

EXPORT POTENTIAL OF HANDICRAFT PRODUCTS FROM UTTAR PRADESH

A Report

Submitted to

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By



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EXECUTIVE SUMMARY

Keeping in view of the special role of handicraft sector in the state's economy through its contribution to employment generation and foreign exchange earnings, the present study on the "Export Potential of Handicraft Products in U.P." was assigned by the Export Promotion Bureau for providing the necessary boost to the export of handicraft products from the state. The specific terms of reference for the study are listed below:

Terms of Reference

- To study the present status of the traditional and non-traditional handicraft sector in U.P. in general and art-metalware, zari-zardosi, wood carving, chikan works and carpets in particular.
- To find out the export potential of the above items from the state.
- To identify the problems being faced by the handicraft industry in above sectors that might be acting as bottleneck for development of these sectors, adversely affecting export. To find out the ways to mitigate these problems.
- To study the technological status of the above sectors and technological gap, if any in the state and suggest ways to overcome the identified technological gap.
- To explore possibility and ways to promote handicraft products like art-metalware, zari-zardosi, wood carving and chikan work through global branding and international promotions.
- To study the impact of new WTO regime for the export of above handicraft products in terms of tariff and non-tariff barriers in major destinations, various government support schemes in the domestic markets etc.

Initially, secondary data was collected from various sources. International trade related information including tariff and non-tariff barriers was collected from Trade Analysis System (TRAINS) using World Integrated Trade Solution (WITS) platform, and Centre for Monitoring Indian Economy's (CMIE) India Trades. For collection of primary data, questionnaires were sent to 553 producers / exporters of selected handicraft products, out

of which 98 valid filled-in questionnaires could be received. This was followed by personal visits by the members of the research team to the major clusters like., Moradabad, Bhadohi, Mirzapur, Varanasi, Saharanpur and Lucknow, where Focused Group Discussions (FGDs) were conducted with manufacturers' and exporters' associations, attended by several manufacturers, exporters and other stakeholders in the handicraft sectors.

Contribution of handicraft sector to Indian economy, its structure and status of different sub-sectors were explored. The trends in export of handicraft products and their export potential indicated a very bright future for the handicraft sector in U.P. Scope of increasing the export further is immense as the size of the world market itself is increasing and India's share is also going up in many sub-sectors. But to sustain the growth achieved in the sector in recent years, the state will have to overcome several constraints, which have prevented in achieving its true potential in international market so far.

It was found out that manufacturers and exporters perceive the existing support systems for export of handicraft products quite inadequate at state, district and local levels. Their satisfaction level with government agencies is also below average. The level of technical skill available within the organizations in general was found in line with the level of technical skill necessary for the sector for sustainability. However, upgradation of machinery in art metalware sector and improvement in technical skill for artisans was found necessary in all the sectors. Various production, marketing and export related problems in different sub-sector levels were explored in detail.

On international front, it was found out that tariff barriers are not high in most of the major importing countries like USA, EU, Australia etc. for art metalware, carpets and wood wares, but it was little on higher side for hand knitted and embroidered goods, zari goods and chikan products. No major non-tariff barriers were found for the selected handicraft products. The compatibility of various export related state level policy interventions was also analyzed against various World Trade Organizations (WTO) provisions, but no major problem was found with most of the existing policy

interventions. However, some precautions are warranted in this regard for all future interventions.

A more proactive role is suggested for the existing support system. Increasing the export from the state and districts should be taken up as joint responsibility by the existing support organizations rather than merely monitoring the exporters. Based on interactions with various stakeholders, several steps were suggested for improvement in basic infrastructure, technology, skill of artisans, business environment, and availability of raw materials in different clusters. It was suggested that District Industry Centres (DICs) should play more vibrant role at the local level and should work as gateway of information for small and medium sized producers/ exporters through its linkage with the websites of other state and national level export promotion organizations.

Finally, a selective and concentrated approach was suggested for the state to provide a major fillip to the development of handicraft sector. Under this approach, in the first year, it may start with one sub-sector where immediate intervention is needed. The criteria for such selection can be parameters like its uniqueness to the state, supply capabilities, availability of skilled artisans and development activities already initiated in respect of the craft.

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CHAPTER 1: INTRODUCTION

1.1 Background

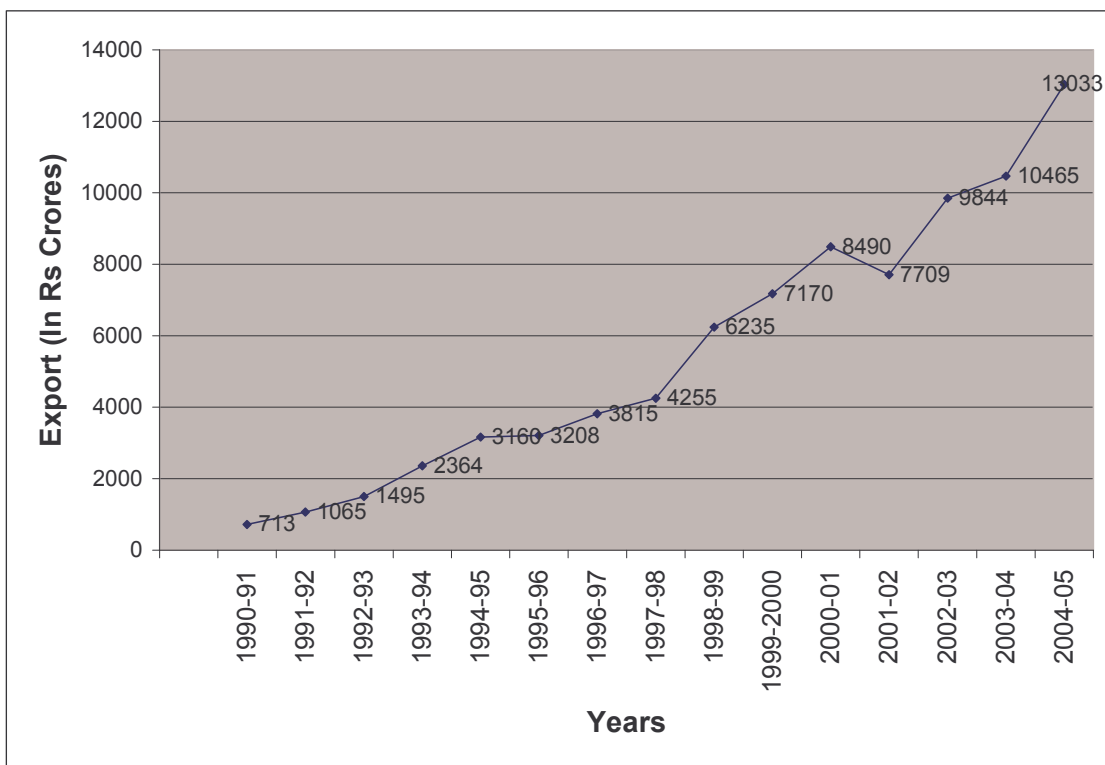
Government of Uttar Pradesh (U.P.) established Export Promotion Bureau (EPB) in the year 1999 for promoting exports from the state. The objective of the Bureau is to take effective steps for the promotion of export in coordination with all government departments and to provide a favourable environment for the exporters. It interacts with various Export Promotion Councils (EPCs), State and Central Government Organizations, Exporters' Associations, and other private agencies. Some of the other important activities of EPB are:

- Assisting exporters in export procedure, various facilities and assistance offered by the State and Central Agencies.
- Registration of exporters from state for providing export assistance offered by the state government.
- Following up of export policy matters and miscellaneous problems of exporters.
- Implementation of Freight Rationalization Scheme of International Container Depots (ICDs) and air cargo, Market Development Scheme (MDS), State Export Award Scheme etc.
- Arranging for technical and design inputs, participation in overseas fairs / exhibitions, buyer seller meet.
- Initiation of certain studies for enhancing the exports from the state.

Keeping in view of the special role of handicraft sector in the state's economy through its contribution to employment generation and foreign exchange earnings, the present study on the "Export Potential of Handicraft Products in U.P." was conceptualized by the EPB for providing the necessary boost to the export of handicraft products by realizing its inherent potential.

The handicrafts sector, spread across several districts in Uttar Pradesh, produces a variety of items, of which a significant amount is getting exported. Main items of handicrafts comprising metalware, zari and zari goods, zardozi, wood carving, chikankari, pottery, leather craft, bangles, stone carving, carpets and miscellaneous handicrafts produced in the state have great demand in international markets. More than 70 per cent of exports of handicrafts from India come from three items viz. embroidered and crocheted goods, metalware and hand-printed textiles and scarves, in which U.P. has major share in national production. The trend in export of handicrafts items from India has been continuously increasing in the last and current decade (except for 2001-02) as shown in Figure 1.1.

Figure 1.1: Export of Handicrafts from India

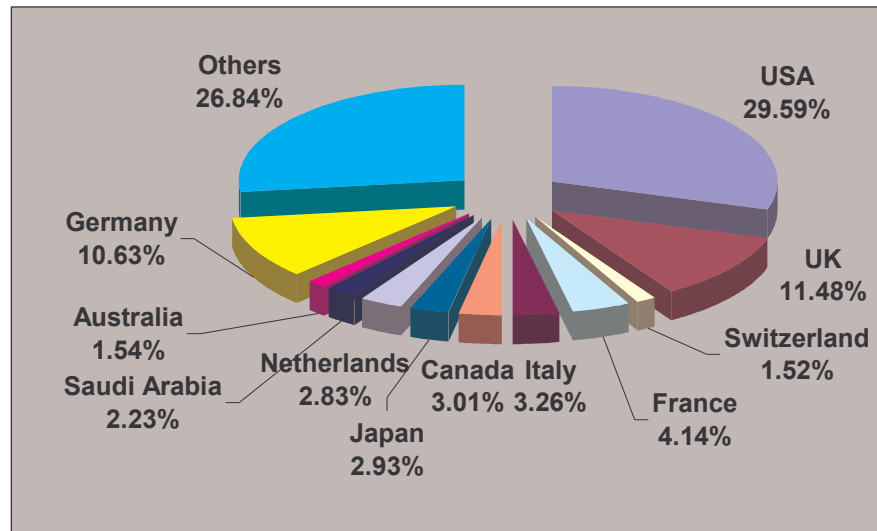


Source: Export Promotion Council for Handicraft

Although the export of handicrafts increased from Rs. 713 crores in 1990-91 to Rs. 13,033 crores in 2004-05, there is lot of untapped potential in international markets for bringing exports to a great level from the country in general and U.P in particular. At

present, USA, U.K, France, Germany, Italy, Canada, Japan, Netherlands, Saudi Arabia, Australia and Switzerland are the major markets for Indian handicraft products. The shares of these countries in India’s total export of handicrafts are shown in Figure 1.2. USA, U.K and Germany together contribute to more than 50 percent of total export of handicrafts from India.

Figure 1.2: Major Importers of Handicraft Products from India (2004-05)



Source: Export Promotion Council for Handicraft

There are several clusters of handicrafts in U.P., each well known for specific categories of quality handicraft products. They have developed as major growth centers in the state providing large scale employment to the local people and contributing significantly to the export basket of India. A list of such clusters in U.P is shown in Appendix 1.

1.2 Need for the Present Study and Terms of Reference

There are 325 different categories of handicraft products produced in the country at 8-digit Harmonized System (HS) Code level (as available at Export Promotion Council for Handicraft (EPCH) website. The list of number of product lines at 8-digit under different categories of handicraft products is given in Appendix 2. Out of these, there are a large number of handicraft products being produced in U.P. as well. However, in the absence

of conscious effort on the part of manufacturers to export these products, the artisans do not get remunerative prices for their product. Although lot of information is available for the handicraft sector at the aggregated level for the country, updated information is not available about the current position of this sector in U.P., especially with respect to various problems being faced by it, which might be hampering the prospects of exports from the state. With an objective to increase the export of handicraft products from U.P., this study explored the following issues listed out under terms of reference.

Terms of Reference

- To study the present status of the traditional and non-traditional handicraft sector in U.P. in general and art-metalware, zari-zardosi, wood carving, chikan works and carpets in particular.
- To find out the export potential of the above items from the state.
- To identify the problems being faced by the handicraft industry in above sectors that might be acting as bottleneck for development of these sectors, adversely affecting export. To find out the ways to mitigate these problems.
- To study the technological status of the above sectors and technological gap, if any in the state and suggest ways to overcome the identified technological gap.
- To explore possibility and ways to promote handicraft products like art-metalware, zari-zardosi, wood carving and chikan work through global branding and international promotions.
- To study the impact of new WTO regime for the export of above handicraft products in terms of tariff and non-tariff barriers in major destinations, various government support schemes in the domestic markets etc.

1.3 Methodology for the Present Study

Initially, secondary data in the form of published reports and various official documents were collected from various sources like private and government organizations, industry associations responsible for the promotion of handicraft products in the domestic markets and export. The secondary data analysis was used to understand the basic framework of

the sector, and various provisions of WTO applicable to the development and export of handicraft products in India. International trade databases like World Integrated Trade Solution (WITS), Trade Analysis System (TRAINS), and Centre for Monitoring Indian Economy's (CMIE) India Trades were used to find out the international trade related information and various tariff and non-tariff barriers applicable to Indian handicraft products.

A list of manufacturers / exporters of handicraft products was provided by EPB out of which 553 members were from art-metalware, zari-zardosi, wood carving, chikan works and carpets products sub-sectors. District-wise numbers of exporters from each of these sub-sectors are listed in Appendix 3. A detailed questionnaire was prepared containing both qualitative and quantitative questions seeking information on various issues covered under the study. The format of the questionnaire is given in Appendix 4. Copies of questionnaire were sent to all the 553 manufacturer/exporters of the above selected products by courier. However, 92 of these questionnaires came back probably because of addresses were not updated. Questionnaires were also sent to all the organizations for which email addresses were available. This was followed by personal visits by the research team to several organizations in the major clusters of the above products, i.e., Moradabad, Bhadohi, Mirzapur, Varanasi, Saharanpur and Lucknow to gain more insights.

In all the major clusters of selected handicraft products before starting the personal visits to exporting organizations, Focused Group Discussions (FGDs) were arranged with manufacturers' and exporters' associations in which several manufacturers, exporters and other stakeholders in the handicraft sectors interacted among themselves initially and also with the study team members later on. Various issues related to the development of handicraft products in those clusters and for increasing their exports were discussed. Cooperation of the offices of General Managers (GMs) of the District Industries Centres (DICs), was sought for inviting various people from local area in those meetings and in arranging the FGDs at convenient places.

