Study of the Differential Drivers of Export Performance in the Thai Garment and Textile Industries: A Firm-Level Analysis of Production Activities and Business Development

By

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Table of Content

CHAPTER 1: INTRODUCTION

1.1 Background

The textile and clothing industry form a major part of manufacturing production, employment and trade in many developing countries. The T&C industry is considered as one of the oldest, largest and most global industry in the world. It can be considered as the industry that is helpful for nations to initiate their involvement in export-oriented industrialization. According to Gereffi and Frederick, (2010) the industry is labour intensive and offers several opportunities such as entry-level jobs for unskilled labour in developing countries. As a result of its technological features the T&C industry has facilitated poor countries by being the first step of "industrialization ladder". As a result many of the developing countries have experienced very high growth in their outputs in the sector including Bangladesh, Sri Lanka, Vietnam and Mauritius after which they are amongst the middle income countries. According to Brenton et al. (2007) there are multiple factors due to which the textile industry is considered essential in economic development. Development of textile industry ensures to have the ability to absorb large numbers of skilled labour, particularly drawing them from rural agricultural households to rural locations. Although, the industry does not require large start-up investment costs, but there is a need to build capital to facilitate for more technologically demanding activities in other sectors. Furthermore, through development in the sector it will be possible to import more advanced technologies, as it can be financed from the revenues generated from exporting garments and clothes (Sultan & Haque, 2011).

The industry is also considered as the one with relatively low capital intensity, low investment costs and use of low skilled labour; therefore, has a greater ability to adjust to changing market conditions quickly. With development and implementation of trade policy

regulations the textile industry has been affected to a greater extent. A key player in the market is China that has been successful in remaining competitive with lifting of trade restrictions on its trade. Moreover, it is essential to understand that this has intensified the competition for traditional textile and clothing producers, particularly for low income and developing countries. However, it is important to understand that the performance of textile and apparel manufacturing is likely to vary in different regions and countries due to differences in economic levels, international trade regulations, political issues and cultural differences. During 1990s and early 20th century, low labour cost was as considered as a major factor for gaining competitive advantage and influencing export performance particularly for Asian developing countries. Thus, this facilitated Asian countries such as China, Indonesia and Thailand to establish their positions in the world textile and apparel manufacturing market as they had relatively lower labour costs than other competing countries.

Asian developing countries are the major exporters of textile and apparel products to retailers from developed countries and those who give preference to global sourcing as compared to in-house production of goods. They are more focused on the ability of foreign specialised producers to manufacture goods at a comparatively lesser cost. Most of the developed countries have experienced a substantial increase in their domestic labour and material costs; therefore, apparel companies in these developed economies are keen to shift their textile and apparel manufacturing to developing with the intention to reduce their production costs. Global sourcing has become a growing trend in the textile and garment industry; therefore, manufacturers have moved their production to developing countries, which is often far away from the point of consumption (Allen, 2008).

While, global sourcing has become a major trend it is essential to understand that it is a complex process in which direct costs are not the only costs of ownership and hence, importers should not use direct costs are the only indicator to select suppliers. Eusebio, Andreu & Belbeze (2007) identified suppliers' capability as a major factor for making sourcing decision, Gibbon & Thomsen (2007) believed productivity is a major indicator. They also considered innovation ability a key factor in making decision which was also confirmed by Jin (2004) and Kang & Jin (2007). Thus, the apparel industry finds it challenging to make appropriate decision considering these issues. Hence, in this process it is imperative for sourcing countries to make their decisions on the basis of labour costs, lead time, innovation and product quality. Thus, it is important for companies to ascertain the comparative advantage of supplier countries to make their decisions. In addition to this, countries supplying their products need to develop an understanding of the determinants of their export performance to be able to improve their comparative advantage and sustain their competitiveness in international trade.

Although, it is essential for supplier countries to maintain their comparative advantage, but it has not been permanent for countries. Performance of textile and garment exports has varied over the past decade as a result of variations in economic levels, international trade regulations, political issues and cultural differences. For instance, in 2005 with the elimination of trade quota China was able to exploit many opportunities resulting from trade liberty and at the same time other Asian countries were also benefits. Tewari (2008) suggests that the international textile industry has been under major reconstruction, since the drifting of comparative advantages among countries after elimination of the quota system. China has enjoyed the position of market leader over the past years in international textile industry; however, the country has lost its advantage with its increasing cost of labour. Ishtaique (2005) highlights that

"Made in China" is not the only choice for buyers now. Other Asian developing countries including India, Malaysia and Indonesia are likely to acquire this position due to their comparative advantages through they will be able to achieve rapid economic growth in future.

An essential factor for improving economic growth is strong performance of its exports, as it facilitates economies in enhancing their organization's efficiency to overcome higher trade barriers and address different market tastes in competitive international markets. However, it is important to note that small and medium sized enterprises (SMEs) in Thailand are not competitive particularly in international markets. Thus, they need to enhance their production with good management structures, market capabilities, and product and service development that will enable them to meet international standards. At the same time companies need to have high quality labour and employ technologies that are most up-to-date. Furthermore, they are ought to have consumer and environment accountability and strong networks in conducting business operations. Industries in Thailand are more dependent on low-cost labour and natural resources rather than being technologically efficient and employing qualified human capital. According to OSMEP (2007), Thai business segments are now under the "Nut-Cracker Effect", which implies that the country is in a state that is being stuck between countries that are able to compete on the basis of low prices such as China, Vietnam and Indonesia and those that are able to differentiate their outputs with concentration on higher value-added products and services including Italy, Japan, South Korea and Taiwan. Additionally, these countries are found to have more skilled labour and higher productivity.

Over the past years increased exports have been a major factor that has lead to economic growth of developing counties, Roberston has referred to trade as "an engine of growth". Korea, Taiwan and Singapore are some of the countries that have shifted their import substitution

policies to export promotion policies for promoting exports of their manufacturing sector through which they have been successful in improving economic performance. This success has proven "elasticity pessimism" as a wrong assumption and thus, other nations have been induced to implement similar outward-oriented strategy of export-led growth. However, there are certain factors on which the export performance is dependent; therefore, it is important to ascertain whether other developing countries such as Thailand would be able to gain from an outward oriented growth strategy. Riedal (1984, 1988) stated that these NICs were able to successfully achieve growth as a result of their domestic incentives and supply side factors instead of external demand side factors, as countries compete in the global markets on the basis of their prices. According Muscatelli et al. (1992, 1995) countries will be able to increase their exports on the basis of importing economies' income i.e. the absorption capacity of international market. Therefore, Riedal concluded, in order to remain successful it is important for countries to differentiate their products in the global market through emphasizing on modern techniques of production, training and manpower.

Economic prosperity and welfare is dependent on the productivity of several sectors. Textile industry is considered as one of the most important that plays an important role in economic growth of developed and developing countries. Thailand's economy is dependent on its textile sector, it is considered as a major industrial sector of the country. Although it is believed that economy is largely dependent on its agricultural sector, but the textile and apparel industry of the country has also made significant contributions to the economic growth of the country. The industry is fully integrated, which means it has an upstream sector (synthetic fiber and yarn manufacturing) an intermediate sector (manufacturing fabric, spinning, weaving,

knitting, bleaching and dyeing) and a downstream sector (apparel manufacturing) this structure is illustrated in the diagram below:

