

# Exploring India's Export Opportunities to Surpass China's Position in the Global Arena in the Pandemic Era : A Policy Based Case Study of the Leather Industry

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## Abstract

The coronavirus outbreak has badly hit the global economy, especially China's position in world exports. As the number one exporter of leather items, China held 32.5% export share of the world, and against it, India held only 2.7% export share of leather items in the world in the year 2020. As the epicenter of this pandemic, China's position in the global supply chain is harshly hit, and India has absolute advantage in raw material production and some good skin varieties of goat, calf, and sheep, due to which India stands on a competitive position. Henceforth, this is the opportunity for India to take advantage to curb the position of China in the world leather export market. This paper investigated the export prospects for India's leather industry by finding out potential markets and immediate competitors of India to curb China's export share in the world. To assess India's competitiveness with its immediate competitors for the identified potential markets, the revealed comparative advantage analysis was done. The growth analysis observed that being the prime exporter, China's 5 year CAGR is negative (-1%), and for India, the CAGR is positive (1%), which is a "blessing in disguise" position for India. The countries like Germany, U.K., Italy, France, Spain, and South Korea are identified as potential countries for India. In the RCA analysis, in case of Germany, India was found to be competitive with Italy, France, and Vietnam ; in case of U.K. and Italy, India was found to be competitive with Netherlands ; in case of Spain, India was found to be competitive with Italy, France, and Netherlands ; and in case of France and South Korea, India was found to be non-competitive.

**Keywords :** COVID - 19 prospects, India's exports, India's leather industry, India's leather export prospects, revealed comparative advantage analysis

**JEL Classification Codes :** F130, F140, F170

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The COVID-19 pandemic has not only strained the global supply chain but has also delayed economic recovery globally. The recovery rate of India was 97.78% and mortality rate was only 1.33% (Ministry of Health and Family Welfare, reported on 24 September 2021). The pandemic affected Indian economy harshly and now the recovery of Indian economy is the prime objective of economic thinkers and policy makers.

China, as an epicenter of this pandemic, has lost its position in the global arena and in this juncture, this is an opportunity for neighboring countries to take over China's share in the global market. For India, this is a "blessing in disguise" to attract foreign investment and enhance flows of India's exports.

The leather industry is one of leading industries in India, with India being the second largest exporter of leather garments, third largest exporter of saddlery & harness, and fourth largest exporter of leather goods in the world. The industry is labor intensive and provides employment to 4.42 million people, especially people from the

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vulnerable section of the society. Despite of having absolute advantage in raw material production of about 3 billion sq. ft. annually; 20% of world cattle & buffalo; 11% of world goat & sheep ; excellent skin varieties of goat, calf, and sheep ; and endowed with strategic location in Asian landmass, India's share in world export of leather was only 3% in 2019. On the other hand, China's export share was 34% in the same year, which helped it to hold the position of prime exporter. The growth analysis, being the prime exporter, shows that China's 5 year's CAGR is negative (−1%) and India is positive (1%) which is a “blessing in disguise” position for India to curb China's export share (refer to Table 1).

## Objective of the Study

This research paper is an attempt to explore India's export prospects of its leather industry. Therefore, the study attempts to find out potential markets for India of leather items in the world and measure India's competitiveness with its immediate competitors to curb China's export share.

## Methodology

The present research is an empirical study that is entirely based on secondary data. The secondary data were gathered from sources like ITC Trade Map, ITC Market Access Map, World Trade Organization (WTO), Ministry of Health and Family Welfare, etc. To fulfill the research objective of the study, some export analysis tools like growth analysis, CAGR analysis, and RCA analysis were conducted. A detailed multi - step process at 2-digit HS code 42 is given below:

➤ **Step 1.** The top 10 importing nations are ascertained on the basis of import value of the importing nation, and CAGR has also been calculated to assess the growth rate and categorize markets into primary priority markets and secondary priority markets based on CAGR.

➤ **Step 2.** At the second stage, the potential markets have been identified by mapping of India's top 10 exporting nations with world top 10 importing nations and China's top 10 exporting nations.

➤ **Step 3.** Furthermore, at the third stage, India's export growth to partner (importing nation) is compared with the partner import growth from the world. The countries whose India's export growth to partner is < partner import from the world are only considered as potential markets for India.