The numbers of filled-in questionnaires for different sectors are presented in Table 1.1. Although, the number of organizations who responded to the questionnaire was 98 (about 17.5 percent of the total number of selected handicraft products exporters in the list provided by EPB and 22 percent of total number of questionnaires that could be delivered), actual number of exporters who interacted with the members of the study team was much more as many of them preferred to attend the FGDs at different cluster centers (as mentioned earlier) rather than submitting the questionnaires. The list of organizations, which were personally visited, is given in Appendix. In fact, in one cluster, the number of filled-in questionnaires was more than the number of exporters present in the list provided by EPB. This could happen because while interacting with exporters in that cluster, the study team could find out the existence of certain other exporters, who were not present in the original list, as they had not registered themselves with EPB. These exporters were also pursued to respond to the questionnaires. The qualitative and quantitative data collected from producers/exporters through questionnaires and FGDs were analyzed through standard qualitative and statistical tools and techniques using Excel and SPSS packages.

Table 1.1: Number of Filled-in Questionnaires Received

Product Category	Number of Exporters in the EPB List	Filled-in Questionnaires	
		Number	Percentage
Art-metalware	426	42	9.86
Carpet	108	32	29.63
Chikan	3	1	33.33
Woodwares	9	17	188.89
Zari and zari goods	7	6	85.71
Total	553	98	17.47

1.4 Organization of the Report

The status of handicraft sector in the country and U.P. along with its contribution to the national and state economy is presented in Chapter 2. It elaborates about its contribution to the national and state economy. The position of Indian handicraft sector in international markets and the potential of export of selected handicraft products are presented in the next chapter (Chapter 3). Based on interaction with the manufacturers/exporters and other stakeholders various problems and constraints being faced by the selected sub-sectors of handicraft, which are hampering the prospects of export are discussed in Chapter 4. Various tariff and non-tariff barriers being faced by Indian handicraft sectors in major international markets are also covered in the same chapter. Compatibility of various state level interventions for export promotion with World Trade Organization (WTO) is discussed in Chapter 5. Finally, measures for promoting export of selected handicraft products are presented in Chapter 6.

CHAPTER 2

PRESENT STATUS OF HANDICRAFT SECTOR

Indian handicraft is well known in the world for its exquisite characteristics and is distinguished for its aesthetic and functional value. Indian artisans have perfected this art over the years and continued this glorious tradition for generations after generations. Sculptures of the Mauryan period, Buddhist carvings at Sanchi, and the rock-cut caves of Ajanta and Ellora, and Khajuraho have no parallels. Mention of Indian handicrafts and jewellery are found even in Indian epics like Ramayana and Mahabharatha. A glimpse of the ancient Indian craftsmanship can still be found in ancient temples in the form of metal crafts, stylized temple jewellery, stone sculptures, musical instruments etc.

In this chapter, role of handicraft sector played in the Indian economy, its structure and status at the national and state level, especially for the selected sub-sectors (i.e., art metalware, carpet, chikan work, woodware and zari goods) are presented in the different sections.

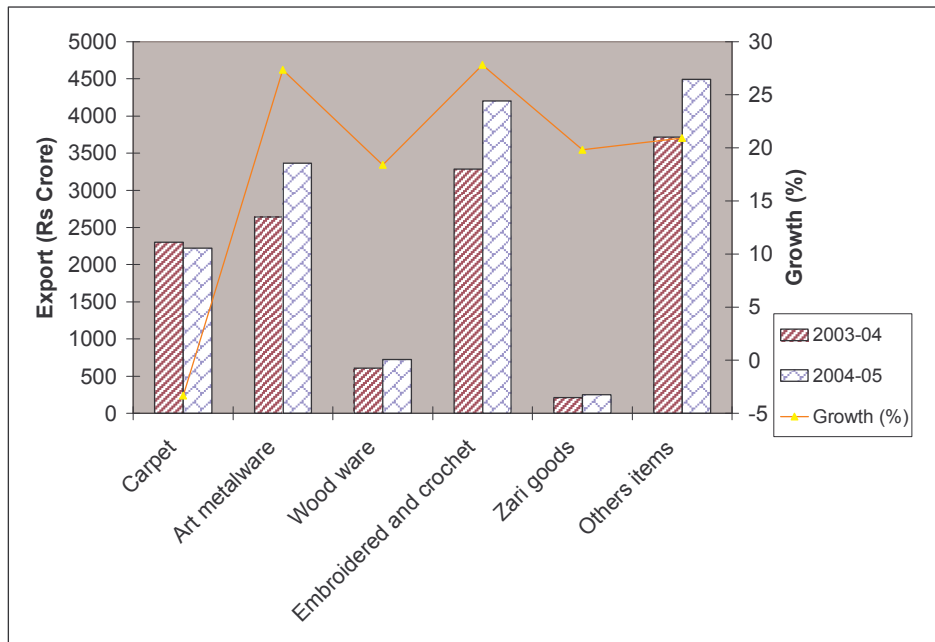
2.1 Contribution of Handicraft Sector to Indian Economy

Handicraft sector plays an important role in the country's economy by its contribution to employment generation and foreign exchange earnings with relatively low capital investment and results in high ratio of value addition. It is highly labour-intensive, decentralized and mostly cottage based industry, spread all over the country in both rural and urban areas.

During the 9th Five Year Plan (1997-2002), the employment in the handicraft sector increased from 52.92 lakh to 58.41 lakh (Annual Report 2005-06, Ministry of Textiles). By the end of 10th Five Year Plan (2002-07), total employment (both direct and indirect together) is expected to increase by about 9.29 lakh with an annual growth rate of 2.5 per cent resulting in a total employment of 67.70 lakh provided by handicraft sector by the end of current financial year, 2006-07.

Export of handicrafts including woolen, silk and synthetic carpets fetched Rs. 15255.90 crore during 2004-05 registering an impressive growth of 19.51 per cent compared to the year 2003-04. The volume of export of some of the major items of handicraft like carpet, art metalware, wood ware, embroidered and crocheted goods and other handicraft items for the years 2003-04 and 2004-05 is shown as bar chart in Figure 2.1. The growth rates in the export of these products during the same period are also shown as line in the same figure. Except for carpet (woolen, silk and synthetic together), which observed minor negative growth, all other products experienced more than 15 per cent positive growth during in export during 2004-05.

Figure 2.1: Contribution of Selected Handicraft Products in Export Income



Source: Ministry of Textiles, Annual Report, 2005-06.

2.2 Structure of Handicraft Sector in India

A wide range of handicrafts are produced in the country like art-metalware, wood carvings and other wooden artware, imitation jewellery, hand-printed textiles, shawls as artware, embroidered goods, lacs goods, toys, dolls, crafts made of leather, lacquerware, marble crafts etc. Some of the major centres of handicraft for different products are presented in Table 2.1.

Table 2.1: Major Centres of Handicraft Products in India

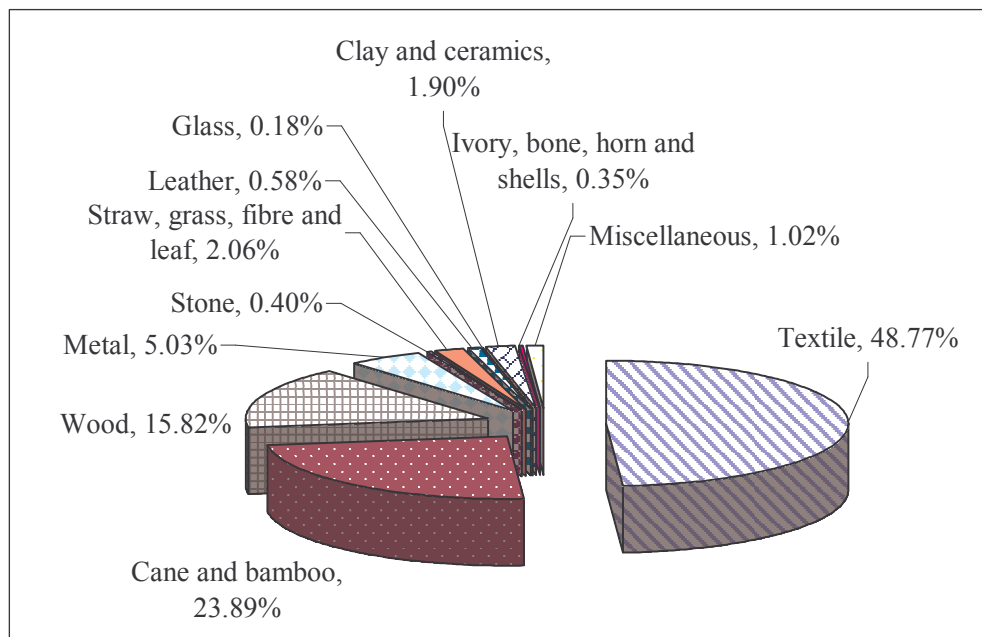
Products	Centres
Artistic Leather Goods	Indore, Kolhapur, Shanti Niketan (WB)
Art metalware	Moradabad, Sambhal, Aligarh, Jodhpur, Jaipur, Delhi, Rewari, Thanjavur, Chennai, Beedar & Kerala, & Jagadhari, Jaselmer.
Carpets	Bhadohi, Mirzapur, Srinagar, Jaipur and Panipat
Embroidered Goods	Kutch (Gujarat), Jaisalmer, Baroda, Lucknow, Jodhpur, Agra, Amritsar, Kullu, Dhramshala / Chamba and Srinagar.
Handprinted Textiles and Scarves	Amroha, Jodhpur, Jaipur, Farrukhabad, Sagru and Sanganer.
Imitation Jewellery	Delhi, Moradabad, Sambhal, Jaipur, Kohima
Lace and lace Goods	Narsapur, Nagarcoil
Marble & Soft Stone Crafts	Agra, Chennai, Baster, Jodhpur
Paper Crafts	Kashmir, Jaipur
Terracotta	Agra, Chennai, Baster, Jodhpur
Wooden Artwares	Saharanpur, Nagina, Hoshiarpur, Srinagar, Amritsar, Jaipur, Jodhpur, Bangalore, Mysore, Chennapatna, Chennai, Kerala and Behrampur (WB).
Zari and Zari Goods	Varanasi, Bareilly, Jaipur, Barmer, Surat, Amritsar and Agra

Source: India Trades Database, 2006

According to Census Survey of Handicraft Sector conducted by NCAER, Uttar Pradesh was having the highest number of handicraft units in the country accounting for 22.4 percent of the total number of such units in India. It also has about 28.67 percent of total number of artisans in the country, highest among all the states. However, value of handicraft production in U.P. is merely 1.62 percent of the total value of handicraft production in India. Nagaland produces about 35.97 percent of total value of handicraft products in India with just 1.39 percent of total number of units and 1.95 percent of total number of artisans in the country. Assam also produces about 30 percent of total value of handicraft products in India with 2.40 percent of total number of units and 2.45 percent of total number of artisans in the country (NCAER, 1999).

Shares of different sub-sectors of handicraft industry in total value of production of handicraft products in India are shown in Figure 2.2. Textile based crafts account for highest value of handicrafts produced in the country (about 48.77 percent), followed by cane and bamboo (23.9 percent).

Figure 2.2: Share of Different Items in Total Handicraft Production in India

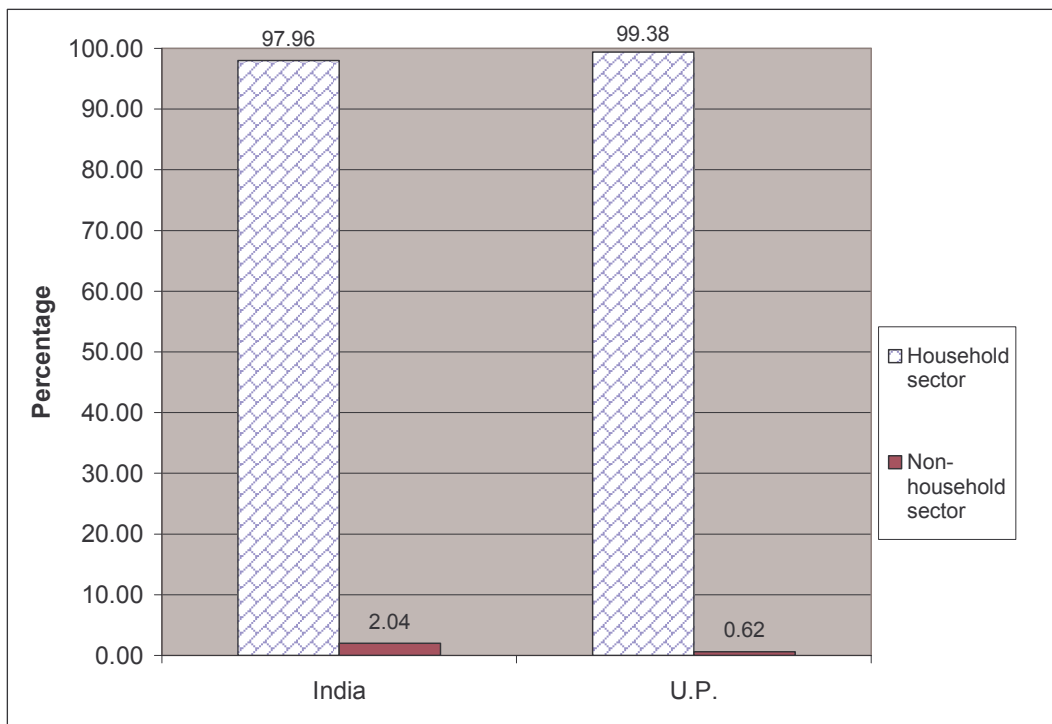


Source: NCAER

Handicraft activity is very different from other industry. About 98 percent of handicraft units and 96.3 percent of artisans in India are in unorganized sector only. In U.P., almost 99 percent of the handicraft units are in unorganized sector (Figure 2.3). Artisans are mostly household members practicing handicraft activity jointly at their residence along with their other routine works.

Handicraft artisans are spread both in rural and urban areas. However, about 78.2 percent units and 76.5 percent of artisans at all India level are in rural sector. About 58 percent of the artisans are dependent for their livelihood on textiles related handicrafts, including yarns of cotton, woolen, jute and mesta. Percentage of artisans dependent on cane and bamboo, woodware and metalware are 12.49, 5.48 and 3.68 percent respectively.

