

Trade Trends



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India-China Relations: Opportunities for Indian Carpet Exporters

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Recent India-China bilateral progress is deemed to increase India’s export capabilities and competitiveness. Also diversification of India’s export basket to China is expected to take place in which the role of Small and Medium Enterprises (SMEs) particularly carpets and related products would be imperative in ensuing years.

It may be deduced from the current bilateral talks that the increasing proximity between India and China intends to strengthen their economic and political cooperation thereby increasing trade and investment in various fields. Moreover, the current visit of Yang Jiechi, Foreign Minister of the People’s Republic of China, added another important segment to the increasing closeness between the two countries. India’s Foreign Minister S. M. Krishna with his Chinese counterpart held discussion in Delhi on various issues encompassing bilateral, regional as well as global concerns. Thus, besides the presence of their respective strategic matters, both the countries are committed towards various level of cooperation through bilateral and multilateral fora.

Earlier, China has shown its interest in allowing greater access to its market for Indian products particularly products from SME sector. The step was pertinent considering the trade imbalance between these two nations. Notably, the current bilateral trade is US\$ 74 billion, of which India has a trade deficit of US\$ 24 billion. Therefore, the suggested remedy is diversifying and increasing its export basket to China. Exploring various opportunities in Chinese market is an important aspect for Indian producers, which would play vital role in offsetting the existing trade deficit gradually.

With these concerns, during a recent meeting between Union Minister of Commerce, Industry and Textiles, Anand Sharma with the Governor of Qinghai Province of China Luo Huining on 12th February 2012, opportunities for Indian carpet products in Chinese market were discussed. Since, carpet industry in India is considered as an export-oriented item and nearly 90 per cent of its production is being exported, Indian exporters could make use of the rising opportunities in China.

The current level of India's export of carpet and its related products to China is not up to its potential. In fact, market share of Indian carpet industry's export to total Chinese import of the item was very low and recorded only 3.3 per cent during 2010. The Indian carpet export to China has seen an increase from 0.54 per cent in 2006 to around 3.6 per cent in 2009. But the recent decrease (3.3 per cent in 2010) in the same is also alarming. Most importantly, the total Chinese requirement of the item in 2010 was 10 per cent of the total India's export of the same product. It clearly indicates that there is a huge market for the item in China.

Performance of Chinese import for the item has been trajectory in 2009, increased at 11 per cent in terms of value and at 14 per cent in terms of quantity. Few major exporters (countries) accounted for 76.2 per cent of Chinese imports of Carpets in 2009. Evidently, India could increase its share in China's total import of the product by many folds. Since, Indian Handmade Carpet Industry has specialities in the international market having market share of around 35% of total world import of Handmade Carpets, the growing Chinese requirement for the product would significantly affect India's SME exports.

In addition, the potential Chinese market for carpet products is further palpable from the fact that Iran is also eyeing to raise its carpet exports to China. However, due to already prevailing problem in payment mechanism and higher level of trade imbalance between Iran and China (China has trade deficit with Iran) additional imports from Iran could lead to increase the difficulties in making payments for such products.

In view of the higher share of urban population in China with increasing per capita income could create market for such products across the growing its cities. Therefore, exploring opportunities for carpet industry in Chinese market through identification of target groups may be an important step for trade diversification. Most importantly, in such businesses, market strategy is vital factor to boost exports of products like carpets. Indian exporters could make use of the historical cult of Chinese with India in these items as Indian Carpet Industry is the only one in the world which offers customs made rugs and carpets.