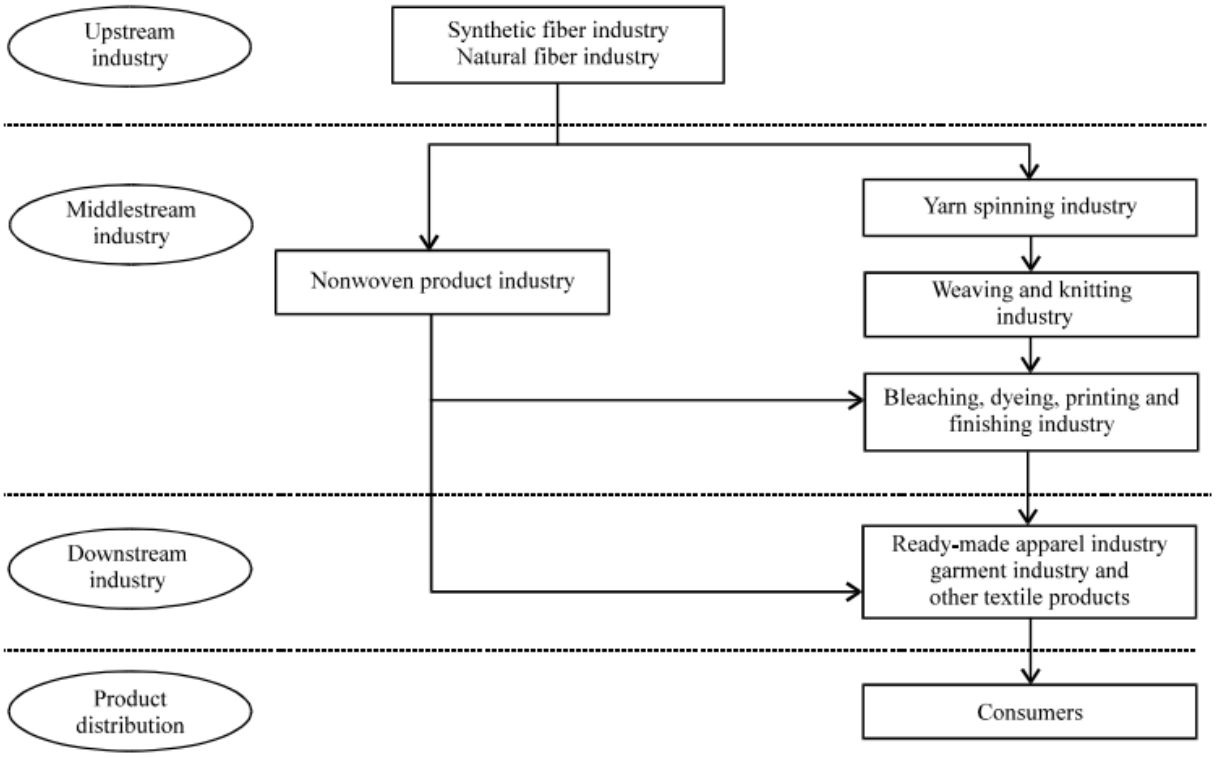

Figure 1: Structure of Thai Textile and Garment Industry

Charoenloet (2007) found in his study that there were total 2458 garment factories in all sectors that have employed 810,850 people. However, this was offset by the apparent, continuous and simultaneous decline in the textile industry of Thailand and its garment exports. A significant decline in the gross sales of Thai garment exports was experienced which was 12.39 and 12.55% in 2007 and 2009 respectively. As a result of this fall in the gross export sales within the Thai garment industry a substantial decline was witnessed in the Thai competitive capability in the international market. Furthermore, according to Padol (2010), the export sales of the sector were further reduced due to the increasingly intense competition from other export countries that have been able to gain competitive advantage through cheaper costs, raw materials

and labour costs. At the same time certain other problems including higher labour costs as compared with Caribbean and Asia manufacturing zones was found in the Thailand garment industry. In Asia, some of the developing countries including Indonesia, China and India witnessed a dramatic increase in the development of skilled labour (Berdine et. al, 2008). Therefore, considering the increasingly intense competition in the global market, it is essential for Thailand to invest in producing higher value of added goods and ensure a linkage between upstream industries and downstream industry (dyeing, printing and finishing). In addition to this, certain other factors that may have contributed in the declining of Thai textile and garment industries were availability of adequate and sophisticated machinery and also dyeing and printing capacities.

Often the fabrics produced in Thailand are of poor quality gray cloth (undyed fabric) form. Thus, it is imperative for the garment factories in Thailand to import raw materials fabrics for their plants, particularly those that intend to export their manufactured goods. Other challenges may include higher import duty for machinery and dyestuffs. Additionally, due to shortage of fashion material within Thailand, the factories in the country have been unable to meet the changing needs of fashion market (Aggrey et al., 2010). There is also lack in high quality garment factories in the country. In addition, Thailand has insignificant export trade with Japan as a result of poor quality of Thai textile suppliers, this is evident from the statistics that indicate, Japan only imports 2% from Thailand and 21% and 30% from USA and European Union (EU) respectively.

Lack of skilled labour and increasing labour costs is another major factor due to which Thailand has been incompetent in the international market. The total number of garment and textile technical college graduates is 250 people per year. Thus, due to this the cost of domestic

labour in Thailand has increased, while it has strengthened in the competitive countries in ASEAN. Currently, Bangladesh, China, India, Indonesia and Sri Lanka are amongst Asian counties that have been able to be included in global production sources. Choe et al. (2011) stated that the characteristics that have lead these countries to remain competitive in the international market include competitive labour, lower transportation costs, less raw material cost and lower labour costs. Therefore, textile and garment industry is keen to shift its production to nations with lower production costs.

1.2 Problem Statement

Generally, Thailand is considered as the economy that is a latecomer to industrialization and to clothing and textiles in particular which was particularly due to free trade policies that followed Browring Treaty (1850-26) and other attempts at public investment in industry. Through this policy the agricultural and raw material exports of the country were developed between 1950s and 1960s. Therefore, Thailand was more focused on exporting agricultural products such as rice and tweak and imported manufactured products. However, later in 1960s the government introduced tariffs as an attempt for promoting private investment and provided subsidized credit for industry. The first industry to be affected by implementation of this policy was clothing and textiles. Therefore, during the 1980s the importance of clothing and textile industry increased rapidly as a result of their successful export performance. The industry was considered as the one that generated highest foreign exchange earnings and a major source for creating employment in manufacturing sector (Jongwanich & Kohpaiboon, 2008, 21). Government has been keen to intervene in the sector, but it has often been confusing. While it has promoted the expansion of textile and clothing, it has imposed protection and attempted to

restrict the industry's capacity. Although, the country has high tariff protection particularly for the more capital industry it is comparatively lower than other developing countries. The promotion of the industry has remained intermittent and simultaneously, between 1978 and 1986 the government attempted to control the textile supply by restricting expansion capacity.

There was a significant impact of implementation of this policy on the organization of the industry and on the effectiveness of protection policy. This control of textile capacity resulted in creation of monopoly by restricting entry of new firms. Moreover, the policy was ineffectively implemented (Verma, 2002). There was establishment of several small firms that were not registered with the Ministry of Industry to obtain a "free ride" on the rents accruing from protection in the early days of exports before quotas became binding. Hence, as a result the capacity of the industry increased, particularly of weaving and a competitive environment was developed. Consequently, a decline in world market prices of yarn and fabrics was witnessed. Therefore, as a result the effectiveness of protection of textiles and the downstream clothing industry was nullified; tariff protection and other controls became redundant. While, Thailand experienced a steady increase in its exports reaching $2.4 billion in 1988, small firms had to bear the cost of rents available, diverting resources towards the textile industry (Berdine et. al, 2008). However, the protection policies on clothing and textile industries remained consistent with export-oriented strategy and with highly competitive environment in the sector nullified the negative effects that may have resulted from protection on clothing, making it competitive in the international market. Thus, protection policies can be considered as a factor responsible for the growth of the industry.

Moreover, despite implementation of government policies to encourage textile export over the past years Thai textile and garment has been facing several challenges. Thailand apparel

exports continued resisting competition from other Asian countries. As a result of decline in baht sales were stimulated and large availability of domestic textile materials were considered as a major advantage for Thai producers. In the year 2008, the exports of Thailand's apparel were not affected due to economic crisis, but it eventually begin to threaten by a serious slowdown. Thus, the economy's exports suffered from the global economic crisis and due to elimination of US limits on imports from China. Thailand had a substantial threat from China, which was evident from the decline in exports to the US market that was 2% in 2006, 6% in 2007 and 8% in 2008. US, which is the most important destination of Thailand's exports accounted for 46% of total shipments in 2008 that decline from 53% in 2005 (Ma & Yang, 2010). In 2008 there was a 13% fall in US imports of knit apparel from Thailand. At the same time there was a fall in imports of woven apparel by 18%. In 2009, the imports volume from Thailand declined further while the imports from China during the same period continued to rise in these categories (Shetty, 2011). Therefore, this study is aimed at determining the factors that has lead to the declining export performance of textile and clothing with particular emphasis on its production activities and business development. Thailand's textile and clothing industries are mostly comprised of small and medium sized enterprises (SMEs). They account for approximately 10% of main Thai textile and clothes entrepreneurs. Recently, the industry faces the challenge of lack of competitive advantage resulting from lack of quality development, inability to develop hi-technological machines and production technologies and unskilled workforce. This has also contributed in declining sales of export of textile and garments (Aggrey et al., 2010). Hence, the research is conducted to identify the determinants of export performance and the ways in which improved production activities and business development will assist in facilitating the economy to improve performance of its textile and clothes exports.