Figure 2.3: Distribution of Handicraft Units in Organized and Unorganized Sector



Source: NCAER

Handicraft sector is also very important in terms of women empowerment as about 47.4 percent of artisans in this sector are ladies, which is the highest among all sectors in the economy. Artisans in handicraft sector are from all social classes of the society. About 23 percent of artisans belong to scheduled castes, 11 percent are from scheduled tribes, 30 percent from other backward classes and remaining 30 percent are from general categories.

The next section especially explores the status and various technologies used in the handicraft at selected sub-sectors level (i.e., art metalware, carpet, chikan works, woodware and zari work) both in India and U.P.

2.3 Status of Selected Handicraft Sub-sectors

2.3.1 Art Metalware

In *India*, the mastery over mining, melting and working of metals developed in ancient civilization. The ancient Indians used to make weapons of defence from the available metals. Over the years the availability of metals increased and shaped vessels were developed gradually for personal kitchen purposes apart from tools and items of armour.

Steel is commonly used in India for preparing water vessels, serving plates, tabletops, dowry boxes etc. Heating and hammering of the sheet metal is used to make these forms. Another important technique of sheet metal in India is deep drawing. This method is used in making vessels and images of worship. Madurai, Trichi, Tanjore, Mumbai, Varanasi and Bhuj in Gujarat are the major centres specializing in this technique.

Casting of brass and copper is done in mainly in Moradabad. Bell metal casting is mostly done in Kerala, West Bengal, Orissa and Assam. Another technique of working with metals in India is the combining of two metals. This technique is also called *Ganga-Yamuna*. Combining of different metals is also done by a method

called Damascening, where other metals are encrusted into the basic metal. *Koffagiri* is a form of Damascening. *Bidri* is a method developed in Mysore and involves the damascening of silver in oxidized black vessels of copper and zinc. It is now also practiced in Lucknow, Purnea and Murshidabad. Working with metal wire is called *Tarkashi*.

Enamelling is followed in Jaipur, Delhi, Lucknow and Moradabad, where metal is engraved so as to provide depressions, in which different coloured laces are heated and fixed to create a surface of various colours.

In Bronze casting, the lost wax method is a fine art in India through which images of worship are made. The images are cast according to the rules laid down by the *Shilpa Shastra*. In the lost wax method, the basic form is first prepared by wax melts and clay mould is created with a hollow space. Then hot molten metal is poured into the mould and then the piece is cooled. The basic solid metal image emerges. Then finer details are engraved on the surface of the body. In South India, Madurai, Swamimalai, Mysore, Bangalore and Karaikal are the important centers practicing this method. Palitana is an important center for casting of Jain images in Gujarat. Varanasi, Mathura, Calcutta, Balasore and Puri are other important metal-casting centers in the country.

In *Uttar Pradesh*, Moradabad is the nerve center for brassware production, involved in the crafting of exquisite brass items. Different sections of the society are engaged in various stages of production: the alloy making, the casting of the item in parts or as a whole and the decoration using a variety of techniques, the more common ones being repousse work, sand casting, polishing and finally giving the finishing touch. A thin coating of lac is given to the brass item and a pointed steel pencil is used to trace the design on it. The engravings are then done as per the design. Lac of different colours is then filled into the grooves. Workers in sheet brass are known as *khateras* and those who cast the metal are known as *bharatias*. Varanasi too is a major producer of brassware in the country.

Plates, cups, bowls, boxes and coffeepots engraved with a range of floral and geometric patterns and inlaid with brightly coloured lac or vegetable resin are popular items. Plaques engraved with scenes from the Mughal courts and Hindu scriptures are used to adorn walls or as table tops. With rich bauxite deposits in U.P., a relatively new art which is becoming common in Moradabad is aluminum casting. Idols of gods, busts of natural leaders and various animals and birds are the most common subjects, which are mass manufactured in moulds. They are marketed after processing as 'white metal' objects or plated with copper oxide and sold as 'black metal'.

2.3.2 Carpet

Indian hand knotted carpets comes in magnificent colours and designs that are oriental, exotic and uniquely modern. A variety of floor coverings are traditionally used in Indian homes. The simple durree is used for making beds larger or on festive occasions over which carpets and other embroidered items are spread for the guests. The durree is a cotton-woven thick fabric meant for spreading on the floor and it is an indigenous floor covering with a variety of designs and patterns. Weaving of a durree is a common sight in almost all the Indian villages. Jaisalmer and Barmer in Rajasthan produce woolen durrees. Uttar Pradesh is an important center for commercial weaving of these durrees. The other major centers for durrees weaving are Navalgund in Karnataka and Salem in Tamilnadu. The Navalgund durrees are also known as Jamkhans. The Salem durrees come from a town called Bhavani and they are woven in silk and cotton. The Bandha or Ikat durrees are being woven at Warangal.

Pile carpets were introduced into India from Iran. During the Mughal period, this craft flourished in Agra, Delhi and Lahore. Carpet industry was developed in Kashmir in the 15th century.

Important carpet producing centers in modern India are Mirzapur, Bhadohi, Gopiganj, Agra, Jaipur, Bikaner, Gwalior, Walajapat (Tamilnadu), Srinagar, Amritsar, Warangal etc. Amritsar started producing carpets in the beginning of the 19th century and has a tradition of weaving fine quality rugs and particular design called Mouri. Carpets produced in Agra are of the finer quality patterns in red, ivory, green and black background. Fine quality carpets are also produced in Amritsar while Jaipur produces medium quality carpets. Mirzapur and Bhadohi also produce medium quality carpets. Apart from traditional carpets, Kashmir also produces other types of floor coverings like Namdas, Hook rugs and Gabbas. Namdas is made of felted wool and cotton and embroidered with woolen chain stitches. The hook rug is made with chain stitch embroidery worked with a hook called *Ahri*.

Carpet making in *Uttar Pradesh* is a thriving industry, which mainly exports to United States and Germany. Today, Bhadohi, Mirzapur, Agra are the main carpet manufacturing areas in the country. Gopiganj, Varanasi, Khamaria, Ghosia, Madhosingh and Shahjahanpur in U.P. are some other carpet producing areas in the state where carpet manufacturing is quite prevalent. According to All India Carpet Manufacturers' Association, the carpet industry in U.P. has a turnover of Rs. 2800 crores per annum and paving the way for employment of 2 million artisans and weavers. These carpet manufacturing areas in U.P. account for nearly 80 percent of carpet production in the country. The carpets from Agra are finer in texture and design than those from Mirzapur and Bhadohi. The designs are generally Persian with some customization as per the demand of the western markets. Subdued colours such as rose-beige, honey-beige, ivory, blue-gray and soft green form the background, while the design and the borders are dark to add a strong contrast. Twisted cotton thread is used for finer weaves, whereas entwined jute is used for a rougher carpet. The design is first meticulously drawn on a graph paper. A map-reader 'reads' out the design and colour whereas the weaver weaves the pattern by twisting the thread into two-warp threads and then tying the knots. The knots of the

Mirzapur region are of a medium quality with about 60 knots per square inch, whereas those from Agra are finer with nearly 120 knots per square inch.

The Mirzapur carpets have a more sculpted style. The carpets from Agra display an oriental influence, with the Indo-Ispahan and the Indo-Kahan styles being more popular. Shahjahanpur is famous for its cotton and silk carpets. The themes are generally Persian, although the *kethariwala jal* and *jainamaz takhdar* are also popular themes (www.craftsbridge.com).

2.3.3 Chikan

In India, Chikan work is mainly limited to Lucknow in U.P. For centuries Uttar Pradesh has been known for its chikan work. The word Chikan literally means embroidery. Chikan embroidery has been around since the time of King Harshavardhan of Kannauj. However, according to another opinion, it was originally introduced by Nur Jahan. The Mughals selected the finest of muslin and had exquisite chikan embroidery done on it. This embroidery is generally carried out using white thread on a white background. Minute stitches are threaded into the cloth to give it an almost lace-like quality. A variety of stitches such as the satin stitch, the back stitch and the darning stitch are commonly used. It is the delicacy of the needlework that makes these otherwise ordinary stitches look amazingly intricate in Chikan embroidery. Chikan work is primarily of two types- *Bukhia* (shadow-work) and *Katao* (cutwork). In *Bukhia* work, satin stitches are intricately woven on to the wrong side of the fabric, while minute stitches outline the design on the right side, giving it a shadowy effect. This work is extremely delicate and the forte of only the nimble-fingered craftspeople of Lucknow. *Katao* work, which is a unique combination of embroidery and appliqué, also requires tremendous skill and talent. Salwar kameez and saree embroidered in exquisite chikan work are extremely popular among women in Indian subcontinent.

2.3.4 Woodware

The tradition of wood carving existed in India exists from ancient times. In India each Region has developed its own style of structure and carving. Assam with extensive forests, has a rich tradition of wood works. Their places of worship include large carvings of mythical figures. The carvers create a Simhasana wherein they place the deity to be worshipped. In Orissa, the main deity of the famed Puri temple Lord Jagannath is reproduced in wood. A number of wooden masks are also made for the traditional *Sahi Yatra*. Manipur, is an important center for Tarkashi, metal thread work done in furniture.

In Kashmir, houses are lined with wood, with ceilings work made up of pieces of wood locally known as Pinjara. Decorative wood panels used for ceilings and pillars are special craft in Kashmir and are called *Khatamband*.

In South, Kondapali (Andhra Pradesh), is famous for its toys made of Punkiwood and Karnataka and Kerala are famous for wood carving on sandalwood and rosewood. Earlier the deities were carved out of sandalwood but now boxes are made of sandal wood. The Srigandha variety of sandal work is used for this purpose. Large boxes covered with mythological scenes are important product of Mysore, Kumta and Sagar. Mysore city has also developed an intricate form of ivory-inlay on wood. The ceilings and doors of Mysore Palace are live examples of expression of this special skill of its artisans.

In Uttar Pradesh, Saharanpur is an important center in wood carving. Screens and room-dividers with carved patterns and ivory inlays with minute details are produced here. Nagina is another important wood carving center in U.P. especially for ebony work.

2.3.5 Zari and Zari Goods

Zardozi, the art of embroidery using metal wires, flourished in the Mughal era. Heavy silk and satin robes, curtains and cushions, shoes and canopies were worked on using gold and silver thread. *Kamdani*, a lighter needlework using thin threads

are done on items such as scarves and duppattas. A great demand for garments rendered in this charming but slightly ostentatious fabric exists in the Middle Eastern countries.

Fabrics woven using different threads for their warp and weft are called brocades. Sarees from Varanasi known as Banarasi brocades are famous for the heavy, luxurious silk and the exquisite zardozi work done on them. These sarees are generally worn at weddings and other auspicious ceremonies. Since finely drawn gold and silver threads are often used in the weaving of these sarees, these sarees have an everlasting charm and often are treasured as family heirlooms to be passed from the mother to her daughter.

The *karagirs* or the weavers creating these exquisite fabrics are highly skilled workers, who start their work by designing the pattern or 'naksha' on paper. These patterns are then executed on cloth by the *naksha bandhas* or pattern weavers. The patterns are heavily borrowed from the folklore of Assam, Bengal and Gujarat. Adaptations of Muslim and Rajasthani paintings are also popular themes. Brocades woven using high quality silk threads too are done in the same style.

Tanchoi, *Mukta*, *Kikhamb* and *Tarbana* sarees are in great demand in Indian subcontinent that are basically the variations on the zardozi theme. The thickness and quality of the silk, the kind of thread, the traditional patterns vary in these different sarees creating an entire spectrum of elegance in brocades.

The above discussion brings out the status and importance of handicraft sector in the country as well as in U.P. The handicraft sector has proved to be the engine of growth in those clusters and nearby areas by providing large number of employment to the people from all the sections of the society- rural-urban; scheduled castes, scheduled tribes, other backward classes and general categories; and male-female. This sector is one of the highest earning sectors of foreign currency from the state.

CHAPTER 3

EXPORT POTENTIAL OF HANDICRAFT PRODUCTS

The present chapter analyses the trend in export of handicraft products in the selected product categories and explores the potential for the export of such products from U.P.

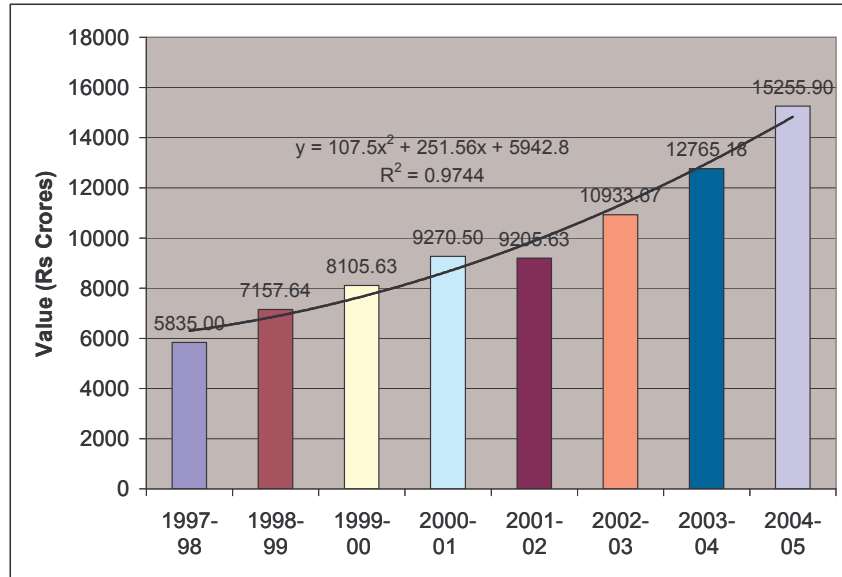
3.1 Trend in Export of Handicraft Products from India

Export of handicraft items from India has been increasing for the last several years reaching to Rs. 15,255.90 crores in 2004-05. The exports of handicraft products from 1997-98 to 2004-05 have been shown in Figure 3.1. A best-fit trend line has also been fitted using export values, which indicates that export of handicraft products from India has been following the increasing trend of 2nd degree polynomial ($R^2 = 0.9744$) during the last seven years. The value of CAGR (i.e., compound annual growth rate) for the export of handicraft products during the same period was 14.72 percent. Although, the share of handicraft products in total exports from India has decreased from 0.8 percent in 2003-04 to 0.5 percent in 2004-05¹, this is basically due to relatively higher increase in exports from other sectors of the economy.