➤ **Step 4.** After finding out potential markets, India's competitiveness is measured through revealed comparative advantage analysis (RCA). RCA indicates whether the country is in the process of extending the product in which it has a trade potential. The formula used to calculate this index is depicted below:

$$RCA_{ij} = (x_{ij}/X_{it}) / (x_{wj}/X_{wt})$$

where,  $x_{ij}$  and  $x_{wj}$  are the values of country  $i$ 's exports of product  $j$  and world exports of product  $j$  and where  $X_{it}$  and  $X_{wt}$  refer to the country's total exports and world total exports. A value of less than unity implies that the country has a revealed comparative disadvantage in the product.

The reference period for this analysis is 2014–15 to 2018–19. To assess India's competitive position, India's RCA value is compared with RCA value of top three importing nations of potential markets. India is defined as competitive if the RCA value is found to be greater than 1 for 3 years or more during the reference period.

## Analysis and Results

### Export Analysis : An Analysis of the Top 10 Leather Exporting Markets

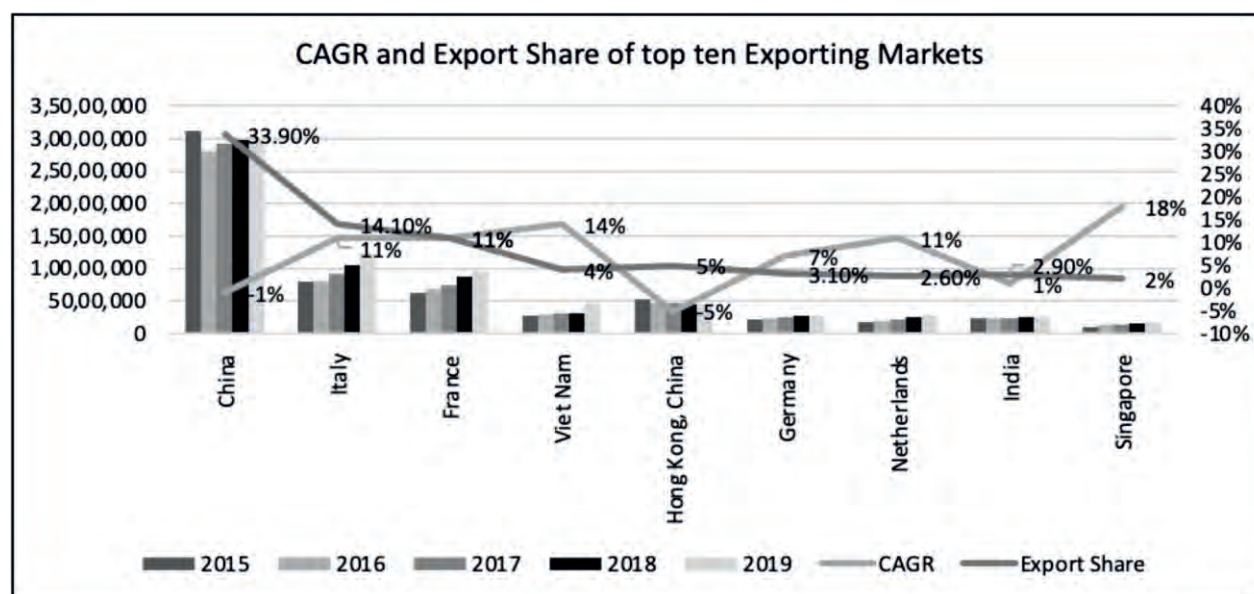
Table 1 provides export share and CAGR of top 10 exporting markets of the leather industry globally. The table replicates that the export share of China is high, but CAGR is negative. On the other hand, India's export share is only 3%, but CAGR is positive, which makes India in a position of “blessing in disguise” to curb China's export share (refer to Figure 1).

