

Brief Summary on Competitive study on Handicrafts Sector in China

Background

The world handicraft trade is no longer a trade in 'culture' but a trade in people's needs and tastes. The items which have to be produced in bulk although, made by hand, need mechanical support for processing and finishing. These items are sometimes required to be made in shapes, colors and designs which are not typical of traditional shapes and designs of the exporting country. Developing countries, which have captured the world market, are those that have adopted their workmanship and technology to this requirement. An overwhelming segment of hand-crafted, partially hand-crafted, as well as machine crafted goods pass in global market with a generic nomenclature of gifts and decorative.

Like in several other sectors, there is an intense similarity of interest and competition between India and China in respect to production and exports of giftware and handicrafts. Apart from the key factors, there are vast differences in the Indian and Chinese handicraft industry. Chinese handicraft industry is more structured and market-oriented, leading to stiff competition to Indian handicraft products both in domestic and international market.

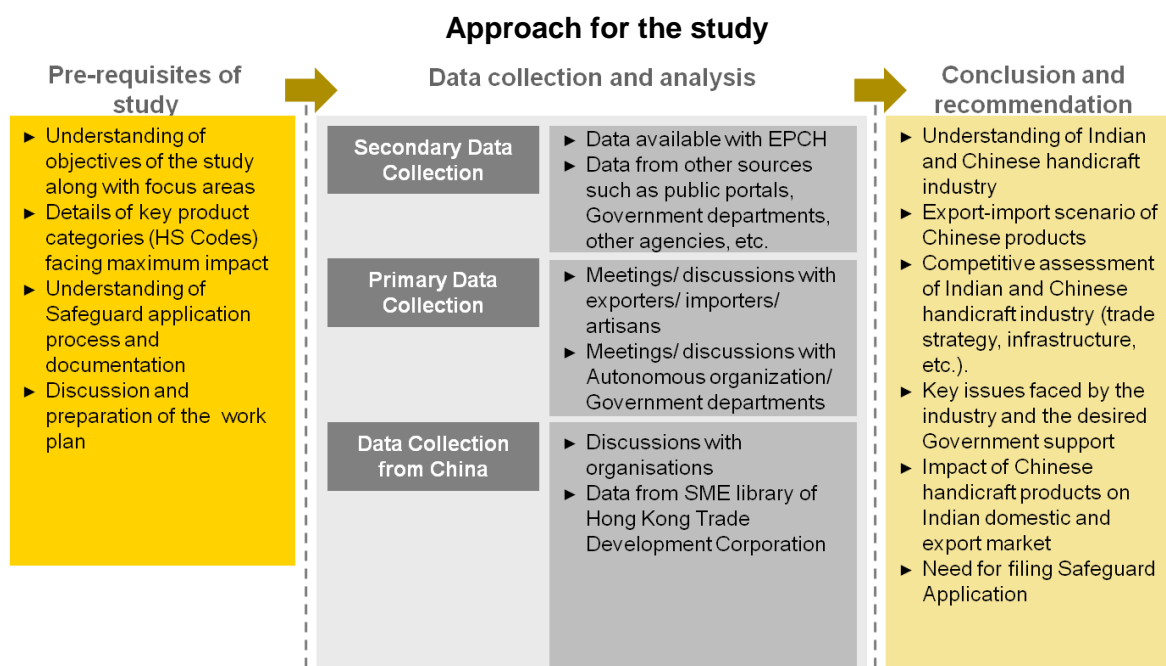
Owing to increase in imports from China, (officially People's Republic China, PRC), it is understood that such an increase in imports has effected Indian domestic handicrafts production market. In light of such a belief, EPCH has undertaken this study to understand the impact of the Chinese imports on the Indian domestic handicrafts market.

Subsequent to this study, EPCH to assess the responses and aims to file an application with Directorate General of Safeguards (DGSG), Government of India, under Section 8C of Customs & Tariff Act which pertains to imports from People's Republic of China.

Based on the application, DGSG would initiate an investigation on the subject. The investigation would involve scrutiny of the data and information submitted by the applicant in support of the application. Based on the investigation, DGSG may finalize the requirement and value of safeguard duty.

Methodology

The Competitive study on Handicrafts Sector in China aims to study the structure of Chinese handicraft industry, export trends and strategy, and policy support to understand and assess the impact of Chinese handicraft industry on Indian handicrafts. The report also presents a comparative analysis of Chinese and Indian handicraft sector to define the future outlook for Indian handicraft sector.



Based on the data analysis and discussions with artisans, exporters, promoters and other stakeholders, the impact of Chinese handicraft products on Indian handicraft industry was established. The report also includes a response on the need for Safeguard Application.

India Handicraft Industry

India has been a large exporter of the handicrafts over the years and the exports trend has been increasing year by year. Until the year 2007-08, the year which witnessed the global slowdown, in which the exports have decreased and it continued for the subsequent year, as well. The vision for the Handicrafts sector for the 12th FYP is articulated as follows:

“To create a globally competitive Handicrafts Sector and provide sustainable livelihood opportunities to the artisans through innovative products designs, improvement in product quality, introduction of modern technology and preserving traditions.”

