU (27)	G	%	India	G	%	USA	G	%	World	G
2001	12573.2	-	8.1	56210.0	-	36.0	653.4	-	0.4	15388.1	-	9.9	156071.0	-
2002	13059.8	3.9	8.0	57467.0	2.2	35.3	838.9	28.4	0.5	16953.4	10.2	10.4	162779.0	4.3
2003	14217.4	8.9	7.8	65734.0	14.4	36.0	1069.3	27.5	0.6	18251.0	7.7	10.0	182491.0	12.1
2004	15304.2	7.6	7.4	73348.0	11.6	35.7	1302.5	21.8	0.6	20662.4	13.2	10.0	205631.0	12.7
2005	15502.7	1.3	7.2	71642.0	-2.3	33.4	1932.0	48.3	0.9	22538.2	9.1	10.5	214617.0	4.4
2006	16357.9	5.5	7.1	76329.0	6.5	33.0	1988.0	2.9	0.9	23498.0	4.3	10.2	231200.0	7.7
2007	16644.7	1.8	6.6	85563.0	12.1	33.9	2140.5	7.7	0.8	24088.5	2.5	9.5	252436.0	9.2
2008	16288.6	-2.1	6.2	85101.0	-0.5	32.2	2385.9	11.5	0.9	23128.0	-4.0	8.8	264113.0	4.6
2009	14944.7	-8.3	6.7	66800.0	-21.5	29.9	2261.5	-5.2	1.0	19211.3	-16.9	8.6	223347.0	-15.4
2010	17678.6	18.3	6.6	73943.0	10.7	27.7	2790.4	23.4	1.0	23375.4	21.7	8.8	266866.0	19.5
2011	18900.5	6.9	6.1	83970.0	13.6	26.9	3393.4	21.6	1.1	25359.6	8.5	8.1	312080.0	16.9
2012	19809.9	4.8	6.6	74117.8	-11.7	24.5	3317.6	-2.2	1.1	25956.3	2.4	8.6	302256.0	-3.1

Note:
Source: http://wto.org/english/res_e/statis_e/
1. G = Growth rate over previous year
2. % = Percentage share in the global imports
3. Import figures are in US Dollar (million).

It is evident from the table 2 that the global import of textile stood at US dollar 156071 million in 2001 which increased to US dollar 302256 million in 2012 growing at an annual compounded growth rate of 6.19 percent. Among the leading developed economies, China imported US dollar 125732 million worth of textiles in 2001 while it was US dollar 198099 million in 2012. In this period import of textiles grew at an annual compounded growth rate of 4.22 percent which is lesser than the pace of global textile imports. As a result, the share of China in the global textile imports decreased from 8.1 percent in 2011 to 6.6 percent in 2012. India on the other hand doubled its share of textile imports in the global textile imports from mere 0.4 percent in 2001 to 1.1 percent in 2012. In terms of value, the import of textiles by India in the year 2001 was US dollar 653.4 million which grew at an annual compounded growth rate of 15.92 percent to reach US dollar 3317.6 million in 2012.

The European Union imported textiles valued at US dollar 56210 million in 2001, which grew at a pace of 2.55 percent per annum to reach US dollar 74117.8 million in the year 2012. During the same period United States of America's import grew at 4.87 percent per annum. In 2001 United States of America imported US dollar 153881 million worth of textiles which increased to US dollar 259563 million in 2012. It is also clear that the textile imports of both European Union and United States of America got affected due to the severity of the reces sion, the repercussions of which were felt as early as 2008. Predictably, for European Union, the growth rate of textile imports was higher at 7.25 percent during the pre-crisis period 2001-2007 whereas the growth was negative at -2.83 percent during the crisis period 2007-2012. The imports of textiles by United States of America grew at a pace of 7.76 percent during the pre-crisis period 2001-2007 but only to decline in the crisis period 2007-2012 growing at a meagre 1.50 percent. Therefore, it was evident that among the leading importers of textiles, United States of America performed a shade better than European Union during the crisis period.

SUGGESTION

The author would like to suggest that the governments need to come out with appropriate policy responses to safeguard the textile industry as it is one of the largest employers in the world. The government in the developing countries should permit tax import of raw cotton, synthetic yarn, and textile machineries. The government as a short term measure shall consider a tax holiday for the textile industry. Apart from this, the governments especially in the developing economies need to find out the means and ways of creating a meaningful demand like in the form of rationing (public distribution system) clothes to the people who are otherwise not capable of acquiring and fall under the category of BPL (Below Poverty Line).

CONCLUSION

The study aimed at finding out the impact of global recession on the export and import of global textile industry. For this purpose, the secondary data of four leading economies were taken. In the study export and import data of textile industry for 12 years starting from 2001 to 2012 were used. The data were analysed with statistical tools like simple percentage, annual growth rate, compounded annual growth rate and trend analysis. The study found that the export and import of all the economies have shown negative growth in after 2008 proving the assumption that that global recession has affected the export and import of global textile industry. The study suggest that the government need to come out with short and long term policy responses to tackle this crisis and save the textile industry

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