**Table 1. Export Statistics of Top 10 Leather Exporting Markets Worldwide**

| Exporters        | 2015       | 2016       | 2017       | 2018       | 2019       | 5 Year CAGR | Export Share |
|------------------|------------|------------|------------|------------|------------|-------------|--------------|
| China            | 31,106,911 | 28,046,821 | 29,118,206 | 29,703,611 | 29,587,779 | -1%         | 33.9%        |
| Italy            | 7,980,594  | 8,038,966  | 9,186,917  | 10,465,712 | 12,317,582 | 11%         | 14.1%        |
| France           | 6,287,440  | 6,754,358  | 7,463,596  | 8,682,955  | 9,573,937  | 11%         | 11%          |
| Vietnam          | 2,704,003  | 2,985,053  | 3,077,412  | 3,137,715  | 4,616,857  | 14%         | 4%           |
| Hong Kong, China | 5,342,973  | 4,705,267  | 4,763,078  | 4,574,162  | 4,405,642  | -5%         | 5%           |
| Germany          | 2,101,704  | 2,246,534  | 2,541,596  | 2,783,062  | 2,750,417  | 7%          | 3.1%         |
| Netherlands      | 1,750,247  | 1,976,706  | 2,225,651  | 2,621,768  | 2,658,346  | 11%         | 2.6%         |
| India            | 2,424,315  | 2,345,508  | 2,409,447  | 2,500,154  | 2,513,321  | 1%          | 2.9%         |
| Singapore        | 921,550    | 1,308,417  | 1,402,157  | 1,587,484  | 1,763,932  | 18%         | 2%           |

Source : ITC Trade Map.

**Figure 1. CAGR and Export Share of Top 10 Exporting Markets**



Source : ITC Trade Map.

## Import Analysis : An Analysis of Top 10 Leather Importing Markets

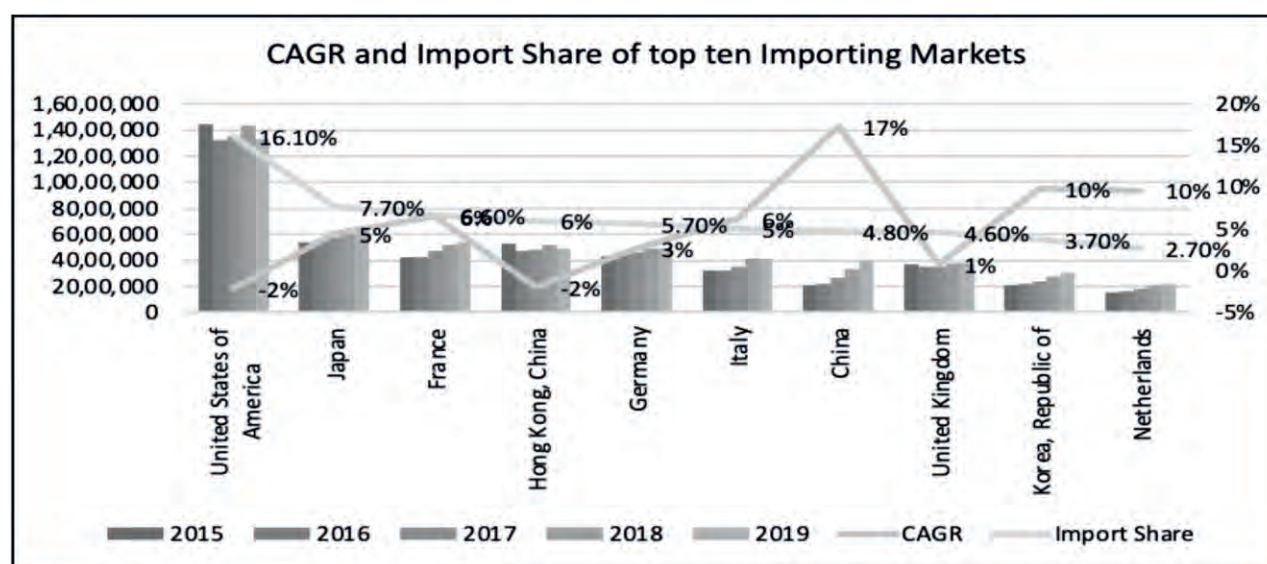
To explore prospects from demand side, the top 10 importing nations of leather articles are analyzed on the basis of CAGR and share in world imports. It can be inferred from Table 2 that USA is the largest importer of leather items as import share is 16.1%, but CAGR is negative (refer to Figure 2). The countries like Japan, France, Germany, Italy, China, U.K., South Korea, and Netherlands are among the top 10 importers and having positive CAGR also. Table 3 depicts the list of primary priority markets and secondary priority markets based on CAGR of 5 years.