The CAGR of 14.72 percent for the export of handicraft products shows the immense potential at aggregate level for the sector lying in international market. However, to arrive at any suitable policy decision, it is important to explore the export potential of handicraft products at sub-sector level. The percentage shares of selected sub-sectors in total export of Indian handicraft products have been shown in Figure 3.2 for the years 1997-98 to 2004-05. Embroidered and crochet goods, art metal ware and carpet are the top three most important items among handicraft products in terms of value of export from India.

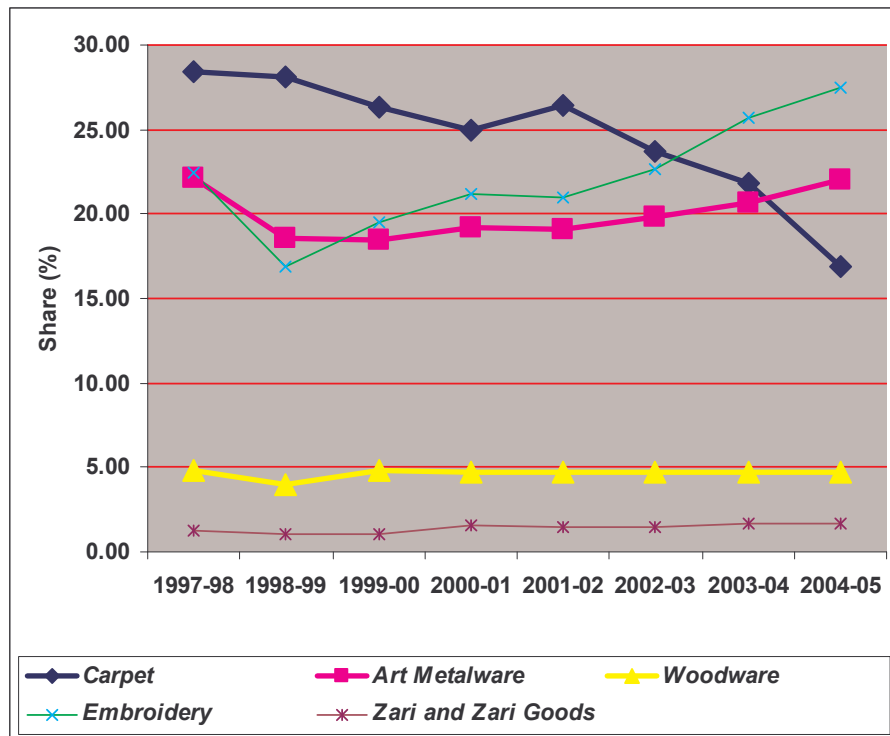
¹ Government of India, Economic Survey, 2005-06, Table 6.7, p 110.

Figure 3.1: Export of Handicraft Products from India



Source: Ministry of Textiles, Annual Reports, 2002-03, 2005-06

Figure 3.2: Share of Selected Sub-Sectors in Indian Handicraft Exports



Source: Ministry of Textiles, Annual Reports, 2002-03, 2005-06

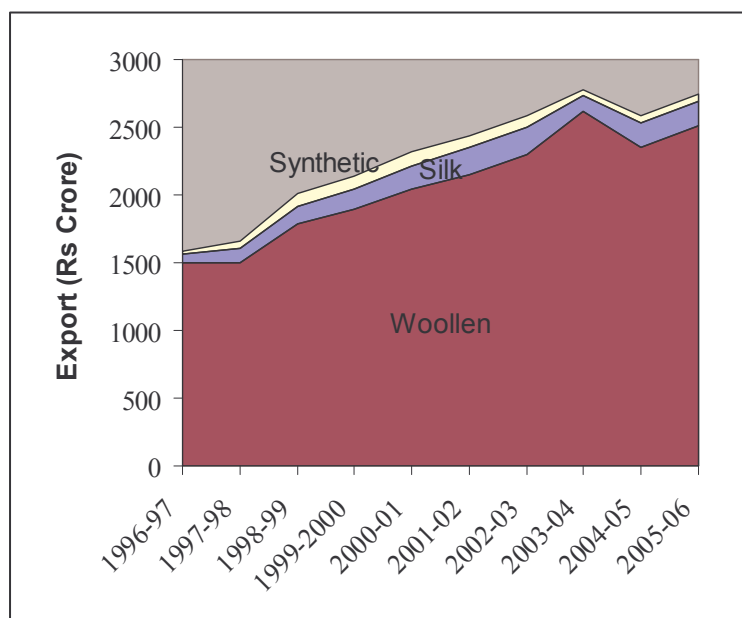
The shares of woodware and zari and zari products have remained somewhat constant over the years in the total handicrafts exported from India. The share of carpet products has been decreasing during the recent years and reached below art metalware and embroidery products in recent years.

Sections 3.2 to 3.6 discuss the potential of export of selected sub-sectors of handicraft products, i.e., art metalware, carpet, chikan work, woodware and zari goods in international markets from India and especially from Uttar Pradesh.

3.2 Export Potential of Carpet Products

There are mainly three categories of carpets under handicraft sector: woolen, silk and synthetic. The trend in value of export of different categories of carpets are presented in Figure 3.3 for the period 1996-97 to 2005-06, which indicates a continuous increase in the export of carpets for the given period except for the period 2004-05. Woolen carpets command a major share (about 91 percent) in the total export of hand-made carpets from the country. The contributions of silk and synthetic carpets in the total carpet export are about 7 percent and about 2 percent respectively. Bhadohi and Mirzapur being the stronghold of woolen carpets production in the country, U.P. has major advantages compared to any other state in the country. Handmade woolen tufted carpet carpets are in great demand as evident from an increase of 10.8 percent in export during 2005-06 compared to 2004-05. The increase in value of export for other types of woolen carpets (i.e., non-tufted), rugs, druggets, durries etc. was 4.88 percent during the same period. The corresponding increase in volume of export for hand-made silk carpets and hand-made synthetic carpets were 2.01 percent and 1.87 percent respectively.

Figure 3.3: Export of Different Categories of Handmade Carpets from India



Source: Carpet Export Promotion Council, New Delhi

The world market size of carpet was about US \$ 8.33 billion in 2003 with compounded annual growth rate of about 1.7 percent during 1999-2003². Based on 2003 data, USA, Germany, U.K., Canada, France, Japan, Netherlands, Belgium, Italy and Mexico are the ten largest importers of carpet products in the world. India is the 2nd largest exporter of carpets (with a market share of about 11 percent) in the world after Belgium (with a world market share of 21 percent). USA, Netherlands, China Iran, Germany, U.K. France and Pakistan are the other major exporters of carpets.

The top fifteen destinations of Indian carpet products along with the value of exports from India and the average for the years 2002-03, 2003-04, 2004-05 are presented in Table 3.1 is based on products under HS codes 5701, 5702, 5703 and 5704. The percentage increase in the value of export in each country compared to the previous year is also included for the years 2003-04 and 2004-05 in brackets.

² Frost and Sullivan, "Market Feasibility Study and Business Development Plan for the Handicraft Sector" a report submitted to EPCH, 2005.

Table 3.1: Major Destinations of Carpet Goods from India

Sl. No.	Importing Country	Value (Rs. Lakh)				Share (%)
		2002-03	2003-04	2004-05	Average	
1	USA	127281.17	122204.77 (-3.99)	127179.77 (4.07)	125555.24	46.34
2	Germany	38612.54	43983.60 (13.91)	50719.91 (15.32)	44438.68	16.40
3	UK	17005.22	20552.12 (20.86)	19286.82 (-6.16)	18948.05	6.99
4	France	7628.59	7464.07 (-2.16)	7347.51 (-1.56)	7480.06	2.76
5	Italy	5010.19	5720.00 (14.17)	7021.87 (22.76)	5917.35	2.18
6	Japan	7103.51	5684.88 (-19.97)	4824.47 (-15.14)	5870.95	2.17
7	Canada	5450.32	5272.54 (-3.26)	4991.69 (-5.33)	5238.18	1.93
8	Spain	4395.81	5754.41 (30.91)	5535.93 (-3.80)	5228.72	1.93
9	Sweden	4825.60	6519.83 (35.11)	4096.59 (-37.17)	5147.34	1.90
10	Australia	4298.33	4786.29 (11.35)	5429.15 (13.43)	4837.92	1.79
11	Turkey	2420.64	5376.72 (122.12)	4310.31 (-19.83)	4035.89	1.49
12	Denmark	3479.41	3587.05 (3.09)	3482.63 (-2.91)	3516.36	1.30
13	Netherlands	2780.83	2661.34 (-4.30)	4351.19 (63.50)	3264.45	1.20
14	Belgium	2658.00	3239.37 (21.87)	3743.33 (15.56)	3213.57	1.19
15	Austria	2511.17	4056.24 (61.53)	2481.14 (-38.83)	3016.18	1.11

Source: CMIE's India Trades, 2006.

Looking at Table 3.1 it is clear that India is catering to almost all the top carpet importing countries in the world. USA, Germany and U.K. are three largest markets for Indian

carpets contributing to about 70 percent of the total value of export from India. Although the export of carpet to USA is almost at the similar level during the last couple of years, decreasing by about 4 percent in 2003-04 and recovering its position in 2004-05; it remains the most important market due to its sheer size (46.34 %).

Germany is a very lucrative market for Indian carpet not only because of being the second largest destination (16.40 percent), but also due to its continuous positive annual growth of about 15% in terms of volume of import during the given period. Italy is also experiencing continuous positive annual growth in importing the carpet goods from India and appears to be quite promising market in future. In UK, the export of Indian carpet increase significantly during 2003-04 by about 20.86 percent but decreased moderately in the next year by 6.16 percent. The sharp decrease in the volume of carpet export during the last two years in Japan, the only Asian country in the list of top fifteen destinations, remains the matter of concern for the Indian carpet sector.

3.3 Export Potential of Art Metalware

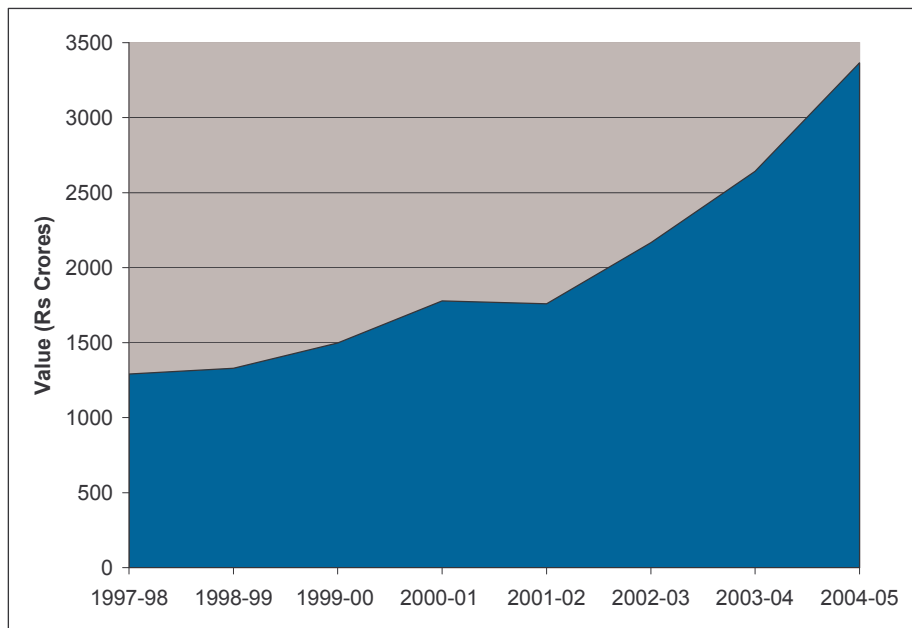
Art metalware is the second most important handicraft sub-sector in India from export earning perspective. As per the list of HS codes available from Export Promotion Council for Handicraft (EPCH), the items covered under art metalware are electro-plated nickel silver (E.P.N.S.) ware, brass utensils, copper utensils, utensils of other copper alloys, articles of copper alloys electroplated with nickel-silver, articles of brass and copper worked articles. Moradabad is one of the biggest centers of art metalware in U.P. Aligarh, Hathras, Mathura are some other centers in the state engaged in production and export of art metalware.

The world market size for art metalware was about US \$ 1.94 billion in 2003 with compounded annual growth rate of 5.2 percent during 1999-2003. USA, Hong Kong, Germany, U.K., France, Netherlands, Spain, Canada, China and Japan are the ten largest importers of art metalware in the world. China is the undisputed leader in export of art metalware capturing about 58 percent of world market share. India is the distant second

with about 9 percent world market share. Italy, Germany, Hong Kong, Taiwan, Thailand, USA, France and Netherlands are the other major exporters of art metalware in the world.

India's export of art metalware has increased from 1997-98 to 2004-05 with a CAGR of 14.65 percent. Trend in export of art metalware from India has been presented in Figure 3.4, which shows that probably 2001-02 was the turning point for art metalware industry and the increase in volume of export has really been very steep during recent years, i.e., 2001-02 to 2004-05. This shows the tremendous potential for this sub-sector as the market itself is growing and the country's export is increasing at even higher rate.

Figure 3.4: Export of Art Metalware from India



Source: Based on Ministry of Textiles, Annual Reports, 2002-03, 2005-06

The 15 major destinations of Indian art metalware along with the value of their export from India and the average for the years 2002-03 to 2004-05 are presented in Table 3.2. The percentage increase in the value of export in each country compared to the previous years is also presented for years 2003-04 and 2004-05 in brackets.

Table 3.2: Major Destinations of Art Metalware from India

Sl. No.	Importing Country	Value (Rs. Lakh)				Share (%)
		2002-03	2003-04	2004-05	Average	
1	USA	3521.68	6243.48 (77.29)	8505.53 (36.23)	6090.23	26.69
2	UAE	1120.41	2464.08 (119.93)	2673.25 (8.49)	2085.91	9.14
3	Germany	592.05	1112.27 (87.87)	1477.20 (32.81)	1060.51	4.65
4	France	425.59	1045.21 (145.59)	1435.50 (37.34)	968.77	4.25
5	Spain	375.47	1018.80 (171.34)	1415.03 (38.89)	936.43	4.10
6	Saudi Arabia	871.94	643.50 (-26.20)	1171.44 (82.04)	895.63	3.92
7	Netherlands	298.62	635.50 (112.81)	1083.41 (70.48)	672.51	2.95
8	Italy	179.74	532.96 (196.52)	991.40 (86.02)	568.03	2.49
9	Canada	250.52	570.35 (127.67)	781.29 (36.98)	534.05	2.34
10	Australia	244.74	578.12 (136.22)	637.70 (10.31)	486.85	2.13
11	South Africa	205.58	287.25 (39.73)	625.17 (117.64)	372.67	1.63
12	Malaysia	228.35	213.72 (-6.41)	431.52 (101.91)	291.20	1.28
13	Singapore	245.11	167.48 (-31.67)	373.26 (122.87)	261.95	1.15
14	Belgium	99.77	262.68 (163.29)	360.98 (37.42)	241.14	1.06
15	Nigeria	279.01	106.23 (-61.93)	238.38 (124.40)	207.87	0.91

Source: CMIE's India Trades, 2006.