1.3 Significance of the Study

Export performance can be defined as the composite outcome of a company or a country's international sales that can be categorised into three dimensions: a. Export intensity, which is the ratio of export sales to the total sales of the country. b. Export sales, it can be calculated as the amount of earnings Thailand's textile and clothing industry can be divided into sub-industries that cover the production from upstream industries, middlestream industries to the downstream industries that comprise of fiber industries, spinning industries, weaving and knitting industries, dying industries, printing industries and garment industries. The country exports mainly its products to ASEAN market, America and Europe. Since 2008, the industry has been expanding continuously. Textile products were the 4th most important export products of the country; however, the level dropped to 18th level in 2010, which was due to flood and economic crisis (Jongwanich & Kohpaiboon, 2008, 21). The exports were affected due to declining condition of EU, which is the main export market of Thailand, Varying prices of fibre decreased the value of exports and high cost of labour was another major factor. Currently, the industry is mainly comprised of SMEs and thus, there has been insignificant investment for technological development, machines are outdated and are dependent on foreign technologies and materials, lack of skilled human resources and marketing development. Furthermore, with other internal problems including ineffective administration, lack of integration of innovation development and insufficient use of technologies the industry has been encountering challenges. Hence, it is increasingly becoming important to overcome these challenges as likewise the food industry, the textile and clothing industries have been historically important for the Thai economy (Kongmanilaa & Takahashi, 2009). It is imperative to identify factors that have

affected the export performance; therefore, this study is aimed at making significant contributions by identifying the ways in which production activities and business development will affect the export performance of the industry. The study is important for determining the ways in which textile industry in Thailand can improve its operations and ensure further development.

Both the industries are labor-intensive and interconnected with other supporting industries. In addition to this, Thai textile industry is a major contributor for the increasing exports of the country since 1960s and currently also these industries have been ranked among Thailand's top five leading export industries. Since, 1960s Thailand has been receiving FDI which has played an important role in the development of Thai textile industry. They acquired capital, technology and management from international organizations. During 1980s-1990s Thailand was at its early stages of export-oriented era, where MNCs began to establish their plans in the textile and clothing industries in the country. Furthermore, in the same period the country was able to gain competitiveness and expansion in its exports through its textile and clothing industries (Berdine et. al, 2008). Despite the economic crisis of 1997, the industry continued to experience growth as a result of depreciation in baht which made favourable export conditions. However, it is important to note that over the past ten years, there has been limited expansion in the sector. The textile and clothing industries in Thailand have been unable to compete in the global market due to increasing labour wages which has resulted from appreciation in Thai baht. The competition in global textile industry has intensified with entrance of other emerging economies such as China, Pakistan and Bangladesh. Furthermore, according to WTO agreements Thailand has been restricted to open up many industries including textile and clothing industries (Berdine et. al, 2008). Therefore, due to this there has been a significant

negative impact on producers and exporters in the industries with higher price competition. Although, the textile and clothing industry has witnessed a slowdown, but it has remained important for Thailand. The output produced by the industry is aimed at both domestic and international market consumers. Therefore, the study is aimed at determining ways to overcome the challenges faced by the textile industry of Thailand that have affected the export performance of Thai textile industry. The purpose of this research is to contribute to the field of export performance by analyzing the factors that have affected the performance of Thai textile industry (Sultan & Haque, 2011). The researcher believes that this study and analysis will be beneficial for both companies and the Thai apparel market which are experiencing great competitive pressure not only from domestic market, but also from international suppliers.

1.4 Research Aims Objectives

Textile industry has played a significant role in growth and development strategies in developing countries. This indicates that the industry has immense benefits in terms of economic development, in the short-run it provides incomes, jobs and foreign currency receipts, while in the long-run it has facilitated economies by providing opportunities for sustained economic development in countries that have implemented appropriate policies and developed institutions to enhance the dynamic effects of textiles and clothing. It is imperative to understand that the development of textile industry is not only dependent on the desirability of the investors, but at the same time it is essential to maintain the quality and effectiveness of government policies and institutions in the developing economies that will be built on this investment. Textile and clothing industries have been important for certain developing economies in terms of trade, GDP and reducing unemployment. Furthermore, the T&C industries have successfully contributed in

providing opportunities for export diversification and expansion of manufactured exports for developing countries, which can then exploit their low cost advantage and fill emerging niches and meet buyer demands. However, Thailand has been unable to exploit the lower labour cost advantage as compared to other developed nations, hence, it is essential for the economy to train their workers and develop more skilled labour force to remain competitive in the international market and expand its exports. Thus, this study aims to develop an understanding of the factors that would contribute in enhancing export performance by improving its production activities and through business development. Thus, the main objectives of this study are:

- To analyse factors that affect export performance of garments and clothes in developing economies
- To examine the role of skilled labour force in ensuring effective manufacturing in Thai textile and clothing industry
- To determine the ways in which exceptional garment production activities can contribute in improving export performance
- To ascertain the impact of business development on expansion of textile exports in Thailand

1.5 Research Question

Thai textile and clothing industry has made significant contributions in development of the economy. The increase in trade has facilitated rapid economic growth; however, while the country has made efforts to expand its production of textile and garments and to increase its export sales, the economy encounters numerous challenges that have limited the growth of the industry. A significant proportion of the industry comprises of SMEs that have not been able to

adopt the most up-to-date technology and employ skilled labour to sustain effective competitiveness in the global market. In addition to this, the country has a low rate vocational education graduates and garment and textile technical colleges' graduates which is 250 people per year. Therefore, this has resulted in increased cost of domestic Thai labour and it has made it further challenging for the industry to remain competitive with other ASEAN countries that have lower labour costs and hence, the decline of Thai export industry has accelerated. Therefore, with increasing competition in the international and declining exports demand for Thai textile and garments it is essential to address the issue of increasing cost and declining quality to maintain competitiveness in the global market. Therefore, the researcher intends to obtain data for understanding "How Thai textile and garment industries can utilise better production facilities and skilled labour force to improve its textile export performance?"

1.6 Rationale

The researcher intends to identify differential drivers of export performance of Thai textile and garment industries with particular analysis of production activities and business development in the sector. Significant importance has been placed on the role of the textile sector in the economic growth and development of developing nations (Shetty, 2011). Food and textile are the two most important industries for Thailand that have contributed in the economic growth. However, over the past decade textile industry has been facing significant challenges that have limited the ability of the country to compete in the international market. Global textile industry is increasingly becoming competitive with the emergence of countries such as India, China and Pakistan that have been successful in delivering lower cost labour with improved quality. Hence, Thailand needs to sustain its position in the market through greater investment in research and

development and developing skilled labours (Berdine et. al, 2008). Despite that researches have been conducted to understand the significance of textile and garment industry for economic growth through contributions in GDP, increased employment and greater export sales, studies have not been conducted to analyse the role of production activities and business development in improving export performance. Therefore, the researcher believes that this study will contribute in meeting the existing research gap by conducting thorough analysis of challenges faced by firms operating in Thai textile and garment industry. During the 1960s and 1980s Thailand was able to sustain its competitive position in the global textile market; however, the rate of export has been declining as a result of several factors that have restricted the ability of the country to compete with other nations including Bangladesh and China. US and EU countries have been the major importers of Thai textile and garments; however, with declining quality the demand for exports has also declined (Ma & Yang, 2010). These countries have shifted to other nations, the slump in the Thai textile and clothing exports is attributed to a slowdown in key markets, particularly EU. In the year 2012, Thai textile and garment exports to the EU were approximately US$1.09 billion, which declined by 24.27% from the last year. At the same a significant decline was experienced in other major markets for Thai textile and clothing exports. There was a 15.5% declines in exports to China that were estimated to US$388.5 million, exports to US and Japan declined by 14.08% and 4.81% to US$1.2 billion and US$698.1 respectively. However, during this time period the industry spent around US$442.8 million on machinery. Furthermore, the country imported raw materials worth US$3.99 billion that declined 2.81%, while imports of fibre and yarn fell by 7.1% to US$ 2.15 billion and imports of fabrics increased by 2.74% (Shetty, 2011). The industry experienced a demanding situation where it became difficult to compete with other players in the international market. Hence, this study will assist in

ascertaining the need for improving the production activities of firms in the textile industry that will eventually facilitate in improving export performance. The researcher will conduct a qualitative study to develop an understanding of the role of textile industry in improving exports of the country and ensuring further economic growth. In order to obtain qualitative data for the study the researcher will conduct interviews with a sample of experts that possess substantial knowledge regarding the Thai textile and garment industry and the production challenges faced by the firms. In addition to this, the researcher will also carry out survey with a large sample to collect quantitative data that will be analyzed using statistical tools. Thus, the researcher will use mixed research methods to conduct the study and meet research objectives. Qualitative research will help the researcher to understand the underlying reasons for particular behaviour, and quantitative study will assist the researcher in representing the information in statistical or numerical form to analyze it more appropriately.