**Table 2. Import Statistics of Top 10 Importing Markets**

| Countries                | 2015       | 2016       | 2017       | 2018       | 2019       | 5 Year CAGR | Import Share |
|--------------------------|------------|------------|------------|------------|------------|-------------|--------------|
| United States of America | 14,446,914 | 13,177,536 | 13,475,025 | 14,374,674 | 13,288,145 | -2%         | 16.10%       |
| Japan                    | 5,328,391  | 5,596,023  | 5,716,956  | 6,053,984  | 6,356,385  | 5%          | 7.70%        |
| France                   | 4,210,643  | 4,280,862  | 4,718,582  | 5,204,368  | 5,413,108  | 6%          | 6.60%        |
| Hong Kong, China         | 5,307,879  | 4,696,051  | 4,827,711  | 5,172,051  | 4,913,952  | -2%         | 6%           |
| Germany                  | 4,368,096  | 4,430,238  | 4,659,609  | 4,858,629  | 4,858,767  | 3%          | 5.70%        |
| Italy                    | 3,223,403  | 3,212,178  | 3,516,250  | 4,110,763  | 4,112,972  | 6%          | 5%           |
| China                    | 2,106,797  | 2,203,043  | 2,627,626  | 3,319,024  | 3,986,175  | 17%         | 4.80%        |
| United Kingdom           | 3,649,009  | 3,479,079  | 3,540,098  | 3,813,063  | 3,780,032  | 1%          | 4.60%        |
| South Korea              | 2,106,084  | 2,220,648  | 2,421,617  | 2,761,703  | 3,073,117  | 10%         | 3.70%        |
| Netherlands              | 1,538,894  | 1,652,605  | 1,842,093  | 2,136,782  | 2,224,860  | 10%         | 2.70%        |

Source : ITC Trade Map.

**Figure 2. CAGR and Import Share of Top 10 Importing Markets**



Source : ITC Trade Map.

**Table 3. Identification of Primary and Secondary Priority Markets**

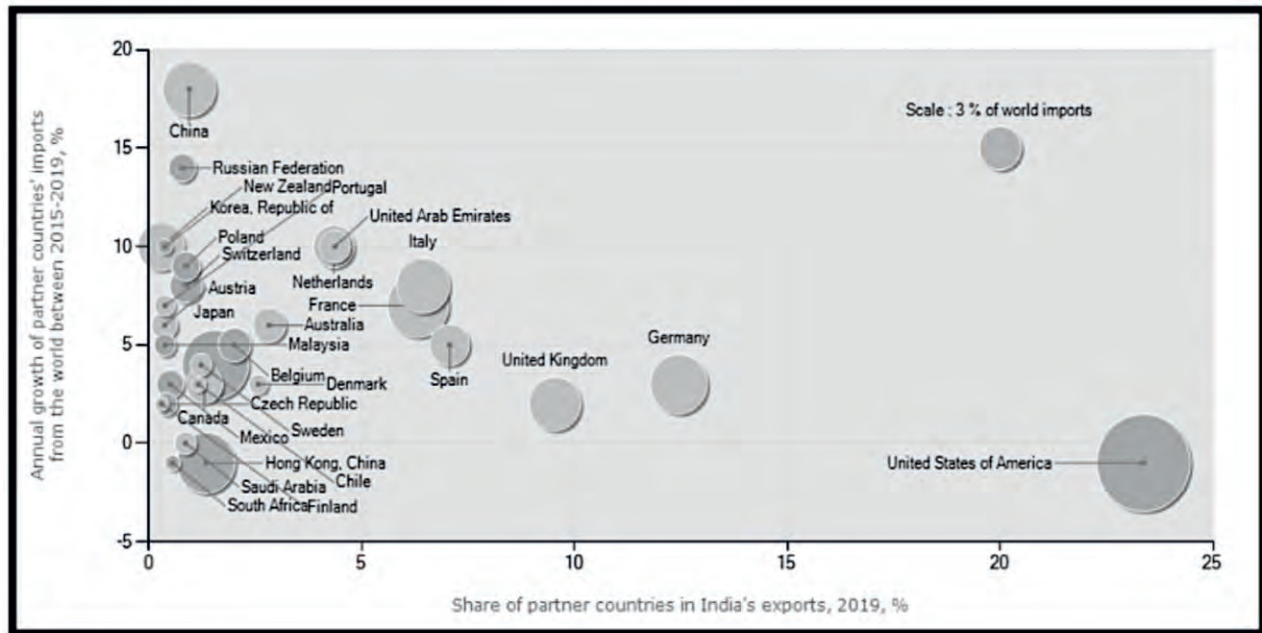
| Primary Priority Markets<br>(Having Positive CAGR) | Secondary Priority Markets<br>(Having Negative CAGR) |
|----------------------------------------------------|------------------------------------------------------|
| Japan                                              | USA                                                  |
| France                                             | Hong Kong, China                                     |
| Germany                                            |                                                      |
| Italy                                              |                                                      |
| China                                              |                                                      |
| United Kingdom                                     |                                                      |
| South Korea                                        |                                                      |
| Netherlands                                        |                                                      |