As evident from Table 3.2, USA, UAE, Germany, France and Spain together contribute to about 50 percent of the total export of art metalwares from India. Although, India is catering to many major international markets of art metalwares, the absence of some of the major importers like Hong Kong, U.K., China and Japan in the list of top fifteen major importers from India is unexplainable. These are the countries, which have large

potential and must be targeted by the art metalware sector in U.P. for further increasing the volume of export. The percentage increase in export to all the fifteen major destinations (as shown in brackets in Table 3.2) during the years 2003-04 and 2004-05 has been phenomenal and brings out the type of opportunities that are lying in these markets for art metalware from the state and country. In USA, the largest market for art metalware products, the export of such products increased from 3521.68 lakh in 2002-03 to 6090.23 lakh in 2004-05, with an annual growth rate of 77.29 percent and 36.23 percent during 2003-04 and 2004-05 respectively.

3.4 Export Potential of Woodware

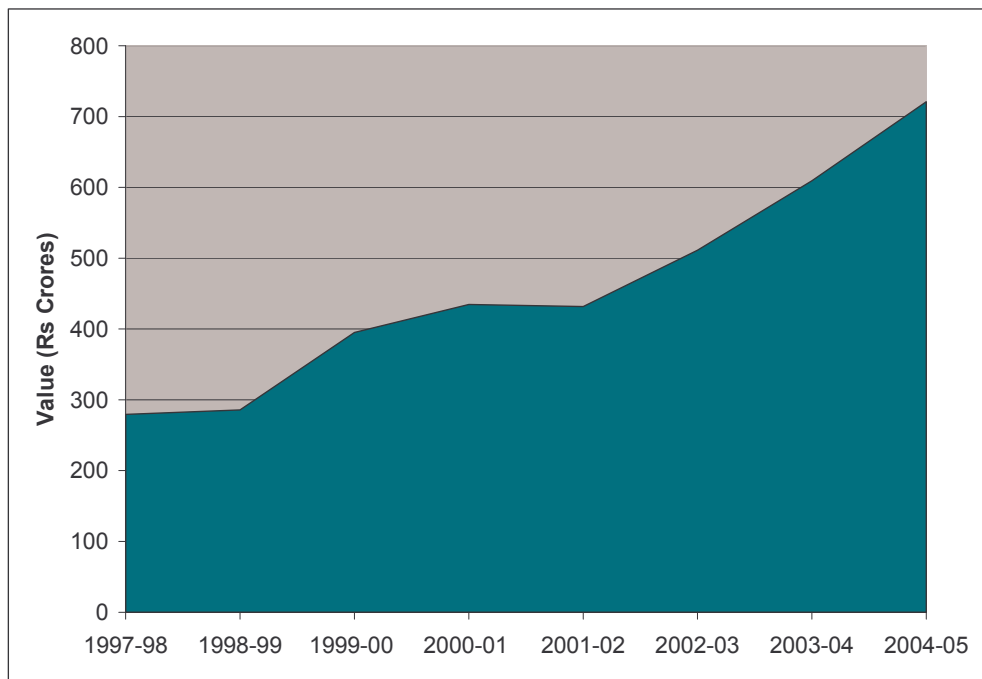
Saharanpur is the most important center for wood carving and woodware production not only in U.P. but in the entire country. A large portion of the woodware produced here is getting exported in international markets. Screens and room-dividers with carved patterns and ivory inlays with minute details are quite commonly produced here. Tableware, kitchenware, statues and other ornaments, wood parquetry and inlaid, walking sticks, hand decorated domestic articles of wood etc. are some other items being produced under woodware handicraft sub-sector. Nagina is another important wood carving center in U.P., known for its ebony work of high quality.

The world market size for woodwork products was about US \$ 2.87 billion in 2003 and was increasing with a CAGR of 4.3 percent during 1999-2003. USA, Japan, Hong Kong, Germany, U.K., France, Canada, Belgium, Italy and Netherlands are the top ten importing nations in the world contributing to more than 80 percent of world export of woodwork products. China is the largest export of woodwork products capturing more than half of the world market. Although, India lies within top ten exporters of wood work products, its share in world market remains just about 2 percent. Thailand, Indonesia, Italy, Poland, Mexico, Taiwan, Germany and Vietnam are some other major exporters of woodwork products.

India's export of woodwork products has increased from 1997-98 to 2004-05 with a CAGR of 14.5 percent. Trend in export of woodwork products from India has been

presented in Figure 3.5, which is very much similar to the trend observed in art metalware products. In this case also, there has been a sharp growth in export from the year 2001-02 onwards, which resulted in increase in its world market share. Increasing market share of India in the world market for wood products whose market size itself is increasing, augurs well for the industry and underlines the export potential from the state and country.

Figure 3.5: Export of Woodware from India



Source: Based on Ministry of Textiles, Annual Reports, 2002-03, 2005-06

The list of HS Codes for handicraft products as available at EPCH site (presented in Appendix 2) presents 6 products at 8-digit HS Code (44190010, 44190020, 44201000, 44209010, 66020000 and 97019091) belonging to woodware categories. The 15 largest markets for these products for India along with the value of India's export to these markets for years 2003-04 to 2004-05 are shown in Table 3.3. The percentage increase in the value of export in each country for the year 2004-05 is given in the table in parenthesis.

Table 3.3: Major Destinations of Woodwares from India

Sl. No.	Importing Countries	Value (Rs. Lakh)			Share (%)
		2003-04	2004-05		
1	USA	20553.50	14723.37 (-28.37)	17638.44	34.07
2	UK	7863.67	3098.43 (-60.60)	5481.05	10.59
3	France	5216.91	2634.20 (-49.51)	3925.56	7.60
4	Spain	4531.50	2560.23 (-43.50)	3545.87	6.85
5	Italy	4374.80	1732.49 (-60.40)	3053.65	5.90
6	Netherlands	2760.06	1311.99 (-52.47)	2036.03	3.94
7	Germany	2334.15	1493.78 (-36.00)	1913.97	3.70
8	UAE	1731.22	1208.17 (-30.21)	1469.70	2.83
9	Australia	1429.37	720.88 (-49.57)	1075.13	2.08
10	Canada	1154.12	884.73 (-23.34)	1019.43	1.97
11	Greece	1171.10	564.01 (-51.84)	867.56	1.68
12	Belgium	1045.37	440.06 (-57.90)	742.72	1.44
13	Norway	1030.62	374.00 (-63.71)	702.31	1.37
14	Japan	608.69	600.92 (-1.28)	604.81	1.17
15	Kuwait	231.44	860.39 (271.76)	545.92	1.05

Source: CMIE's India Trades, 2006.

USA, U.K., France, Spain and Italy together contribute to about 65 percent of India's total export of woodware to the world. India is exporting to almost all the major woodware importing nations in the world. However, there has been a decrease in export of woodwares from India in many of these countries during 2004-05, which is a matter of concern.

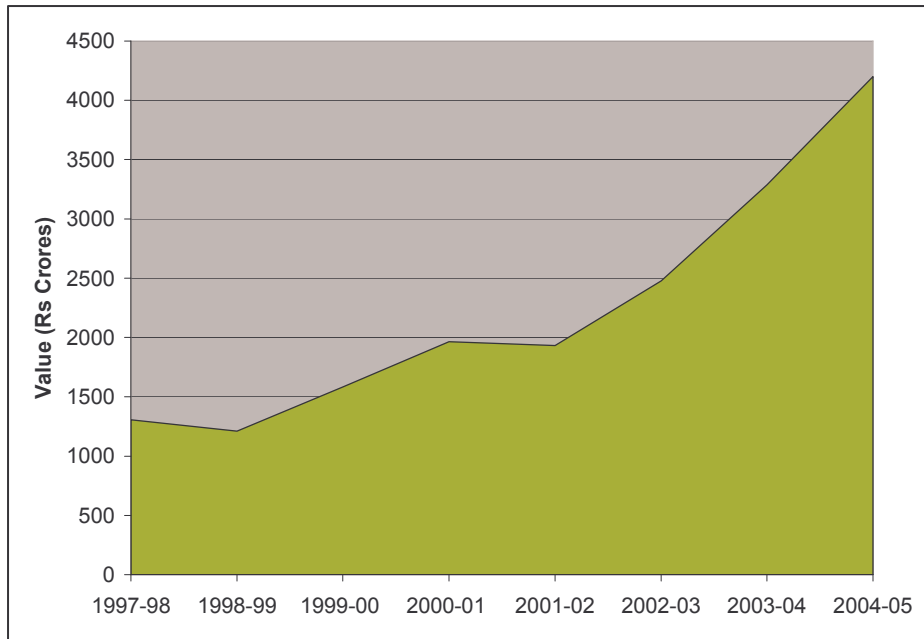
3.5 Export Potential of Hand Knitted Embroidery Goods

Embroidered and crocheted goods are at the top position within handicraft sector in terms of value of export from India. EPCH provides the list of 82 different items at 8-digit HS Codes level coming under the sub-sector (Appendix 2). Lucknow and the nearby places are the main centers of hand-knitted embroidery works in U.P.

The world market size for hand knitted embroidery goods was at about US \$ 80.9 billion in 2003 and was increasing at CAGR of 5.2 percent during 1999-2003. USA, Germany, Hong Kong, Japan, U.K., France, Italy, Spain, Belgium and Netherlands are the top ten importing nations for embroidered, knitted and crocheted products. China is the largest exporter of these products with about one-fourth of world market share. India's world market share is about 2.5 percent. Turkey, Italy, Hong Kong, Bangladesh, Mexico, Honduras, Germany and France are the other major exporters in this sub-sector.

India's export of embroidered, knitted and crocheted products has increased from 1997-98 to 2004-05 with a CAGR of 18.15 percent (Figure 3.6). The large size of the world market for embroidered, knitted and crocheted goods along with India's higher rate of growth in export of these products (compared to the growth in size of the world market itself) indicates the increasing level of competitiveness of India in this sector and thus opens immense scope for the state as well.

Figure 3.6: Export of Embroidered and Crochet Goods from India



Source: Based on Ministry of Textiles, Annual Reports, 2002-03, 2005-06

The 15 major destinations of Indian embroidered, knitted and crocheted goods are presented in Table 3.4. The value of export of these products from India for years 2002-03 to 2004-05 and its average are also included the table. The figures in parenthesis indicate the percentage change in the value of export in each country compared to the previous years.

Table 3.4 includes the name of all the top ten major importing nations in the world in this product category except for Hong Kong and Japan. This suggests that India is targeting to all the top ten importing nations in the world for this product, except for two major markets, Hon Kong and Japan, where its penetration is insignificant. India needs to enhance its export to Hong Kong and Japan which also have large import potential in this sector.

Table 3.4: Major Destinations of Hand Knitted Embroidery Goods from India

Sl. No.	Importing Country	Value (Rs. Lakh)				Share (%)
		2002-03	2003-04	2004-05	Average	
1	USA	148768.90	126083.00 (-15.25)	136128.80 (7.97)	136993.60	23.50
2	Germany	82486.95	88714.88 (7.55)	73843.30 (-16.76)	81681.71	14.01
3	UK	54061.92	58451.22 (8.12)	64557.70 (10.45)	59023.61	10.12
4	France	26915.38	36384.00 (35.18)	37692.43 (3.60)	33663.94	5.77
5	Italy	22572.08	32688.32 (44.82)	40331.43 (23.38)	31863.94	5.47
6	Netherlands	18454.82	17784.50 (-3.63)	16630.80 (-6.49)	17623.37	3.02
7	Spain	9155.59	17329.95 (89.28)	20215.04 (16.65)	15566.86	2.67
8	Belgium	11521.84	10940.77 (-5.04)	8403.80 (-23.19)	10288.80	1.76
9	UAE	7237.73	11632.40 (60.72)	6319.77 (-45.67)	8396.63	1.44
10	Denmark	4307.17	8396.52 (94.94)	8655.03 (3.08)	7119.57	1.22
11	Ireland	6417.61	5728.52 (-10.74)	5859.93 (2.29)	6002.02	1.03
12	Saudi Arabia	2624.77	6871.33 (161.79)	6060.21 (-11.80)	5185.44	0.89
13	Canada	4250.57	5087.76 (19.70)	4935.78 (2.99)	4758.04	0.82
14	Mexico	3778.46	4395.94 (16.34)	4403.93 (0.18)	4192.78	0.72
15	Russia	5159.23	5402.19 (4.71)	1721.93 (-68.13)	4094.45	0.70

Source: CMIE's India Trades, 2006.

The top five countries USA, Germany, U.K., France and Italy contribute to about 60 percent of India's export under this product category. The value of export to USA, Germany and Netherlands has come down in 2004-05 compared to 2002-03 figures. However, there has been impressive increase in export in U.K. France, Italy and Spain markets during the same period.