1.7 Limitations

The purpose of this research is to develop an understanding of the role played by production activities and business development in improving export performance. The performance of exports is dependent on certain factors that are essential to analyze to remain competitive in the international market. Some of these factors may include the value of currency, cost of labour, quality of raw materials and machinery and skilled labour force. Hence, it is essential to analyze the effects of these factors in improving the quality of output of textile and garment industry that will enable the economy to expand its exports to other key markets and sustain its existing supply in other countries. Thus, the study will be conducted to acquire data that will assist in highlighting differential drivers of export performance with particular emphasis

on analysis of firms' production activities in operating in Thai textile and garment industries. However, the researcher is likely to come across certain factors that may limit the scope of data that could be obtained for the research. The limitations for this research include availability of time and costs, with limited time and financial resources it is often difficult to obtain data that is necessary to meet research objectives. The researcher will not be able to obtain in-depth data for the study due to unavailability of time. The sample of qualitative study will be small to ensure that the researcher will be able to analyze the collected information. With large sample size it will be difficult to analyze the in-depth information. However, this can be overcome by choosing the appropriate sample size and interviewing the relevant participants for the study. Furthermore, as a result of limited financial resources, the researcher will be unable to acquire data from participants that are situated in different regions and might have provided data that could be beneficial for the research. At the same time the researcher will also conduct survey which will be carried out online; however, this will limit the response of participants as some may not fill in the survey. Therefore, the researcher will ensure to choose a sample size to increase the response rate for the study and obtain relevant and necessary data for the research.

1.8 Definition of Terms

1.8.1 Comparative Advantage

Comparative advantage can be defined as the location-specific advantages such as based on productivity, cost of labour, employment and lead time. The advantage is possessed by a country in an industry relative to other countries operating in the same industry. Global Value Chain framework proposed by Bair and Peters (2006) is used to measure the comparative advantage of a country.

1.8.2. Competitive Advantage

While comparative advantages are country-specific, competitive advantages are firm-specific advantage for instance, government incentives, management commitment and firm size. These factors are likely to influence the decision of an organization related to its technologies and other activities. Organizations that implement differentiating strategies that are not adopted by its current or potential competitors are likely to gain competitive advantage in the market.

1.8.3 Export Performance

Export performance can be defined as the composite outcome of the global sales of a firm that is dependent on three sub-dimensions including export intensity, export sales and export growth.

1.8.4 Global Sourcing

Global sourcing is the practice of organizations to exploit global efficiencies in delivering a product or a service. It can be further defined as the procurement strategy of a business through which they can establish the most cost efficient location for a manufactured product. It is particularly common for companies to close their domestic operations and acquire the expertise of a foreign manufacturer to produce goods with lower manufacturing and delivery costs resulting particularly from lower wages.

1.8.5 Global Value Chain Framework

There are certain factors on which the framework has been developed including textile materials supply, manufacturing of finished products, transportation services and logistic and marketing. Value chain consists of range of activities of firms and workers starting from production to reaching the end consumer and beyond. Global Value Chain (GVC) is an attempt to understand value chains that are divided between different firms and spread across geographical boundaries.

1.8.6 Lead Time

Lead time can be referred to the amount of time that elapses between the starting of the process and its completion. It is examined specifically in manufacturing, supply chain management and project management, since organizations are encouraged to minimize the amount of time of delivering the product to the end consumer.

1.8.7 Tariffs

Tariffs can be defined as the duty or tax on imported goods and services. The aim for introducing tariffs on imported goods and services is to restrict trade and discourage imports by increasing the prices of imported commodities, making them more expensive to consumers. They are a source of generating revenue for government and are essential tools for shaping trade policy.

1.8.8 Total Ownership Cost

Total Cost of Ownership is an estimated direct or indirect cost associated with product or a service that can help the buyer or supplier in assessing the expenses incurred and benefits earned from its purchase.

1.9 Nature of the Study

Researchers can conduct qualitative or quantitative study or mixed research to obtain data for their study. Qualitative study facilitates the researcher in obtaining information that is detailed and defines human behaviour. It also assists in understanding the reason for any particular behaviour; hence, providing data that is more in-depth. On the other hand, quantitative study represents data in statistical or numerical form. While, both methods are important for conducting study there are certain costs associated with each of the method. Since, qualitative data provides detailed information; it is often difficult for the researcher extract the most relevant information from the study from large pool of data; whereas, quantitative data is presented in numerical form that is difficult for the researcher to understand. Hence, with the help of mixed research method it will be possible to obtain both qualitative and quantitative data.

In order to collect qualitative or quantitative data there are data collection methods that can be utilised for the research. The researcher can either conduct primary research or secondary research. Primary research is field research through which first hand data can be collected. It facilitates in obtaining information that has not been published earlier, and it is conducted particularly for the research. On the contrary, secondary research is carried out to collect information that has already been publish and is not particularly intended for the research. There are different sources for collecting primary and secondary data. Sources for primary data include interviews, surveys, focus groups and observations. However, secondary sources include

newspaper, online libraries, magazines, journal articles and so on. Primary and secondary researches both have some advantages and disadvantages. Primary research enables to provide the most relevant and up-to-date information that is particularly conducted for the research. But, it is often time consuming to collect primary data. In order to collect secondary data the researcher should ensure that the data is current and it is authentic. Thus, it is important to collect information from reliable and authentic sources. Despite these limitations secondary research can provide significant information related to past studies conducted on the research topic that can help the researcher in developing aims and objectives and identifying existing research gaps.

For this study the researcher will conduct both primary and secondary research to collect information. The researcher will conduct a thorough analysis of the currently available literature to develop the background of the study. The secondary sources that will be used for this research include books, journals and online libraries. Furthermore, the researcher will also obtain data from other published information by the government related to the contribution of textile exports in GDP of the economy. Secondary data will be helpful in developing research objectives and questions and form the basis for further analysis. Meanwhile, the researcher will ensure that the collected information is reliable and up-to-date.

In order to collect primary information the researcher will available with several options that include, interviews, focus groups, observations and surveys. Observations are carried out to observe the behaviour of participants in response to any particular phenomenon. In observations the researcher does not directly interact with the participants, rather records their behaviour. However, while conducting primary research a major concern is to get inform consent from the research participants that is likely to be violated in observations. In addition to this, the data collected through observations is not detailed and does not provide the reasons for any particular

behaviour. Thus, this method will not be suitable for this study, as it requires in-depth information. Focus groups are a form of qualitative research where group of people are asked about their perceptions, opinions, beliefs and attitudes regarding a particular phenomenon. Participants are asked questions in an interactive group setting in which they can interact freely with other group members. However, the responses of these participants are subjected to biasness. Therefore, the researcher will be conducting interviews with the experts in the Thai textile and garment industry to examine their perceptions regarding the factors that can assist in improving export performance by focusing on production activities of the organization. Interviews can be structured, semi-structured or unstructured.

In a structured interview the researcher formulates a questionnaire that is used for interviewing research participants. The researcher asks a set of questions to the interviewees that are followed by other questions based on their responses, which is common in semi-structured interviews. And in an unstructured interview the interviewer does not develop a questionnaire to be used for the interview. For this study the researcher will conduct a structured interview in which a questionnaire will be prepared to be used for the interview. This will enable the researcher to explore the opinions of experts in the industry to use more innovative methods of production that will assist in remaining competitive in the international market. At the same time it will facilitate in determining ways to train their workers and improve the quality of garments that will be exported to key importers including US and EU. However, before beginning the interview the researcher will carry out a survey with the managers to identify their views regarding the ways for improving the production activities and develop their businesses with adoption of innovative machinery and skilled labour. The survey will be conducted using a questionnaire through which managers will provide their opinions regarding the implementation

of effective policies and strategies that will facilitate in enhancing export performance of textile industry.

The data gathered through surveys is quantitative and thus, does not provide in-depth information. Surveys help in acquiring factual information about participants and aim to collect opinions of the participants. Surveys are usually generalized that is helpful in ensuring reliability and validity. It is also important to maintain standardization for generalizing the results of the survey to a larger population. Since, the researcher will not be able to collect information from the entire target population; therefore, a sample is surveyed to be able to successfully analyze the collect information. Thus, through standardization the researcher will be able to generalize the information to the entire population. Furthermore, through surveys the researcher can collect large amount of information in a relatively short time period at the same time surveys are considered as being a cost effective method. The purpose of using surveys is that they can be administered easily and analyzed in short time period. However, at the same time there are certain disadvantages that may hinder the ability of the researcher to collect accurate data. Therefore, it is essential that the survey is well-constructed and administered properly that would otherwise undermine well-designed studies. Preferably, surveys should be pilot-tested to ascertain any ambiguities that the participants are likely to face, the researcher should avoid use of jargons that will be difficult for the participants to understand. Hence, overcoming these weaknesses the researcher will be able to effectively analyze the data collected through surveys. It is imperative for the researcher to ensure that the data collected through surveys shall be followed by interviews to explore the reasons for the behaviour of survey participants and analyze their perception regarding their responses. Hence, interviews provide a more detailed

information that is useful for the researcher. Therefore, the researcher will use a mixed research method to collect data for the study and fill any existing research gap.