### Identification of Potential Markets for India

The potential markets are identified on the basis of mapping India's top 10 exporting markets with world top 10 importing markets and China's top 10 exporting markets. The countries like Japan, Hong Kong, China, and South Korea are the countries which are the world's top 10 importers and to which China is also majorly exporting, but in case of India, these countries are lagged. As India is exporting to these countries also, but export share is not significant.

Japan, Hong Kong, China, and South Korea are potential countries identified at this stage. Figure 3 portrays that India's export growth to Japan and Hong Kong, China is greater than import growth of these countries from

**Figure 3. India's Export Diversification to the World**



Source : ITC Trade, UN COMTRADE.



**Table 4. Mapping of India's Top 10 Importing Markets with World Top 10 Importing Markets and China's Top 10 Exporting Markets**

| World's Top 10 Importers/<br>Destination Markets | India's Top 10<br>Exporters/Existing Markets | China's Top 10<br>Exporters/Existing Markets | Potential Markets |
|--------------------------------------------------|----------------------------------------------|----------------------------------------------|-------------------|
| United States of America                         | United States of America                     | United States of America                     | Japan             |
| Japan                                            | Germany                                      | Japan                                        | Hong Kong, China  |
| France                                           | United Kingdom                               | United Kingdom                               | South Korea       |
| Hong Kong, China                                 | Spain                                        | Hong Kong, China                             |                   |
| Germany                                          | Italy                                        | Germany                                      |                   |
| Italy                                            | France                                       | South Korea                                  |                   |
| China                                            | Netherlands                                  | Italy                                        |                   |
| United Kingdom                                   | United Arab Emirates                         | Netherlands                                  |                   |
| South Korea                                      | Australia                                    | France                                       |                   |
| Netherlands                                      | Denmark                                      | Malaysia                                     |                   |

the world. This replicates that India's export performance to these nations is quite appealing, and the gap is already filled by India. South Korea is the only country which is identified as a potential market (refer Table 4) as well as India's export growth is less than the import growth of South Korea from the world.

The countries like Germany, United Kingdom, Italy, France, and Spain are some to which India's export growth to these countries is less than the import growth of these countries from the world. Henceforth, these countries and South Korea are identified potential countries to explore India's export opportunities to surpass China's position and to increase the export share of India to the world.

**Table 5. Identified Potential Markets and Their Competitors' Export Share**

| Potential Countries | India and its Competitors' Export Share |                      |                      |                     |
|---------------------|-----------------------------------------|----------------------|----------------------|---------------------|
| Germany             | India                                   | Italy                | France               | Vietnam             |
|                     | Export Share : 8.7%                     | Export Share : 14.3% | Export Share : 6.8%  | Export Share : 6.9% |
| United Kingdom      | India                                   | France               | Italy                | Netherlands         |
|                     | Export Share : 6.2%                     | Export Share : 19.2% | Export Share : 16%   | Export Share : 6.3% |
| Italy               | India                                   | France               | Switzerland          | Netherlands         |
|                     | Export Share : 4.2%                     | Export Share : 25.3% | Export Share : 11.1% | Export Share : 6.1% |
| France              | India                                   | Area Nes             | Italy                | Spain               |
|                     | Export Share : 5%                       | Export Share : 23.1% | Export Share : 19%   | Export Share : 7.5% |
| Spain               | India                                   | France               | Italy                | Netherlands         |
|                     | Export Share : 9.9%                     | Export Share : 13.7% | Export Share : 8.5%  | Export Share : 3.5% |
| South Korea         | India                                   | Italy                | France               | Vietnam             |
|                     | Export Share : 0.9%                     | Export Share : 36.8% | Export Share : 14.5% | Export Share : 5%   |

Source : ITC Trade Map.