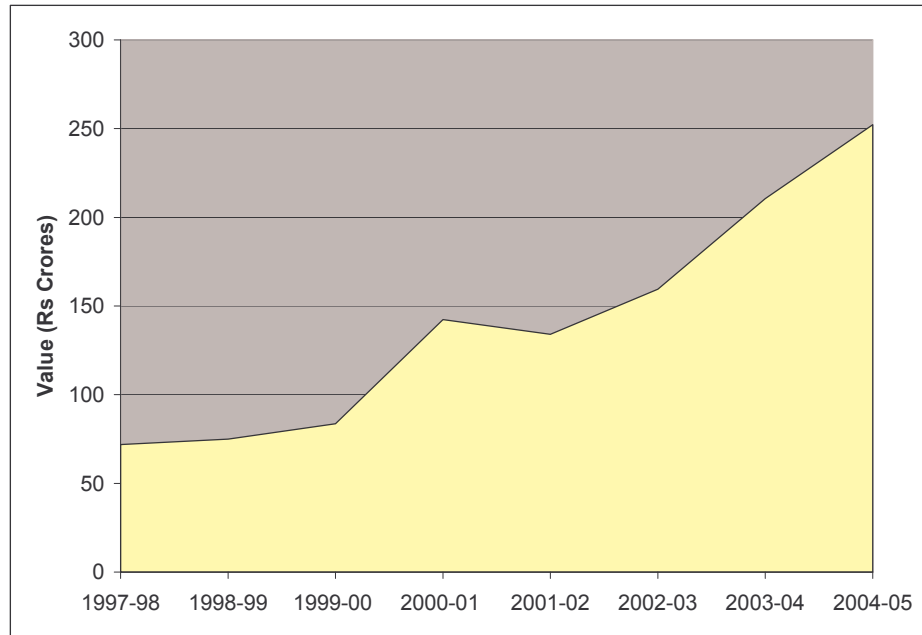
3.6 Export Potential of Zari and Zari Goods

Zari and zari goods share in India's total handicrafts export is a little less than 2 percent. There are 30 products appearing in the EPCH list of handicraft products at 8-digit HS Code level coming under this sub-sector (Appendix 2), out of which various types of zari-bordered saree is the major item. The main center of zari goods in U.P. are Varanasi, Lucknow, Bareilly, Farrukabad and Agra.

The world market size for Zari and Zardozi goods was at about US \$ 8.4 billion in 2003 and increased by about 18 percent compared to the previous year 2002. Hong Kong, USA, Germany, China, France, UK, Italy, Spain, Mexico and Romania are the top ten importing nations for zari and zari goods.

India's export of zari and zari goods has been continuously increasing from 1997-98 to 2004-05 except for a small decrease during 2001-02. The growth has been especially very steep during 2000-01 and 2002-03 onwards as shown in Figure 3.7.

Figure 3.7: Export of Zari and Zari Goods from India



Source: Based on Ministry of Textiles, Annual Reports, 2002-03, 2005-06

The CAGR for the Indian export of zari and zari goods has been 19.65 percent during 1997-98 to 2004-05, which is even higher than the growth in the size of the world market for zari and zari goods. This shows the large potential for the zari and zari goods sub-sector in India and U.P. in the international market.

The 15 major destinations of Indian zari and zari goods are presented in Table 3.5 along with the value of export of these products from India for the years 2002-03 to 2004-05. The percentage change in the value of export in each country compared to the previous years is given in parenthesis.

Except for China, Mexico and Romania all the other top ten zari and zari goods importing countries are present in India's major destinations, indicating India's continued focus on markets with large demand potential. However, it should also look for some other potentially large markets like China, Mexico and Romania which are yet not fully tapped by zari and zari goods exporters from India and U.P.

Table 3.5: Major Destinations of Zari and Zari Goods from India

Sl. No.	Importing Country	Value (Rs. Lakh)				Share (%)
		2002-03	2003-04	2004-05	Average	
1	USA	4613.81	9252.74 (100.54)	4733.96 (-48.84)	6200.17	18.58
2	Italy	2427.38	2807.50 (15.66)	4036.47 (43.77)	3090.45	9.26
3	UK	2170.13	2366.12 (9.03)	1516.50 (-35.91)	2017.58	6.05
4	Spain	1636.25	2448.91 (49.67)	1944.95 (-20.58)	2010.04	6.02
5	Germany	984.28	1616.79 (64.26)	1422.52 (-12.02)	1341.20	4.02
6	Singapore	630.12	1101.74 (74.85)	832.08 (-24.48)	854.65	2.56
7	Malaysia	1097.88	555.58 (-49.40)	582.34 (4.82)	745.27	2.23
8	France	475.55	738.29 (55.25)	718.98 (-2.62)	644.27	1.93
9	Hong Kong	938.98	676.95 (-27.91)	140.64 (-79.22)	585.52	1.75
10	Australia	214.71	548.79 (155.60)	453.66 (-17.33)	405.72	1.22
11	South Africa	156.59	323.94 (106.87)	432.77 (33.60)	304.43	0.91
12	Afghanistan	94.49	93.99 (-0.53)	672.17 (615.15)	286.88	0.86
13	Morocco	173.17	323.57 (86.85)	220.82 (-31.76)	239.19	0.72
14	Japan	195.78	332.88 (70.03)	162.43 (-51.20)	230.36	0.69
15	Nigeria	9.32	236.38 (2436.27)	437.85 (85.23)	227.85	0.68

Source: CMIE's India Trades, 2006.

Based on the above discussion, it is pretty clear that the selected sub-sectors of handicrafts have achieved a significant position and share in the world market. Scope of increasing their export further is also immense as the size of the world market itself is increasing and India's share is also going up in many sub-sectors. But there are several other issues, which need to be tackled before the State and country can target the other untapped potential in international markets. The state and India has the potential to give

China tough competition in all these sub-categories of handicraft products. But for this, it will have to overcome several constraints, which have prevented in achieving the true potential of the sector in international market. Based on interaction with various stakeholders in the handicraft sectors, different types of problems, and constraints faced by the industry are presented in the next chapter.

CHAPTER 4: PROBLEMS AND CONSTRAINTS FACED BY HANDICRAFT SECTOR

Major emphasis was given in the present study to identify the problems being faced by the selected sub-sectors and also to assess the technological gap in these sectors, which might be acting as bottleneck for development and hindering exports of handicrafts from Uttar Pradesh. The earlier chapters have pointed out that there is a lot of untapped potential of varying degrees in international markets for these sub-sectors. But this can only be achieved when various problems and constraints being faced by the sector are done away with or at least their intensity is mitigated. The present chapter analyses the various problems of the selected handicraft sub-sector with specific reference to the state of Uttar Pradesh.

4.1 Nature of the Problems Studied

Some of the problems being faced by the handicraft manufacturers and exporters may be generic in nature while others may be specific to particular sub-sectors. Problems may also be different for different types of organizations, (i.e. manufacturers, manufacturer-cum-exporters, direct exporters and indirect exporters) or for different size of organizations.

The study explored the perception of different organizations on 1 to 5 scale (indicating highly inadequate, inadequate, good, very good and excellent respectively) through some objective questions towards various types of support mechanism available for the export, such as infrastructure at the state, district and local level; cooperation from various government agencies and other support organizations; technical expertise needed for the production process and technical expertise available within the organizations. It also enquired about specific problems in manufacturing and marketing such as marketing channel; various chronic and recent problems related to product quality, pricing, promotion etc.; tariff and non-tariff barriers faced in international

markets etc. through open-ended questions. The subsequent sections present these findings for different types of organizations and handicraft sub-sectors.

4.2 Perception about Existing Support System for Export of Handicraft Products

4.2.1. Perception at Aggregate Level and across Different Sub-sectors

Perception of exporters towards the infrastructure support available for the export of handicraft at the state level, district and local level as well as level of cooperation from government agencies were quantified using 1 to 5 interval scale as mentioned above. Response percentages for different options for state level support, district level support and support from government agencies are shown in Table 4.1.

Table 4.1: Response Percentages for Various Options for All Sub-sectors

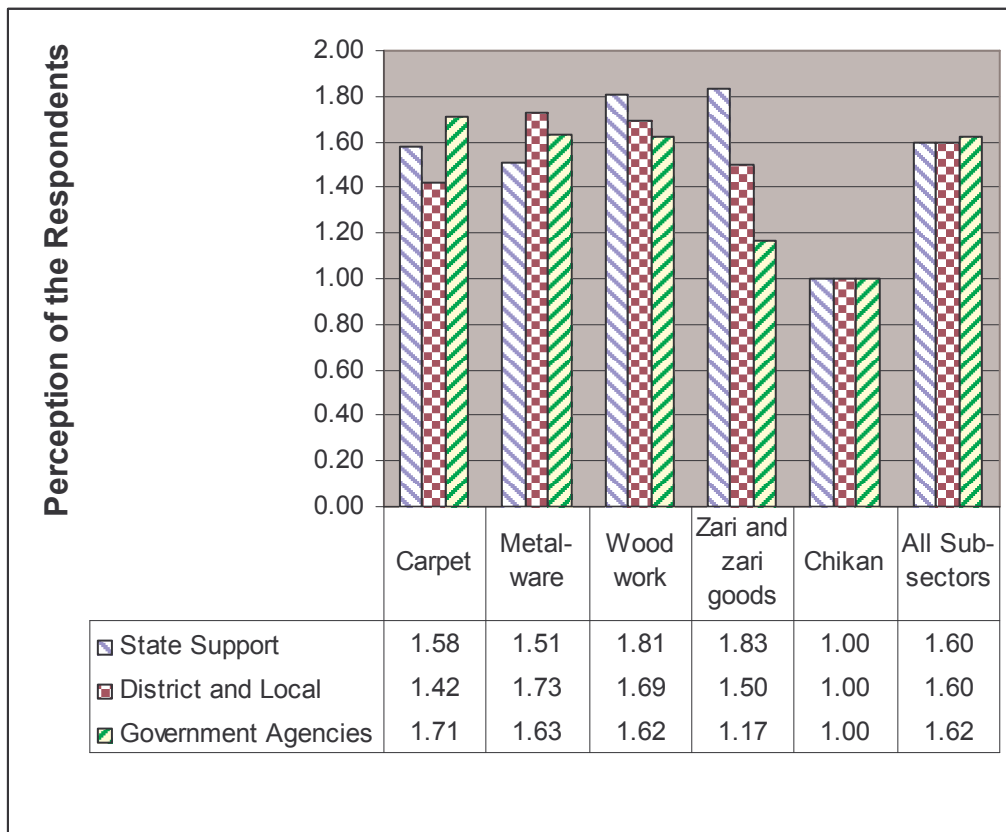
Support Mechanism	Percentage of Organizations who Marked the Options				
	Highly Inadequate	Inadequate	Good	Very Good	Excellent
State level support	42.9	51.0	4.1	0.0	0.0
District and local level support	46.9	43.9	5.1	0.0	2.0
Support from government agencies	48.0	40.8	8.2	1.0	0.0

Looking at Table 4.1 it appears that for state level support, 93.9 percent of the organizations marked their response as either inadequate or highly inadequate and for district and local level support, the corresponding figure was 90.8 percent. According to 88.8 percent of organizations, the support received from government agencies for export of handicraft products was inadequate or highly inadequate.

The mean values of responses for state, district and local infrastructure, and support from government agencies for different sub-sectors as well as at aggregate level are presented in Figure 4.1 along with the data table. As indicated in Table 4.1 and

confirmed by Figure 4.1, the respondents at aggregate level termed the infrastructure support available at state, district and local level as quite inadequate (the mean value of response being 1.60 on a scale of 1-5). The exporters are also not getting adequate support from the government agencies as indicated by the mean response value 1.62.

Figure 4.1: Perception of Organizations towards Various Support Mechanisms



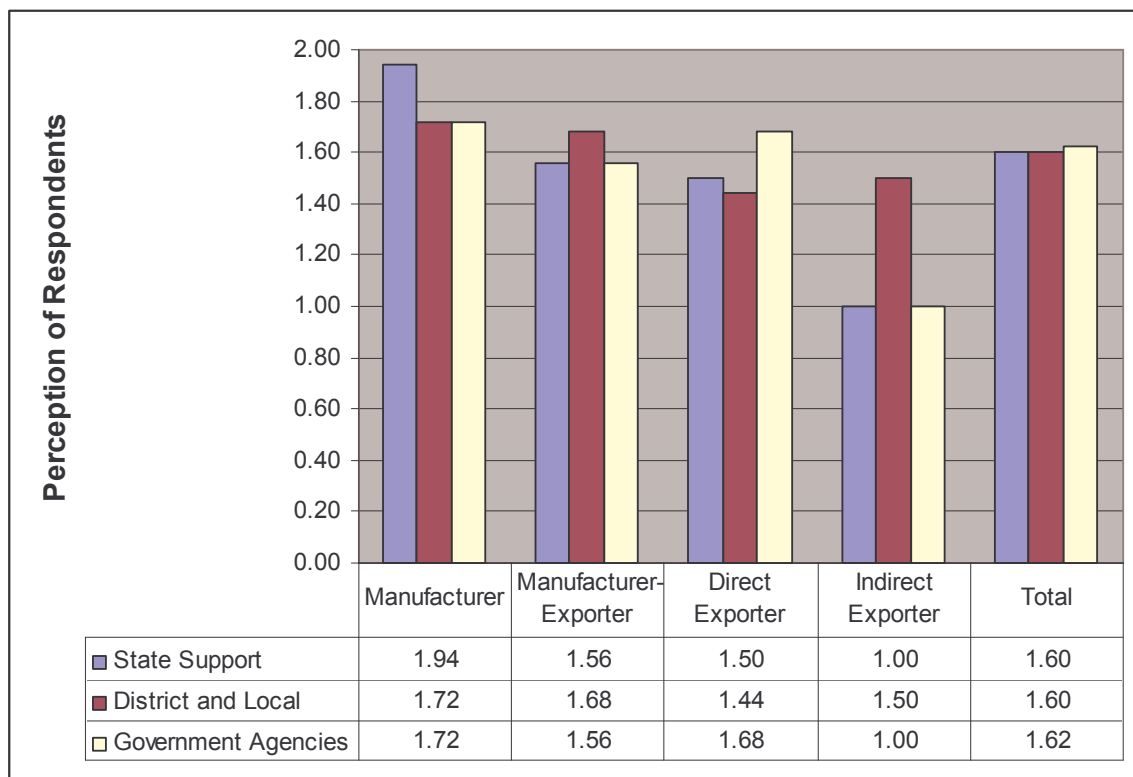
The situation at individual sub-sector level is also not very encouraging. In fact for all the individual sub-sectors, the mean values of responses for state, district and local infrastructure support available and also for supports received from government agencies (for export of handicraft products) are varying in the range of 1.0 to 1.83, showing their extreme dissatisfaction over these issues.

4.2.2. Perception across Different Types of Organizations

The mean values of responses for different types of organizations, i.e., manufacturer, manufacturer-exporter, direct exporter and indirect exporter at aggregate level are presented in Figure 4.2 along with the data table. As indicated in Figure 4.2, for all

the types of organizations taken separately, the mean values of responses for the infrastructure support available at state, district and local level as well as the support from the government agencies are below 2.0. This shows that irrespective of the type of organization, the respondents view the infrastructure support available at state, district and local level as well as supports from the government agencies as quite inadequate.