1.10 Research Strategy

The main motivation behind this study is to explore the existing gaps in the Thailand textile and garment industry and understanding the weaknesses in the manufacturing of the garments. This research intends to incorporate missing international dimensions that can help organizations develop more effective organizational strategies and remain competitive in the global market (Abraham & Sasikumar, 2011). Thus, in order to be able to formulate better policies and make decisions to improve export performance it is important to have a clear understanding of the industry. Furthermore, effective production activities and business development is a source of entering into international markets; therefore, Thailand needs to have true understanding of the role of production and its impact on export performance. The findings of this study will be helpful for organizations in complementing existing production activities for the industry. The study will determine and provide recommendations for improving the performance of Thailand's textile and clothing companies.

The researcher has developed a strategy that will be helpful in recommending the organizations operating in the industry to be able to upgrade and ensure effective competitiveness in the international market. The researcher will conduct a literature review of the industry's structure and the production activities to indentify the lacking in the industry. Through this the researcher will be able to develop an understanding of the factors that may contribute in improving export performance and the ways in which production activities can be improved. Once the researcher has thoroughly reviewed the currently available literature then surveys will

be conducted with the experts in the industry, which will be followed by interviews with the participants. Managers from different organizations in the textile industry will be interviewed to understand the gaps in the industry and their perspectives related to textile industry. Through these interviews the researcher will be able to understand the role of production activities in the industry and the strategy they have adopted. Managers will also facilitate in understanding the way in which private sector views the industry. Information obtained through interviews cannot be gathered through surveys; hence, interviews will enable to obtain in-depth information. The data collected from interviews will be used to confirm the industry structure and organization found from surveys. Recommendations based on the collected information will be provided to firms for improving their performance.

1.11 Structure of the Dissertation

This dissertation is comprised of five chapters and has been organized in the following chapters:

Chapter 1: This chapter provides a brief introduction of the thesis with background of the study. The chapter highlights development of Thai textile and garment industry and its contribution in economic development. It provides an overview of the export sales of textile and clothes in Thailand and its main importers. The chapter highlighted the current position of the Thai textile industry and development in the sector. It comprised of research objectives, research question and nature of the study, the data that will be collected from the research and the method that will be used for collecting information to meet objectives of the study. The chapter also provided the research strategy that will be used for the study to collect data and analyze the

findings. Some of the terms that will be useful for the study have also been defined to assist in developing further understanding of the research matter under study.

Chapter 2 will be based on reviewing the currently available literature and the textile industry of Thailand. The researcher will review work of past researchers in understanding the role of textile industry in economic development. It will provide a brief overview of Thai textile and garment industry and the performance of its exports. This chapter will further explore the factors that are likely to influence export performance in Thailand. The chapter will also analyze the production activities of the firms operating in the industry and the need for improvement to sustain effective competitiveness with other players in the market.

Chapter 3: This chapter will be based on providing an overview of the research methods that will be used for collecting information for the study. The chapter will define different methods for obtaining data for the study and the type of data that will be collected for the study. It will explain the sources that will be used for collecting data for the research. Additionally, it will define the ethical considerations that will be taken into account while conducting the research and collecting data for the study. This chapter will also provide the research instrument that will be used for surveys and interviews. Another important part of the chapter will be the sample size that will be used for conducting surveys and interviews and to generalise the findings on a larger population.

Chapter 4: This is a significant chapter of the study that is based on analysis of the collected data. Thus, chapter will be comprised of the data analysis that will be collected from surveys and interviews. The data will be analyzed by excluding any irrelevant or necessary information. The researcher will also ensure that the analysis is conducted by excluding any personal biases. This chapter will also provide a discussion of the collected information with the

available literature to determine the weaknesses of the industry and the ways in which it can be overcome to improve export performance.

Chapter 5: The last chapter of the dissertation concludes the entire thesis and provides recommendation to the industry for brining improvements and ensuring to survive the intense competition in the international textile industry. The chapter will provide implications of the study and determine areas for future research.

CHAPTER 2: LITERATURE REVIEW

Export is an economic activity in which products are manufactured or services are devised in local industries whereas they are shipped to other countries for sale (Griffin & Ebert, 1995). The dictionary meaning of exports is simply sending goods manufactured locally, to global markets for profit-making purposes. Exporting comes in as a handy option in situations where the cost of production in off-shore industries is remarkably high, when the break-even sale volume remains hard to difficult in foreign markets, in situations where foreign markets are not meant for long-term business transactions, in cases of political instability in foreign markets or cases where the life of a product does not justify very huge investments (Cherunilam, 2005).

2.1 Theoretical Framework

This paper aims at developing an integrated conceptual framework that is based on Global Value Chain Framework (GVC) and comparative advantage theory. The GVC has helped in understanding the ways in which global sourcing works in textile and garment industry and identifies the determinants of a country's export performance. Based on theory of comparative advantage it is impossible to ascertain influential factors that determine price of products and export performance that facilitates in examining the textile and apparel industry from an international perspective. With the help of theory of comparative advantage it is possible to determine where global value chain activity should be located.

2.1.1 Global Value Chain Framework

As a result of globalization there has been functional integration between dispersed activities. Labour-intensive industries such as textile and apparel are more likely to have buyer-

driven value chains. Whereas producer-driven value chain is more focused on technology; however, it is completely different from buyer-driven which emphasizes on brand name. Considering this pattern of trade industrialization, most of the developing countries are involved in producing goods for international buyers, while developed and larger markets order the goods and provide specifications. The global textile value chain comprises of certain factors that include textile materials supply, manufacturing of finished products, transportation and marketing. For this particular study, manufacturing of finished goods is used for developing the conceptual framework and evaluate the determinants of textile and apparel export performance (number of production activities and employees) are the main factors which have an impact on the manufacturing of finished goods and are essential that create an impact on buyers' decision and also suppliers' competitiveness.

2.1.2 Theory of Comparative Advantage

As defined earlier comparative advantage is location-specific competing advantage of a country's processes in an industry as compared to other countries. Through globalization all economies have been benefited, if each country specialises in those products for which its factors of production make it more efficient, compared with other countries. The country might not have an absolute advantage for producing the product, but it may be relatively efficient in producing goods compared with other countries. This theory is based on the assumption that labour costs, productivity, employment and lead time are the main determinants of export performance. There is a need to examine the textile industry in such a turbulent global competition. Therefore, through comparative advantage it will be possible to indicate where global value chain activity

needs to be located when several countries have the capacity to carry out the whole or part of the activity for instance, in those countries most competitive in completing it.

2.2 Factors Affecting Export Performance in Developing Countries

2.2.1 Economic Growth and Recession

Moniruzzaman, Toy and Hasan (2011), highlighted that economic growth and export supply are positively related; however, GDP growth has an insignificant contribution in increasing export supply. Currently, the global economy is experiencing issues that have resulted from recession and major markets such as US, EU and Japan have faced financial crisis which have lead to socio-economic and political challenges in these and other global market players (Chaudhary, 2011). For example, India had faced a decline in its garment export sales due to slowdown in retail orders from advanced economies in North America and Europe. Furthermore, Aziz (2011) found out a fall in exports of readymade garments from India by 6.59% as a result of global economic slowdown. Liping (2010) also conducted a study in China that highlighted factors such as GDP, population and dependence on foreign trade had a negative effect on export performance of textile firms in China.

2.2.2 FDI and Capital

Substantive evidences contend that the investments in capital goods, capabilities, and other strategic interventions are essential factors to study in order to gain export-related orientations (Mohamad, Nair, & Jusoff, 2009). Johnson's con-integration methodology suggests a strong relationship between exports, economic growth and domestic investments across India during 1970 to 1971, and during 2007 to 2008. Gross domestic capital and exports both have a positive relationship with the economic stability (Sultan & Haque, 2011). A Sri Lankan study

affirms that the attainment of technological solutions, capabilities and foreign ownerships from buyers are significantly and positively correlated with exporting to Sri Lankan and Chinese clothing companies (Wignaraja, 2008).

2.2.3 Technology

A Lao study considers innovations in production process and products as being the main factors that determine exports' performances and the overall profitability of the exporting company (Kongmanilaa & Takahashi, 2009). Export performances are positively influenced by Information Technology (IT). There is a positive relationship between IT and organizations that achieve greater flexibilities in garment industries and manufacturing quality products. In contrast to opposing studies, a research found that technology and capital did not have any substantial significance on the export performance of Indian firms. This research further supported the view that the Indian clothing industry does not focus towards the premium product categories; rather, they tend to focus more cheap products (Abraham & Sasikumar, 2011).