The strategy to achieve this vision is to focus on the following:

- Product development and production
- Marketing and compliance
- Infrastructure Development
- Livelihood and working environment

China Handicraft Industry

China is one of the leading producers of handicrafts with an around 30% share in the world trade of handicrafts. It is also well known that tremendous mechanization has taken place in China in production of handicrafts largely due to excessive demand in all kinds of handicrafts. In terms of industry setup, private enterprises and enterprises invested with foreign capital are dominant in China’s handicraft manufacturing industry. Handicraft manufacturing industry is a labor-intensive industry and is the traditional light industry of China. The industry is more oriented towards production of craft items by use of technology and mass scale production.

Chinese handicraft export in key categories such as glass and glassware, ceramics and lamps and festive lights has risen at a very high rate. Demand of products under product categories such as

lamps and festive lights, ceramics and decorative items have increased in the world market in the last 4 years. Export of glass and glassware handicrafts increased at a rate of 57% in 2010 over the same period of the previous year, whereas, the exports of ceramics handicrafts registered a growth rate of 20% in 2010 over the previous year. The biggest export market for most product categories is United States of America (USA). Germany also has emerged as a key export market for gifts and decorative in last 2 years.

Handicraft Exports from China to India

A comparison of YoY exports to India from China demonstrates increase in exports to India as a % of total exports for most of the product categories. In some categories, however, the growth is not significant, but the increase in export value indicates India becoming a key market for Chinese handicraft products. Some of the product categories have registered highest growth in terms of % of total exports from China to India. These categories include glass mirrors, table or kitchen glassware, festive lights (Christmas lighting), wood articles, etc.

Chinese manufacturers also send their machine-made craft items to the global market giving tough competition to Indian suppliers as these machine-made products are low priced compared to that of Indian hand-made crafts.

The overall study of the handicraft imports from China and rest of the world indicates that China holds a major share of total imports of handicraft products in India. The key rationale behind the trend is that products from China are well accepted in the global market, especially in USA, UK, Europe, Germany and France. The Chinese handicraft products are standardized products as per the requirements of the global markets. Also, due to cheap labour, high production efficiency, Government support and proper management, the Chinese handicraft products are highly price competitive for the global market.

India Handicraft Export to China

One of the very interesting developments taken place during the last few years has been the growth in exports of handicrafts from India to China. Indian hand-made items are in more demand than mostly machine-made Chinese products in metalware, artware, giftware and wood craft categories. This indicates that Indian “handmade” handicraft products are gaining demand in the global market, including China.

Exports of Indian handicrafts to China have exhibited an increasing trend in a period of 2009-2011. The key product categories exported to China included artmetalware, woodware, miscellaneous handicrafts such as paintings, pottery, glassware, leather goods, etc.

Competitive Assessment

Key export destinations for Indian handicrafts are USA, UK, Germany, UAE and France. In terms of percentage, USA is the major export destination for Indian handicrafts, followed by UK. These two markets together constitute of more than 50% of the total global export of Indian handicrafts, making them the most favorable nations for our products. A comparison of handicraft under various categories between India and China indicates that during a period of 3 years (2009-2011) China handicraft export to all major markets has shown an increasing trend. Export values of China are much higher in comparison to India, indicating better placement of Chinese handicraft products in the global market. However, the demand of Indian handicrafts has increased in the last two year period.

The assessment suggests that the trend in the export markets is not because of the Chinese products but because of the movement and economic performance of the export destination markets.

Conclusion

As the handicraft production in India is divided into two markets - export oriented and domestic, there is a gap in terms of applicability of Safeguard Application. The focus of Safeguard application is protecting the domestic production. Export market focuses on export destinations thus is not a focus market for Safeguard application. On the other hand, due to the unorganized nature of the domestic market quantification of the impact of Chinese handicraft imports is challenging. The study of impact of Chinese handicraft imports need data in terms of actual domestic production and variation thereupon. The production details of the producers, either individuals or cooperatives are not properly maintained due to the size of the set-up; the data requirement of the application under Directorate General (Safeguards) is cannot be satisfied.

The trade data analysis exhibits that although the import of Chinese handicraft products has increased over the years (2009-2011) in most of the product categories, there is no data available to justify the impact on the domestic industry of the Indian handicraft market. Exports of handicraft products to global markets and China in last three years suggest that Indian hand-made items are in more demand than mostly machine-made Chinese products and thus there is no evident impact of Chinese handicrafts on the Indian handicraft domestic and export market.

In the absence of sufficient data for domestic production and due to construct of the industry, it can be concluded that the impact of Chinese imports on the domestic industry cannot be measured. Although few exporters opined a need for filing the application with the DG Safeguards, however they did not share any further data to form basis of application. Therefore, in the absence of desired industry data, it seems difficult to forward the application at this stage. Apart from the individual contacts, EPCH also floated stakeholders' response and interest for the application. Most of the responses lacked the quantifiable information to form base of the application.

To summarise, EPCH conducted competitive study and invited stakeholders' interest to gather support to file Safeguard Application. Based on the available responses from the industry, it may be concluded that the impact on the domestic market cannot be verified in quantitative terms due to absence of domestic production figures for the handicraft industry, which is primarily cottage. The quantification with regard to the export market is not viable for processing the Safeguard application since the focus of application is protection of domestic handicraft industry. At the same time, the item of similar design and style imported from China are standardized but produced using machines in China. The difference in the manufacturing process leads to the understanding that Chinese products cannot be titled as 'Handicraft' per se and are not comparable to Indian handicraft products. Due to the above mentioned reasons, it is not feasible to process the safeguard application to assess the impact of Chinese handicraft imports on Indian domestic industry.