Figure 4.2: Perception across Different Types of Organizations towards Various Support Mechanisms



Analysis of variance (ANOVA) test was performed, which confirmed that the means of responses across different types of organizations for district and local infrastructure support were statistically not different. The same was also true for the support received from government agencies. However, means of responses across different types of organizations were statistically not equal for state level infrastructure support (F value 3.588, p value 0.017). Looking at the Figure 4.2, it appears that the manufacturing organizations were little less dissatisfied with state level infrastructure support compared to other types of organizations.

4.3 Level of Technical Expertise Needed and Available at Different Sub-sectors

At the aggregate level, it was found that most of the organizations understand the need of good technical expertise needed to survive in this sector. About 89 percent of the organizations marked the need of technical expertise as good, very good or excellent. However, the level of technical expertise available within the organizations was also rated to be quite high by the respondents. About 86 percent of the organizations responded that their organizations have good or very good technical expertise available with them to compete in the international markets (Table 4.2).

Table 4.2: Response Percentages for Various Options for All Sub-sectors

Support Mechanism	Percentage of Organizations who Marked the Options				
	<i>Very low</i>	<i>Low</i>	<i>Good</i>	<i>Very good</i>	<i>Excellent</i>
Technical Expertise Needed	6.1	3.1	53.1	30.6	5.1
Technical Expertise Available	4.1	8.2	52.0	33.7	0.0

The mean values of level of expertise needed to survive in handicraft sector and level of expertise available within the organizations across different sub-sectors are presented in Figure 4.3. The mean value of expertise level at the aggregate level was found to be 3.26 while level of expertise available was slightly less at 3.19. Similar pattern was observed across carpet, art metalware and woodware sub-sectors in which the available level of expertise was marginally less than the required level. But in chikan sub-sector, the level of expertise needed was found to be much less than the required level. In zari and zari goods sector, level of expertise available is even higher than what is needed to survive, which shows the technical competence of this sub-sector.

The level of expertise needed and level of expertise available across different types of organizations follow the same pattern as at the aggregate level (Figure 4.4).

Figure 4.3: Level of Expertise Needed to Survive and Level of Expertise Available within Organizations across Different Sub-sectors

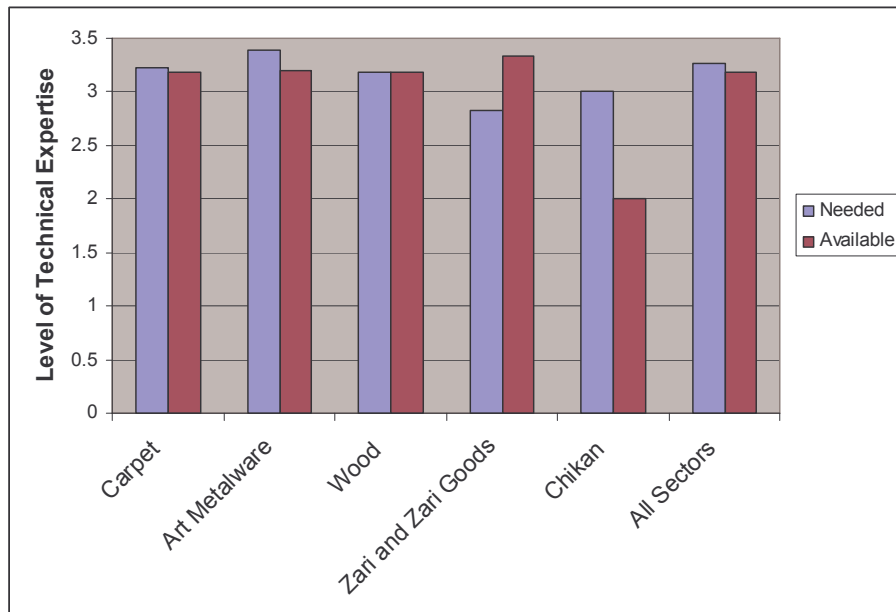
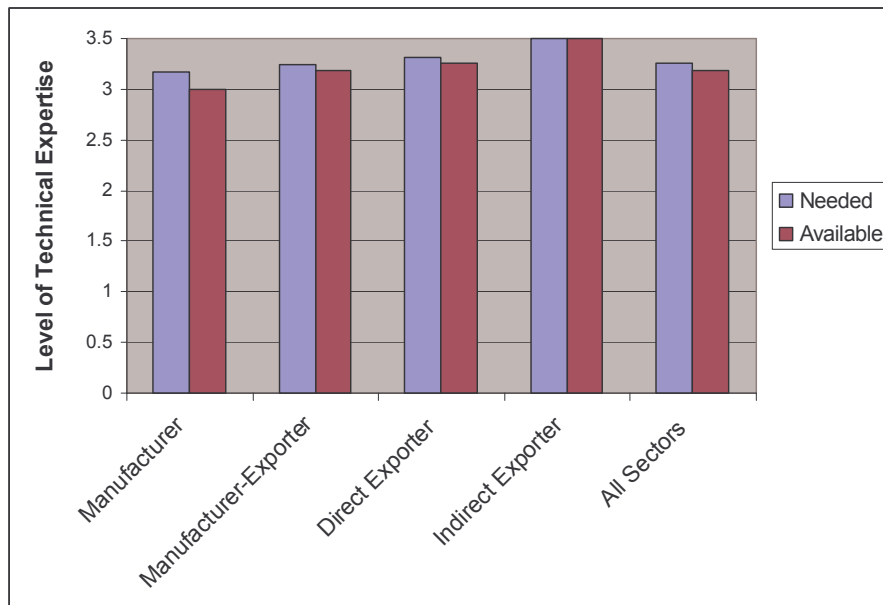


Figure 4.4: Level of Expertise Needed to Survive and Level of Expertise Available within Organizations across Different Types of Organizations



4.4 Level of Satisfaction with Supporting Organizations

Respondents were asked to recall and list the name of the organizations, available in the district or state, which might be providing them help in the production process or export. They were also asked to rate those organizations on a 5-point satisfaction scale, where 1- indicates highly dissatisfied, 2-little dissatisfied, 3-indifferent, 4-satisfied, and 5-highly satisfied.

Rank-wise most often quoted organizations along with the level of satisfaction with them in brackets as reported by the respondents are as following: District Industry Centre (2.4), Export Promotion Council for Handicraft (2.7), Export Promotion Bureau (2.4), Metal Handicraft Service Centre (2.3), Miscellaneous Government Departments related to pollution, local administration, Electricity, Labour etc. (2.3), Brass Artware Manufacturer Association (3) and Indian Institute of Carpet Technology (3). It appears that although manufacturers and exporters quite frequently interact with these organizations, their satisfaction level is not very high with them. Probably they expect these organizations to play more pro-active role.

Reasons for lower level of satisfaction with some of these supporting organizations were further explored. Problems were found even with the existing structure of some of these organizations, which does not provide any incentive for undertaking the role of export-promotion from a long term perspective. For example, EPB which was established in 1999 with specific objectives (as mentioned in Section 1.1, Chapter 1) still runs without a permanent staff of its own and most of its employees are drawn from Directorate of Industry, U.P on temporary basis. The necessary steps that should be taken for providing these organizations stability and enhancing their role in the overall development of export from the state have been suggested in Chapter 6.

Apart from problems related to support mechanism, specific problems relevant to production, marketing and export from different sub-sectors of handicraft were explored through open ended questions. While some of these problems are specific to these sub-

sectors, many of them are common to all of them. These problems are presented in the next section.

4.5 Production, Marketing and Export Related Problems for Handicraft Products from U.P.

Some of the important problems relevant to various sub-sectors are given below:

4.5.1. Poor and Erratic Supply of Electricity

Poor availability and erratic supply of electricity is one of the most prominent problems, which have serious implications for meeting supply and maintaining export schedules. In most of the handicraft clusters, this problem was found with varying intensity. Exporters at most of the handicraft clusters except Lucknow reported that electricity is available hardly for 4-8 hours a day. Even when it is available, there is no proper schedule for its availability during the day.

In the absence of any fixed time schedule for load shedding, and uncertainty involved in availability of electricity, it becomes very difficult to plan production schedule properly. Quite often, producers have to keep the labour idle because they never know what time the electricity supply will be resumed and that too for how much duration. In absence of regular supply of electricity, some of the exporters have to depend on their own generator facility but that adds to their variable cost on power heavily. Lost labour hours also get reflected in overshooting of operational cost as labour is a major cost head in the production of most of the handicraft items.

Due to heavy energy requirement of metal ware industry, more than 77 percent of the respondents quoted the poor availability of electricity as the major problem for the development of art metalware sector. In carpet sector, about 30 percent of the respondents highlighted electricity as the major problem for the industry.

4.5.2. Poor Road Infrastructure and Inefficient Logistic System

Road conditions and road connectivity is very poor in many clusters especially Bhadohi, Mirzapur and Saharanpur. One has to really see the place to believe the condition of the roads prevalent in Bhadohi, a place marked in the world for its special variety of carpets. Poor roads quite often results in breakage of the transportation vehicles and in excessive time taken for transporting the raw materials and finished goods.

In Saharanpur, woodcarving products being a bulky product requires a very efficient transportation and logistic system. But there is an absence of well organized logistic system. Problem is more acute for small exporters who do not have full container load and have to share container space with other small exporters. Due to the bad conditions of roads, resulting in more wear and tear of the vehicles, renting charges of containers provided by the transport companies are generally higher than the prevailing market rate at other centers for the same type of containers.

4.5.3. Absence of Hygienic and Conducive Business Environment

Due to lack of basic public amenities, poor road connectivity and no air-connectivity in carpet cluster in Eastern U.P., especially in Bhadohi and Mirzapur, very few customers want to visit personally to these centers. This area has serious law and order problem acting as a big deterrent in creating conducive business environment. Although water is a key input for carpet industry its availability is highly inadequate, only about 4-5 hours a day. Artisans do not get support for child education and loan facility despite having artisan cards. There is no proper hospital in Bhadohi despite being a full fledged district in the state for so many years. Even sending an international courier is quite difficult from this place. Although Varanasi has one airport, it is not connected with international destinations.

Due to above reasons, the carpet industry is shrinking in this part of the state and moving to other states especially to Uttaranchal where they get better infrastructure

apart from tax incentives for certain years. Copying of weaving designs is quite common leaving aside the Intellectual Property Rights (IPR).

4.5.4. Availability and Fluctuation in Price of Raw Materials

Problem in availability of good quality raw material at reasonable price was reported by art metalware and woodcarving sub-sectors.

In case of woodcarving sector, availability of raw material was pointed out as the most critical problem by 73 percent respondents. Focus group discussion with exporters of wood carved products revealed that there is a lot of scarcity of good quality raw material (wood) in the local market because the supply of raw material is controlled by local mandi run by a strong cartel of few people. Raw wood available in this wood mandi is costlier by about 30-40 percent in comparison to open market. Woodcarving units find importing of wood from outside infeasible due to high transportation cost involved. Levying transit tax by different states on wood transported through their territory further aggravates the problem by further increasing the landing cost of wood. There is no system of quality checks available for raw materials (wood).

Art metalware sector is facing lots of fluctuations in prices of raw material in recent years, which brings in lot of uncertainties in production cost, making it difficult to determine the optimal export price quotation. Too high a price quote (in anticipation of a higher rate of raw material) may make their product non-competitive in the international market, but at the same time price quote on the lower side may bring uncertainty about the profitability of the export deal in view of uncertain price level. Some of the exporters are shifting their business towards iron and aluminum because of large fluctuation in price of brass.

Even in Bhadohi, supply of raw material was reported to be erratic, exploitative and not reliable and there was demand for one raw material depot at Bhadohi.

4.5.5. Market Related Problems

In case of wood carving sector, lack of awareness about export potential of their products was found, primarily due to factors such as poor literacy and lack of exposure to outside world etc. People are unaware of the new potential markets, buyers, quality requirements in other countries, export procedures etc. The small exporters find the participation in exhibitions and other export promotion activities very costly and out of reach of their budget. No long term vision/strategy was found among the exporters and many of them lack quality consciousness.

At art metalware sector in Moradabad also exporters reported lack of awareness about the export policies of the central and state governments and found them quite complex. Small exporters reported the increasing competition in international market and expressed their inability to compete and survive in international market in near future, especially in view of rising price of basic raw material (brass).

Although government provides subsidy for each container to the extent of Rs. 1,000-2,000 but considering the actual cost of about Rs. 20,000 per container for transporting their products to sea port for export, the small sum is highly inadequate and getting this paltry amount reimbursed is a big hassle for them.

In case of carpets, quality certification and branding is very critical for export. However, small manufacturing centers such as Bhadohi do not have such quality assurance certifying agencies. There is a lack of centralized display cum exhibition centre at the carpet cluster level, where importers /buyers from international market can visit and survey the whole range of product at one place.

Handicraft sector units get Rs. 60,000 for stall and Rs. 15,000 for airfare for exhibition as subsidy for attending an overseas fair, and Rs. 15,000 for stall and Rs. 5,000 for airfare for the domestic fair. However, the exporters expressed it as grossly inadequate to serve its purpose.

4.5.6. Use of Old Machineries

Machineries used in many manufacturing units, especially in art metalware sector are very old. These old antique machines are unreliable, energy inefficient and not good for maintaining good quality of finished products. However, some of the large exporters have upgraded their technologies at their own.

4.5.7. Problem in Skill-upgradation

In art metalware, due to absence of sensitivity towards product quality among exporters, most of the poor artisans are unfamiliar with the modern production techniques. Non availability of such training facility further adds in to this problem. There is no institution or organization, which is making awareness of new technology and design in art metalware sector.

In carpet producing zone, there is increasing scarcity of skilled weavers. Earlier, people were coming even from neighbouring states for their livelihood in carpet sector. But due to lack of basic amenities in these areas as pointed out earlier, these people have gone back. In the last few years in Bhadohi 27 weaving centers (started during the period of earlier prime minister Indira Gandhi) have been closed. Although there is a national level institute, namely, Indian Institute of Carpet Technology at Bhadohi, exporters often complained about its lack of linkages with the industry.

4.5.8. Absence of Proper Trade Facilitation Infrastructure

Though trade centers such as Moradabad have large number of exporters of metal ware, it does not have necessary export facilitating support infrastructure such as passport office. There is very little effort on the part of state and central government to spread the awareness of various scheme provided them for different sub-sectors. There is also an urgent need to create institutions not only to develop new production technologies and product designs but also to disseminate them among manufacturers and exporters. Artisans should be imparted frequent training so as to make them aware about new designs by some research institute or other organizations.