2.2.4 Labour

Taneja (2012), explains cost of labour and labour issues are essential factors in augmenting export intensity of textile industry. Indian textile industry offers low wage rates with huge access to domestic market, abundant supply of skilled labour. However, it is imperative to note that with limited product diversification and differentiation, high cost of capital, low productivity and quality of product; it becomes difficult for textile export industry to sustain their competitiveness (Shetty, 2011). Deshmukh and Pyne (2013) found out in their study, firm size and raw material intensity as the two major determinants of labor productivity at firm level.

2.2.5 Tariff Barriers and Non- Tariff Barriers

Export industries in developing countries are likely to be affected by non-tariff barriers particularly in developed economies in international trade. For instance, China encounters numerous challenges competing with its exports in international market. Furthermore, the tariff barrier is a significant factor that is likely to hinder export of manufactured products. Tariff on import of textiles is four times higher than average tariff in USA, 10% in EU and 8.5% in Japan. Along with this, non-tariff barriers including anti-dumping duty, import quota and green trade barriers are some of the other factors that have discouraged China's exports (Ma & Yang, 2010). Another study conducted by Saini (2009), on Indian textile and clothing industry highlighted that as a result of Nontariff measures country's export performance was affected by 60% in USA, EU and Canada.

2.3 Overview of Thailand Textile and Garment Industry

The clothing and textile industries in Thailand comprise of numerous sub-industries which tends to cover the production from the middle stream industries and upstream industries to the downstream industries such as knitting and weaving industries, garment industries, printing industries, dying industries, spinning industries, and fibre industries. Various crucial exporting Thailand market includes ASEAN, Europe and America (Verma, 2002). Some of the well-known exports includes clothes whereas, the clothes and textile import in Thailand is being increasingly adjusted due to home textile import from China, and ASEAN. The imported products include thread and fibre. Since 2008, it has been continuously extended for the purpose of extension of industries. The clothing and textiles products are considered export products, which have attained the 4th level. Conversely, in 2010, this level declined till 18th level. It was

due to the economic crisis and flood crisis all over the world. One of the main export markets is "EU" whereas, variations were observed in the cotton fibre prices and the entrepreneurs due to which the export value and material order declined. Additionally, it happened due to the labor issues. There were limited skilled labours in the textile industries and also few issues of limited wages were observed. In the year 2013, alterations in the rate of employment, medium and small size of entrepreneurs were seen. At present, the entrepreneurs within textile industry are primarily the SMEs (Berdine et. al, 2008). The technological development investments are limited, and various other machines are obsolete chiefly depending on the materials and foreign technologies. In terms of science, there is lack of product research, marketing development, technology, design and human resource.

2.4 Export Performance

A new topic under discussion among academicians is associated with the question that how success could be achieved in the competitive global textile and apparel trade setting (Berdine et. al, 2008). As an imperative measurement of business success, considerable factors linked with the export performance as well as link between both the firm and industry viewpoint needs to be observed (Verma, 2002).

2.4.1 Export Performance at Firm Level

Much research attention has been provided towards the firm behaviour as well as firm performance over the past few decades. Before and during the 1990s, most studies were inclined towards export performance only at the firm level. These studies found out that export performance of an organization is directly restricted to domestic conditions and institutional

performance (Porter, 1990). A research presented the most broadly adopted conceptual framework to evaluate and calculate major factors on organization's export performance (i.e export sales, level of exports, propensity to export, exporter versus non-exporters, export growth intensity, export problems and barriers to export) at a firm level. The process was inclusive in this framework are the environmental impact as well as an organization's strategy and its characteristics on export performance. Strategies include selection of market, utilization of intermediaries, product development, product mix that includes pricing as well as promotion too. Similarly, features that cast an influence on both the strategy and the export performance include management control, planning, export/market knowledge, export policy, technology, quality, and communication. Besides, there are also organizational features that only influences strategy(i.e. commitment of management, competition, size of the organization, management perceptions towards financial incentives, delivery and service, management control, distribution, potential of market, risk, profit and government incentives).

By taking guidelines from the mentioned framework, the emphasis of the research should be on the empirical testing and synthesis of a model of export performance, at the level of a firm (e.g., Robertson & Chetty, 2000; Shamsuddoha, Ali, & Ndubisi, 2009). It has been derived from the research that the export performance is positively influenced by the export experience, production technology, export commitment and the size of a firm (Katsikeas et al., 1996, Piercy, & Ioannidis, 1996; Culpan, 1989). Whereas, the export performance is negatively affected by the contextual environmental factors, price and domestic market orientation (Karafakioglu, 1986; Madsen, 1989; Kaynak & Erol, 1989). More variables have been tested in recent studies to further assess relationship of export performance with different variables.

For instance Robertson and Chetty, (2000) described that; the performance of a firm is negatively affected if its external environment is matched with its channel structure and strategic orientation. Another study revealed that the export strategy and export performance of a firm is affected by government export promotion programs. This also helps in the development of skills and knowledge among the managers in the firm. The literature has explained clearly about the empirical test of model for export performance and its synthesis. Recent literature research related to the firm's export performance has emphasized on the exploration of determinants of export performance (Kang & Jin, 2007; Lau et al., 2009). It has been estimated through different studies that there is a variation in terms of significance of determinants among different economies. It was also concluded that the costs with which labour related responsibility was being carried out no longer proved to be an important determinant of the performance of exports on the firm level (O'Cass & Julian, 2003; Walters & Samiee, 1990).

The characteristics of firms which pertinently include the size of the firm, partnerships including all the organizational networks, and the characteristics of the firm's environment that are inclusive of numerous external factors are regarded as the determinants of the export performance (Duenas-Caparas, 2007; Kang & Jin, 2007; Maurel, 2009; O'Cass & Julian, 2003; Ogunmokun & Ng, 2004). Moreover, it is also asserted that the export commitment is also an important determinant of the export performances of organizations operating in countries (Ali, 2004; Maurel, 2009; Ural, 2009). Ogunmokun & Ng, 2004; Tooksoon & Mohamad (2010) ascertain that along with the environmental and external characteristics of the organizations, prudent and effective market strategy also posits itself as one of the most important determinant of export performances of originations. Eusebio et al. (2007) further add up to the list of important and inevitable determinants of the export performances of organizations and identify

experience of export field as a significant one. However, Ali, 2004; Ogunmokun & Ng, 2004), and Lau et al. (2009) present evidences regarding the experience in exports coming in handy in dealing with the problems faced in matters of export and the encountering the problem of domestic demands, and also the pressure of meeting those demands. On the other hand, this evidence is ascertained to be apparent in countries such as Australia, Spain, Italy and China. This accumulated and evaluated evidence of the determinants of export organizations is important regarding the dealing of matters of export and with reference to national, as well as, international economies (Ali, 2004; Ogunmokun & Ng, 2004).

2.4.1.1 Firm Size

Several existing studies have analyzed both non-linear and linear relationships between firm size and their export performance or export decisions (such as Althukorala et.al., 1995; Dueñas-Caparas, 2006; Jongwanich & Kohpaiboon, 2008). In a research Jongwanich and Kohpaiboon (2008) used data taken from Thai industrial census of 1997 for investigating the determinants of export decisions of firms operating in the manufacturing industry in Thailand. The researchers identified that size of the firm, as measured through sales, have a linearly positive and significant impact on export decisions of the firm. Furthermore, the authors indicated that there are usually significant sunk costs associated with the export decisions. Thus, firms that are larger in size have more benefits when they enter into foreign markets. However, no non-linear relationship between the firm size and its export decision as found through their research. Another research was conducted by Duenas-Caparas (2006) for examining the determinants of export performance in the manufacturing industry of Philippines. Their research highlighted that there is both negative and positive non-linear relationship between export

performance as measured by export sales to total sales and firm size of the Philippines clothing industry. Nevertheless, the results of this study were not found to statistically significant in the electronics and food processing industries. Athukorala et al. (1995) conducted a research, using firm-level data of 1981 taken from manufacturing industry of Sri Lanka in and highlighted that firms size is positively and significantly related with the export performance of 111 manufacturing firms operating in Sri Lanka. The researchers further explained that the firm size can also be a vital factor for determining export participation where size or scale economies exist. It is crucial for achieving success in export markets to have an adequate firm size, as exporting is a risky and costly business. Hence, smaller firms may not be able to gather extensive market information, withstand exchange rates and other market-related risks, adapt their products according to the changing foreign market conditions, and introduce sales promotion campaigns overseas. Nevertheless, they highlighted that there is an insignificant relation between the level of exports (export intensity) and firm size for the case of manufacturing firms in Sri Lanka.