### **Identified Potential Markets for India and its Immediate Competitors**

Germany, U.K., Italy, France, Spain, and South Korea are the identified potential countries for India. To surpass China's export share, it is important to study immediate competitors for India. Table 5 provides India's export share and its competitors' export share to identified potential countries. India's export share to all identified potential countries is less than from all its competing countries except Spain. India's export share to Spain is greater than its competing country, i.e., Italy.

### **Revealed Comparative Advantage (RCA) Analysis**

To explore India's export potential and opportunities, the Revealed Comparative Advantage (RCA) analysis has been conducted for India and for its immediate competitors for all identified potential markets. India is defined as competitive if the RCA value is found to be greater than 1 for 3 years or more during 2015 – 2019. Table 6 provides the list of countries with whom India can compete.

**Table 6. Revealed Comparative Advantage Analysis**

| Destination Countries | Year | RCA of India with Competitive Countries |          |             |             | Competitiveness                         |
|-----------------------|------|-----------------------------------------|----------|-------------|-------------|-----------------------------------------|
|                       |      | India                                   | Italy    | France      | Vietnam     |                                         |
| Germany               | 2015 | 6.11                                    | 4.32     | 2.05        | 5.97        | Compete with Italy, France, and Vietnam |
|                       | 2016 | 5.83                                    | 4.18     | 2.10        | 5.29        |                                         |
|                       | 2017 | 5.68                                    | 4.47     | 2.16        | 5.01        |                                         |
|                       | 2018 | 5.27                                    | 5.28     | 2.18        | 5.52        |                                         |
|                       | 2019 | 4.91                                    | 5.24     | 2.38        | 4.92        |                                         |
| UK                    |      | India                                   | France   | Italy       | Netherlands | Compete with Netherlands                |
|                       | 2015 | 5.41                                    | 4.38     | 4.66        | 1.17        |                                         |
|                       | 2016 | 4.45                                    | 5.01     | 4.61        | 1.39        |                                         |
|                       | 2017 | 4.01                                    | 5.90     | 4.99        | 1.41        |                                         |
|                       | 2018 | 3.95                                    | 7.15     | 5.16        | 1.48        |                                         |
| Italy                 | 2019 | 3.58                                    | 6.48     | 5.63        | 1.65        | Compete with Netherlands                |
|                       |      | India                                   | France   | Switzerland | Netherlands |                                         |
|                       | 2015 | 3.16                                    | 6.18     | 2.27        | 0.89        |                                         |
|                       | 2016 | 2.79                                    | 6.32     | 2.37        | 1.49        |                                         |
|                       | 2017 | 2.53                                    | 6.65     | 2.76        | 1.65        |                                         |
| France                | 2018 | 2.59                                    | 8.06     | 3.16        | 1.83        | Non-competitive                         |
|                       | 2019 | 2.41                                    | 8.54     | 3.91        | 1.59        |                                         |
|                       |      | India                                   | Area Nes | Italy       | Spain       |                                         |
|                       | 2015 | 3.09                                    | 1.24     | 10.95       | 3.70        |                                         |
|                       | 2016 | 2.97                                    | 1.88     | 10.86       | 3.74        |                                         |
|                       | 2017 | 2.63                                    | 4.65     | 12.01       | 3.94        |                                         |
|                       | 2018 | 2.34                                    | 36.98    | 6.46        | 4.45        |                                         |
|                       | 2019 | 2.92                                    | 36.77    | 6.69        | 4.15        |                                         |

|             |      |       |        |        |            |                                             |
|-------------|------|-------|--------|--------|------------|---------------------------------------------|
| Spain       |      | India | France | Italy  | Netherland |                                             |
|             | 2015 | 7.43  | 3.28   | 3.21   | 0.64       | Compete with France, Italy, and Netherlands |
|             | 2016 | 7.60  | 3.42   | 2.96   | 0.73       |                                             |
|             | 2017 | 6.69  | 4.22   | 3.21   | 0.72       |                                             |
|             | 2018 | 6.32  | 4.24   | 3.20   | 0.92       |                                             |
|             | 2019 | 5.76  | 4.64   | 2.98   | 0.90       |                                             |
| South Korea |      | India | Italy  | France | Vietnam    | Non-competitive                             |
|             | 2015 | 0.57  | 9.84   | 4.82   | 6.31       |                                             |
|             | 2016 | 0.39  | 9.82   | 4.72   | 5.45       |                                             |
|             | 2017 | 0.37  | 10.99  | 4.51   | 4.76       |                                             |
|             | 2018 | 0.53  | 12.09  | 4.62   | 4.36       |                                             |
|             | 2019 | 0.50  | 12.95  | 4.89   | 3.58       |                                             |

Source : ITC Trade Map & Author's Analysis.

## Conclusion

The COVID-19 pandemic has shrunk the global economy and has strained the global supply chain management. At this juncture and with China as an epicenter of this pandemic, this is a “blessing in disguise” for India to overtake China's share in the global export market. As a number one exporter of leather items, China held 33.4% export share of the world, with export value of US\$ 88.61 billion in 2018–19. Against this, India held only 2.8% world export share with an export value of US\$ 2.51 billion in 2018–19. The growth analysis, being the prime exporter, showed that China's 5 year's CAGR is negative (–1%) and India's is positive (1%), which is a “blessing in disguise” position for India to curb China's export share.

The USA is the largest importer of leather items as import share is 16.1% followed by Japan (7.70%), France (6.60%), Hong Kong, China (6%), and Germany (5.70%). The growth analysis reveals that U.S.A and Hong Kong, China has negative 5-year CAGR (–2% for both), which describes that import of leather items of these countries are shrinking year by year. The countries like Japan, France, Germany, Italy, China, U.K., South Korea, and Netherlands are among the top 10 importers and having positive 5-year CAGR. Henceforth, the countries having positive 5-year CAGR and those which are in top 10 importing markets are the primary priority markets and countries having negative 5-year CAGR and those who are in top 10 importing markets are the secondary priority markets.

The in - depth analysis and multiple step process of identification of potential markets reveals that countries like Germany, U.K., Italy, France, Spain, and South Korea are identified as potential countries for India. In the RCA analysis, in case of Germany, India is found to be competitive with Italy, France, and Vietnam. In case of U.K. and Italy, India is found to be competitive with Netherlands. In case of Spain, India is found to be competitive with Italy, France, and Netherlands. In case of France and South Korea, India is found to be non-competitive.

## Policy Implications

The present research work is beneficial to take advantage of “blessing in disguise” to attract foreign investment and enhance flows of India's exports. The present research can be considered as a baseline to formulate foreign policy for the leather sector to overcome from the negative effects of the pandemic.



## Limitations of the Study and Scope for Future Research

Firstly, the present research work is limited to only the leather industry. Other research can also be conducted on other prime export sectors like textile, broadcasting equipments, toys, and sports equipments, etc. Secondly, this research work is primarily based on some trade analysis tools like identification of thrust products and RCA analysis. Some other trade analysis tools can also be used to go deep into the present research.

## Author's Contribution

Dr. Namrata Anand conceived the idea and developed this policy based empirical study. Dr. Namrata Anand analyzed the current situation of Indian economy and Indian leather industry to overcome the negative effects of pandemic in leather industry and on Indian economy as a whole. The export related data were collected from various secondary sources and analyzed to draw out some significant inferences.

## Conflict of Interest

The author certifies that she has no affiliations with or involvement in any organization or entity with any financial interest, or non-financial interest in the subject matter, or materials discussed in this manuscript.

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Dr. Namrata Anand (Ph.D., UGC-NET, M.Phil, Economics) is currently working as an Assistant Professor in School of Management at The NorthCap University, Gurgaon. She has approximately 4+ years of teaching and research experience and has published 15+ articles, research papers, book chapters, and book reviews.