2.4.1.2 Firm Age

Firm age is referred to the learning-by-doing experience, can also have a significant impact on export performance and export decisions, since older firms are capable of participating in the competitive markets internationally because of their reputation, business networks, and cumulative experience. However, Aggrey et al. (2010) pointed out that younger firms are more flexible, aggressive and proactive as compared to older firms. Therefore, they are more willing and adaptive towards modern and rapid technological changes, while older firms are more inclined to remain with outdated physical capital. In a research, Kokko et al. (2001) used a firm survey conducted in 1988 from 1,243 Uruguayan manufacturing firms for investigating the

impact of significant determinants of export decisions in 763 locally-owned companies. The researchers highlighted that there is a positive and significant relationship between firm age and its export decisions related to neighbouring countries for 763 manufacturing firm in Uruguay. However, the researcher highlighted a significantly negative relationship between firm age and the export decisions in other parts of the world. Jongwanich and Kohpaiboon (2008) focused on empirical studies identified that firm age has a positive and significant linear influence on exporting for the case of Thai manufacturing companies. The researcher implied that older organizations are more likely to have greater efficiency and operating experiences based on their learning-by-doing process as compared to younger firms. A significantly negative non-linear impact, nevertheless, was indicated for the manufacturing companies in Thailand, showing that after reaching a particular threshold an organization's experience does not have a positive impact on it export decisions and export performances. According to the researchers, older firms are able to sell their output easily in the domestic market because of their business reputation, which sometimes also result in their ignorance towards participating into foreign markets. Nevertheless, Duenas-Caparas (2006) identified a negative non-linear and positive linear relationship between export performance and firm age for the clothing and electronic sectors in Philippines. The researcher also highlighted an insignificant relationship of export performance and firm age in food processing industry.

2.4.1.3 Foreign Investment (Foreign Ownership)

Several researchers identified a positive and significant relationship between firm export participation and foreign investments, also known as foreign ownership (Aggrey *et al.*, 2010; Jongwanich & Kohpaiboon, 2008; Greenaway *et al.*, 2007). For instance, Greenaway *et al*.

(2007) highlighted that export participation is significantly and positively affect by foreign ownership for 9,292 manufacturing firms operating in UK between 1993 and 2003. In case of Thailand, Jongwanich and Kohpaiboon (2008) used the data from 1997 manufacturing census of Thailand. The researcher identified through this study that export participation is positive and significantly affected by foreign ownership in manufacturing companies of Thailand. This results implied that an increase in the foreign participation will also foster these organizations to participate in the international export markets, since foreign partners bring easy accessibility to new markets, extensive distribution facilities, increased managerial know how, advanced production facilities and technologies and new products (Jongwanich & Kohpaiboon, 2008, 21). Jongwanich and Kohpaiboon (2008) also highlighted that firms own by foreign partners can also help in covering the sunk costs and can make easier for them to enter into new markets internationally as compared to firms owned domestically.

2.4.1.4 Firm Productivity

Productivity of the firm is one of the factors that can significantly affect export decisions as well as export performance. There is strong evidence available indicating that more efficient firms can easily participate in foreign export market. Bernard and Jensen (1999) conducted a research using unbalanced panel data obtained from more than 50,000-60,000 manufacturing plants in US from the time period 1984 to 1992. They used this information for investigating whether exporting can enhance a firm's performance or whether highly efficient productive firms can become successful exporters. The research findings highlighted that total factor productivity (TFP) was statistically significant in explaining a firm's export related decisions. The researchers also identified that manufacturing firms in Germany had to become successful before start

exporting their products. This means that highly productive firms were most certainly to become exporters.

Cherides et al. (1996) identified through their study that comparatively efficiently firm will become exporters, their unit cost is not affected by previous export participation. Thus, there is an efficiency gap between exporters and non-exporters as more efficient organizations self-select into export market, instead of learning and gain information by exporting. Baldwin and Gu (2003) highlighted that more productive organizations are more likely to take participate in export markets for manufacturing firms in Canada. The researcher collected information based on Canadian manufacturing firms during the time period of 1990 till 1996. According to the research findings, firms that begin exporting have higher labor productivity as compared to non-exporters. The study also indicated that exporters that exit from export markets tend to have lower labor productivity as compared to those that continue exporting.

Manufacturing firm's productivity patterns were studies by Hallward- Driemeier et al. (2002) for Thailand, Korea, Indonesia, and the Philippines during the period of 1996-1998. The researchers explained that after in order to participate in export business, firms need to improve their production processes and technologies, train their workforce, make new investments in order to increase their efficiency, and use external auditing for effective accountability. Therefore, a series of these explanations raised their productivity. Jongwanich and Kohpaiboon (2008) also identified through their research that productivity of a firm has a positive and significant linear impact on their export decisions.

2.4.1.5 Skilled Labour

Likewise, skilled labor also play an important role in determining the firm's export decisions and performance, since higher level of skilled labor is linked with the higher level of labor productivity, which affects the export decision of a firm. Duenas-Caparas (2006) identified that skilled labor measured by the share of skilled labor towards total number of workers in the firm, has a positive and significant impact on firm's export decisions in the food processing industry of the Philippines, but they found insignificant results in case of electronic and clothing industry. Roper and Love (2002) conducted a research for investigating the determinants of export performance of manufacturing industry in Ireland over the period of 1996-1999. The authors identified that pants with higher level of skilled workforce, specifically more graduated employees, were more likely to succeed in the export markets. there researchers further revealed that the export propensity of the small manufacturing plants in Ireland were positively influenced by both formally and informally organized R&D, however, more formally organized research and development was useful for larger manufacturing plants.

Dueñas-Caparas (2006) focused on research and development (R&D) and identified that as measured by the share of research and development expenditure to total sales, R&D has a positive and significant impact on export decision of a firm for the electronic industry of Philippines, but there is a significantly negative relationship of R&D with the export decisions in clothing industry of Philippines.

2.4.1.6 Firm Location

Firm's location is another significant determinant, since the export performance of firms in different locations or geographical regions might be influenced by the infrastructure facilities, natural resources, spillover effects, and transport costs of that country (Aggrey et al., 2010). The

research conducted by Roper and Love (2002) highlighted that manufacturing plants in the Republic of Ireland have a significantly high propensity of exports as compared to the plants o Northern Ireland. The researchers also explained that manufacturing plants in the Republic of Ireland enjoy a better international image as compared to the plants situated in Northern Ireland. However, Aggrey et al. (2010) identified that manufacturing firms' export decisions were significantly related to the geographical location of different cities in Uganda and Kenya.

2.4.1.7 Government Assistance

Government assistance can be in the form of financial support (for example, income tax reduction or exemption, credit assistance, and exemption from import duty on important raw materials) and non-financial support (for example training support, technical and managerial assistance). The government support variable's coefficient estimates have been identified by several studies to be positive. For instance, study conducted by Wu and Cheng (1999) focused on determinants of the export performance in township-village firms of China. Their study highlighted that financial support by government positively contributed towards the international competitiveness of export performance of village and township companies.

2.4.2 Export Performance at Industry Level

Small and Medium-sized (SMEs) industries in Asia are significantly dominant in sectors of textiles and apparels (Omar, Arokiasamy, & Ismail, 2009). Export performance studies including those conducted by Abraham & Sasikumar, 2011; Jin, 2004, realise that SMEs have immense economic significance, being a boost to the overall economy as a whole; these researchers have been studying the comparative advantages and determinant to assess the success

of MSE contributions in Asia's total exports, while also appraising its role in the wider world. One of the foremost intentions behind these studies was to analyse the competitive advantages of economies while also attending to their comparative requirements and levels across multiple states (e.g., Athukorala, 2009; Athukorala & Suphachalasai, 2004; Bilquees, Mukhtar, & Malik, 2010; Edwards & Alves, 2006; Funke & Ruhwedel, 2001; Kasman & Kasman, 2005; Kaplinsky & Morris, 2008; Santos-Paulino, 2002; Zhang & Hathcote, 2008). In such studies, factors such as productivities, tariff and exchange rates, lead times and labor costs have been majorly brought into focus. These factors hold greater values in the analysis of comparative advantages and export performances across different economies.

Other than these factors, governmental policies (Abraham & Sasikumar, 2011), employment and facilities (Kaplinsky & Morris, 2008), variety of the products (Funke & Ruhwedel, 2001), and global brands (Jin, 2004) are also examined but only in a few studies. Owing to the complexity and variety of such analyses, these factors are essential to be considered. In terms of selection of countries, it is noteworthy that both developing and developed countries are chosen from Africa (Edwards & 17, Alves, 2006; Kaplinsky & Morris, 2008; Santos-Paulino, 2002), Europe (Kasman & Kasman, 2005), Asia (e.g., Athukorala, 2009; Jin, 2004; Kaplinsky & Morris, 2008; Zhang & Hathcote, 2008) and Latin America (Santos-Paulino, 2002). The rationale behind chosing these countries is to include an encompassing comparison on a cumulative basis using diverse industry players with converging interests as subjects of study and speculation.

According to the industry level and export performance studies (Zhang & Hathcote, 2008; Jin, 2004; Verma, 2002; Athukorala, 2009; Jin, 2004; Jin, 2004), the textile industry and apparel industry of developed and developing countries do not take competitive edge by

reducing their labor cost. In Asian and developed countries, the textile and apparel export performance have been influenced negatively due to high labor costs. High labor cost affects the export competitiveness negatively (Jin, 2004). The imminent factor for determining export performance at the industry level is quotas (Zhang & Hathcote, 2008). Multi fibre arrangement quota removal is considered an opportunity as well as a threat. The domestic market will be opened to competition by the non-restricted trade activities (Kathuria & Bharadwaj, 1998). The south Asian countries strive to cope up with unemployment issues. These issues have been arisen due to globalization and liberation (Sultana et al., 2011). For the export countries, quota removal improves global trade competitiveness (Abraham & Sasikumar, 2011; Zhang & Hathcote, 2008). Global trade competitiveness has become a serious threat for those countries, which do not have similar competitive advantages (Kaplinsky & Morris, 2008; Zhang & Hathcote, 2008).

The other competitive advantages, apart from labor costs and quotas, include products, quality and process technology. These factors are imminent for the export countries as these factors help in attaining competitive edge over others (Handfield, 1994). The studies focus on other factors as well that have a direct or indirect impact on export effectiveness. These factors include employment number, productivity, export variety, government policy, domestic demand, exchange rate, export performance and lead-time (Abraham & Sasikumar, 2011; Kaplinsky & Morris, 2008; Abraham & Sasikumar, 2011; Edwards & Alves, 2006; Funke & Ruhwedel, 2001; Athukorala, 2009; Kaplinsky & Morris, 2008; Zhang & Hathcote, 2008; Dickerson, 1999; Naughton, 1996; Schoenberger, 1988). In order to attain data accuracy, it is imminent to conduct latest research for determining the textile and apparel exports specifically in Asian countries or developing countries. The research will suggest future challenges and directions.

2.4.2.1 Industrial-Level Factors *the Capital-Labor Ratio*

The capital to labor ratio can also be considered to be an important determinant as it hold's country's competitive advantage and captures the characteristics of an industry, specifically in case of developing nations where labor is found to be comparatively cheap as compared to capital. A lower capital to labor ratio means that more labor is used as it is comparatively cheaper than capital. A lower ratio between capital and labor within an industry, thus, indicates that companies producing labor intensive products are more capable of competing with firms in international markets as their cheap labor supply is aligned with the competitive advantage of the country. Jongwanich and Kohpaiboon (2008), in their study identified that there is a significant but negative relationship between export participation of manufacturing enterprises of Thailand and the capital to labor ratio. The results imply that an industry with lower capital to labor ratio, based on its competitive advantage participates in international markets, as it competes with international firms by providing cheap labor-intensive products. Nevertheless, Athukorala et al. (1995) identified that the capital intensity variable has a significant and positive relation with the export decision of 111 manufacturing firms of Sri Lanka. the researchers explained that the research findings were not surprising the Sri Lankan economic context, where factors such as wage rigidities and subsidies on capital have disturbed the overall incentive structure of manufacturing industries. According to Kokko et al. (2001), there is an insignificant relationship between the export decision and the capital to labor ratio in case of 763 locally owned manufacturing companies in Uruguay.

2.4.2.2 Producer Concentration

Lastly, literature has highlighted producer concentration as a significant factor. An industry having a higher producer concentration level is unlikely to engage in exporting, as firms operating in industries with higher producer concentration will benefits from their domestic market share and power. Therefore, they are more likely to do business, i.e. to produce and sell in the domestic market. Jongwanich and Kohpaiboon (2008) indicated that there is a significantly negative relation between export participation and producer concentration for manufacturing companies in Thailand. This research finding imply that there is a decrease in decision of firms to export when they have market power (producer concentration) or higher market share in the domestic industry.

Over the past twenty-five years, the manufacturing activities in Thailand have significant emerged, which has led a situation that is both fully challenging and promising. From a comparatively narrow base and weak position in early 1970s, the manufacturing industry has expanded and grown to the present structure that is: 1) much wider (in context of products ranges, functions and activities, and labor skills); and 2) larger (in context of employment and number of companies).

This dynamic expansion of manufacturing industry has led the industry to extensive substantial changes. The recent rapid expansion of the industry has made the industry the backbone of growth during the past decade, with a dramatic diversified pattern of manufacturing activities. Some of the most significant features of sectoral development are a) the gradual up-grading of different manufacturing activities, b) increasing association between the activities, and c) the combination of export orientation and internal market. These emerging trends at macro-level are characterized by the new manufacturing export mix. Furthermore, it determines the competitive advantage of the country in international market. At micro-level, the influence

on social conditions is of significance. For example, networks of traders and manufacturers, emerging groups of companies, and sub-contractors between non-formal and formal producers are important components that hold significant issues and promises for the future.

There are several challenges faced by organizations, as the first wave of industrial wage was characterized by high mobility and low qualifications and skills. Current problems include training of laborers (on-the-job and formal training) and increasing need of management capabilities (experience, understanding and recruitment) to enable industrial progress and maturation. there have been significant changes in institutions as well, such as industrial policy has refocused and redefined its priorities in 1980s related to most of the issues ranging from trade promotion and incentives, technology acquisitions, regional targets and improvement in labor education and qualification, as part of their strategy to enhance the industrialization momentum and compete with the new wave of the South-East Asian NICs.

In a research conducted by Amsden (1989) on industrialization in South Korea is that companies that enter the industry at a later stage in industrialized nations can benefit from existing state-of-the art advanced technologies that enable them to expand in the manufacturing industry and compete with more advanced countries in international markets. They also benefit from the sacred coalition of the business sector and bureaucracy focused on identifying and implementing suitable strategies for asserting their national position among the leading powers in world economy. The era of 1980s demonstrated that these forces were put into motion by Thailand. The slow opening and growth of Thai economy has certainly enabled the foreign capital participation and introduction of new and advanced technologies to considerably increase the industrial base (specifically in electronic and petrochemical industries). Industrialization in Thailand has also significant benefited from the experience of the East Asian NICs in two ways:

1) the investment in industrial development from Taiwan and South Korea during late 1980s, after the adjustment made in monetary policy, lead to a substantial transfer of capital and to some extent transfer of knowledge and experience, as majority of emerging industrial projects were labor intensive; and 2) during 1980s, there were a number of occasions for the country, in which it could reflect upon the experiences of its ancestors on the path of industrialization as many experts meetings and seminars held in Thailand focused on comparing the groups of Asian NICs. This inspirational source clearly affected the entire business community, the public policy-makers and the economic press. In this context, there are number of factors that indicate that the emergence of activities in manufacturing sector in case of Thailand original in comparison to experiences of East Asian NIC. These include: 1) the manufacturing industry was slow in emerging as driving force in the economy. This slow growth can be related to the extensive availability of natural resources, due to which, sufficient amount of wealth was generated that helped in sustaining the economy for a number of decades, from 1950s to 1970s. Until the closure of rural frontier, primary products were considered to be the essential asset for the development of economy. The basic manufacturing activities were focused on processing of natural resources, until the mid-80s and are still one of the major elements in production sector. The attitude of Thailand towards its neighboring countries indicated that they were likely to pursue this strategy further in future; 2) initially; occasionally this industry was highlighted as a national priority until early 80s. As wide range of activities provided good investment opportunities (such as tourism construction, property, land and agricultural diversification), few local entrepreneurs were interested in investing. Recent diversification in the industry has brought together the interests of foreign investors and initiatives of local entrepreneurs, resulting in number of joint-ventures between them. This was not the case in South Korea at the similar

developmental stage; 3) Furthermore, unlike South Korea, Thailand lacked the determination for setting their priorities, establishing supportive measures and strong incentives or mobilizing resources. This was partially because of lack of vision, and also partially due to the dependence on agricultural diversification that enabled the country to continue with rent-seeking strategies for a number of years. However, the government was successful in keeping the fundamentals of state economy on track by implementing strict macro-economic, thereby providing stability and mild protection to the industrialists.

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