Although there is a very good network of DICs in each district of the state, they do not possess any data related to international markets, their size, trend in export etc. for the benefits of small and medium sized exporters.

4.5.9. Absence of Proper Categorization of Products

The chikan products are in a peculiar position. Despite the fact that the chikan work is done manually by skilled artisans, it is ultimately done over cloth prepared by cloth mills. Therefore, quite often there is harassment from the sales tax and excise departments regarding its actual position. They put it under readymade garments category, which leads to application of all types of duties over the product. However, according to the manufacturers and exporters association, it should be categorized as handicraft product only. Even importers quite often demand the type of finishing touch, which requires the use of machines in the final stages. But the use of machine, even at the final stage, puts chikan products under readymade category. This matter should be settled once for ever.

4.5.10. Typical Nature of Certain Sub-sectors

The carpet, zari and chikan sub-sectors are very different from other types of handicrafts. Quite often, the manufacturer/ exporter buys the raw materials, gets the design from the importers and then pass them on to the weavers/artisans for final product. Thereafter, the finishing work is done at one centralized place. These workers are not the employees of the organization. They work in their own houses while maintaining their other routine works. They do not have any commitment towards the organization other than supplying the final product and getting wages for their work. However, according to the producers/ exporters quite often there is harassment by the labour departments that these workers are part of organizations and they should be given all the facilities ordinarily being given to full time employees, such as provident funds etc.

While the producers/ exporters provide the raw materials, they also bear the risks against the non-delivery of the finished goods in case of fire, loss etc. when they

provide the material to artisans. However, no insurance scheme is available to them to safeguard their interest.

4.5.11. Lack of Awareness about Export Policies and Procedures

Central and state government announce various policies and procedures for facilitation of export and to provide incentives (or to reduce disincentives) to the exporters. However, most of the small and medium scaled exporters still find the export procedures quite complex. Even when they export, many of them are not aware of the various incentives announced by the government for facilitation of export such as transport subsidy, market development assistance and various duty drawback schemes.

Although banks provide soft loans for production meant for export purposes to large players, for small and medium players it is difficult to get loans from banks on similar terms as enjoyed by large exporters.

4.6 Tariffs and Non-tariff Barriers in Major International Markets

After exploring the various problems and constraints on the domestic front, an effort was made to find out the major constraints faced by the selected sub-sectors in international markets. Based on responses to the questionnaires and focused group discussion, it was found out that most of the exporters are not aware about the tariff and non-tariff barriers in international markets. Knowing the level of barriers may help them in focusing their export effort in right markets. Based on international trade databases, Trade Analysis System (TRAINS) through World Integrated Trade Solution (WITS) platform, various tariff and non-tariff barriers were compiled for all the HS Codes (at 6-digit level) relevant for products under selected sub-sectors of handicrafts. The tariff and non-tariff barriers in major export destinations are listed in Appendix 5 and Appendix 6 respectively.

Looking at the tables for tariff and non-tariff barriers, it is clear that for many handicraft products within the selected sub-sectors, there are no tariff and non-tariff barriers applicable in major importing countries.

For art metalware, there is very little import duty of about 3 percent in major importing countries like USA and EU but over 10 percent in China. For carpets and carpeting goods, both USA and EU have less than 8 percent import duty and in Saudi Arabia and UAE, it is at 5 percent. However, in Canada and China, the duty is on a higher side (up to 14 percent). For hand knitted and embroidered goods as well as zari goods, the tariff is on higher side in most of the countries with wide fluctuations even in USA and EU depending on the type of products. For woodware products, the tariff in major importing countries, like USA and EU is negligible (about 3-4 percent).

The non-tariff barriers related data is not available for recent years. It gives the types of non-tariff barriers applicable to these sectors during 1996 to 2000 as indicated in brackets against the name of the countries. Looking at the Appendix 6, it appears that major non-tariff barriers applicable to the selected handicraft sub-sectors in the noted years were authorization to protect wildlife, Multifibre Agreement (MFA), import inspection, allocated quota, prior surveillance, prohibition, product characteristics requirement to protect human health and labelling requirements. However, with the expiry of MFA in 2005, a major non-tariff barrier applicable to hand knitted and embroidered goods is now non-existent. Although, WTO discourages the use of non-tariff barriers, in special cases its application is allowed for protecting local environment, plant and human health, wildlife etc.

CHAPTER 5: WTO COMPATIBILITY OF STATE INTERVENTIONS FOR EXPORT PROMOTION

The latest Industrial and Service Sector Investment Policy of Uttar Pradesh was approved on 19 February 2004. Transforming U.P. into a vibrant industrial state, promoting the image of U.P. as an attractive destination for investment, achieving 12% annual growth of Industrial Development and generating 16 Lakhs new employment every year were the main objectives of this policy. The government has also announced U.P. Special Economic Zone (SEZ) New Policy – 2006 in accordance with the Central SEZ Act 2005. A brief overview of the Industrial and Service Sector Investment Policy 2004 and the U.P.S.E.Z New Policy – 2006 have been presented in Section 5.1 and Section 5.2 of the present chapter. Some of the important provisions in the WTO with regard to subsidies and export incentives have been discussed in Section 5.3. Finally, the compatibility of these state level policies has been explored with WTO provisions in Section 5.4.

5.1. Industrial and Service Sector Investment Policy of U.P.³ (2004)

The highlights of Industrial and Service Investment policy are presented below:

Infrastructure

1. Creation of Industrial Infrastructure Development Fund (IIDF) with a Budgetary Provision of Rs. 50 crore. Rs. 50 crore budgetary provisions will be made in the next four years also. Fund will finance and subsidize initiatives in infrastructure creation;
2. Establishment of Industrial Infrastructure Development Authority (IIDA) to manage IIDF. IIDA to work under a whole-time managing director, drawing professional personalities in its management. IIDA will have right to collect user-charges and raise capital and to will become self-sustaining through professional project planning and implementation;

³ Source: <http://upgov.nic.in/indusdev/pdf/Industrial%20Policy%202004%20english.pdf>

3. Creation of world class infrastructure through private partnership. Facilities like transshipment centres, integrated transport and trade centres, exhibition halls, trade centres, container depots, way-side facilities, display centres etc.;
4. Maintenance of Industrial Estates by a Co-operative Society of the entrepreneurs. The Society will receive 60% of taxes collected by the local authority and may be granted necessary financial assistance as and when necessary;

Power & Energy

5. Uninterrupted power supplies for 24 hours to Industrial Areas. IT/ BT/ Food Processing/Agro-based industries involving investment of more than 10 crores and other industries involving investment of more than 50 crores will be supplied electricity through dedicated feeders;
6. Feeders having 75 per cent or more industrial load will be deemed as industrial feeders and will be exempted from power cuts;
7. Dedicated feeders built at the cost of industries shall not be tapped for any other purpose, except where such industry consents to tapping of such feeders for another industrial unit under mutual agreement;
8. Captive and Co-generation to be promoted;
9. Natural gas to be promoted as an alternative source of energy;

Fiscal Assistance-Infrastructure Projects

10. Financial Assistance for investment in infrastructure projects:
 - 10.1 Industrial Estates for IT/BT units are eligible for 50 per cent of investment or Rs. 250 lakh, whichever is less;
 - 10.2 Other industrial estates are eligible for 20 per cent of investment or Rs. 250 lakh, whichever is less;
 - 10.3 Call centre hubs having covered area of not less than 10,000 m² are eligible for 50 per cent of investment or Rs. 50 lakh, whichever is less;
 - 10.4 Convention halls, multimedia centres, exhibition grounds and business/trade centres having recreational facilities and having –

- 10.4.1 covered area of not less than 5,000 m² but less than 10,000 m² are eligible for 50 per cent of investment or Rs. 50 lakh, whichever is less;
- 10.4.2 covered area of not less than 10,000 m² are eligible for 50 per cent of investment or Rs. 100 lakh, whichever is less;
- 10.5 Common facilities in industrial clusters, which are recommended by industrial associations are eligible for 50 per cent of investment or Rs. 200 lakh per cluster, whichever is less;
- 10.6 Laboratories for quality control and Research and Development for products of small scale industries are eligible for 50 per cent of investment or Rs. 100 lakh, whichever is less;
- 10.7 Case to case approval by Cabinet on the recommendations of high powered committee under the chairmanship of Chief Secretary;

Stamp Duty & Registration Charges on Land

- 11. 100 per cent exemption from payment of stamp duty on -
 - 11.1 new small scale units in 24 districts of Poorvanchal and 7 districts of Bundelkhand;
 - 11.2 infrastructure projects;
 - 11.3 IT/BT, and food processing units and call centres;
 - 11.4 service sector projects as enumerated below-
 - 11.4.1 Multi-facility hospitals with specified facilities and having at least 100 beds;
 - 11.4.2 Super-specialty hospitals with specified facilities;
 - 11.4.3 hospitals at block headquarters with specified facilities and having at least 50 beds;
 - 11.4.4 Hospitals in rural areas other than a block head-quarter with specified facilities and having at least 30 beds;
 - 11.4.5 IT/Technical education institutes at block headquarters teaching syllabus approved by the State Government for this purpose and having at least 75 students/apprentices;

- 11.4.6 Medical and dental colleges, other educational institutions, multiplexed cinema halls, shopping malls and entertainment centres investment in building and machinery in which is not less than Rs. 10 crore;
12. 50 percent rebate in stamp duty on all industrial projects not covered under para 11;
13. Facility of registration of all industrial projects at concessional rate of Rs. 2 per thousand, subject to a maximum of Rs. 5,000. This facility is available on service sector projects listed in para 11.4 also;

Fiscal Incentives- Service Sector

14. . Service sector projects listed in para 11.4 will also be eligible for-
- 14.1 exemption from acquisition charges if land for the project is acquired by the Government;
- 14.2 exemption from entry tax on plant and machinery used for the establishment of project;
- 14.3 exemption from electricity duty for 10 years from the date of establishment;
- 14.4 exemption from development charges and malba charges levied by the development authority/local authority;
- 14.5 exemption from house-tax, water and sewage tax and all other taxes/charges levied by the development authority/local authority for five years from the date of establishment;
15. Incentives for new investment in the State –
- 15.1 10 per cent capital subsidy on investment in new small scale units in 24 districts of Poorvanchal and 7 districts of Bundelkhand, subject to a maximum of Rs. 5 lakh;
- 15.2 units of women and SC/ST entrepreneurs in such areas to get 15 percent capital subsidy subject to a maximum of Rs. 7.5 lakh;
- 15.3 5 per cent interest subsidy to new small scale units for five years subject to a maximum of Rs. 2.5 lakh per annum;
- 15.4 concessional rates of 2 per cent of CST instead of 4 per cent;
- 15.5 power bill subsidy equivalent to trade-tax paid on raw materials;

- 15.6 exemption from entry tax on plant and machinery used in establishment of new units;
- 15.7 first new units in every district with an investment of at least 10 crores in case of IT/BT/food processing units and 25 crore in case of other units to be reckoned as pioneer units. Pioneer units will get interest free loan under Industrial Investment Promotion Scheme (IIPS) for 15 years instead of 10 years;
- 15.8 new industrial units employing more than 50 percent or 500 women and 25 percent or more SC/ST employees will be entitled to addition 20 percent of interest free loan under IIPS;
- 15.9 All new industrial units will be exempted from payment of electricity duty for 10 years. Pioneer units will be exempted for 15 years;
- 15.10 projects having investment of more than Rs. 500 crore will be considered on a case to case basis for providing incentives;

16. Incentives to existing units-

- 16.1 stamp duties on business transactions to be rationalized to Rs. 2 per thousand for:
 - 16.1.1 agreement relating to deposit of title deeds for pawn or pledge, from existing Rs. 5 per thousand;
 - 16.1.2 bank guarantee, subject to a maximum of Rs. 10,000, from existing Rs. 5 per thousand subject to a maximum of Rs. 10,000;
 - 16.1.3 conveyance of movable property belonging to the industry, from existing Rs. 20 per thousand;
 - 16.1.4 mortgage deed in which possession is not transferred, from existing Rs. 70/- per thousand;
 - 16.1.5 collateral security, from existing Rs. 10 per thousand;
- 16.2 rates of interest on arrears of declared trade tax and assessed trade tax to be reduced to 14 per cent and 12 per cent respectively from existing 24 per cent and 18 per cent respectively;

- 16.3 Reimbursement of 50 per cent expenditure incurred on registration of patents and other intellectual property rights, subject to a maximum of Rs. 5.0 lakh;
 - 16.4 interest rates of state financial institutions to be brought at par with bank/market rates
 - 16.5 reimbursement to small scale units of expenditure incurred on-
 - 16.5.1 obtaining quality certification, 50 per cent of expenditure subject to a maximum of Rs. 2.0 lakh;
 - 16.5.2 market and technical studies and study of production skills, 90 per cent of expenditure subject to a maximum of Rs. 50,000;
 - 16.6 Incentives to existing small scale units under U. P. Small Industries Technical Upgradation Scheme-
 - 16.6.1 50 per cent subsidy, subject to a maximum of Rs. 2.5 lakh for purchase/import of technical know-how from government recognized institutions;
 - 16.6.2 50 per cent capital subsidy, subject to a maximum of Rs. 2.00 lakh for purchase of additional machinery for increasing production;
 - 16.6.3 5 per cent interest subsidy for five years, subject to a maximum of Rs. 50,000 per annum, on loans from banks/financial institutions for purchase of machinery mentioned in para 16.6.2 above;
 - 16.7 Purchase of diesel for captive power plants permitted against form 3-B;
 - 16.8 Identification of trade fares and exhibitions will be made at the beginning of the year itself and participating industrialists shall be chosen through a transparent process at least 6 months before the event. State Government will bear 50 per cent of transportation and space rental expenditure;
17. Deregulation and Simplification
- 17.1 An Act to be passed for effective implementation of Single Window Clearance System;
 - 17.2 System of self-certification and third-party certification will be introduced;
 - 17.3 Only one combined inspection of industries in a year;
 - 17.4 Small scale units having less than 25 employees exempted from labour laws;

- 17.5 Entrepreneurs and traders having turnover up to Rs. 3 lakh exempted from trade-tax registration;
- 17.6 Automatic approval of industrial building maps on submission except for a restricted list of highly-polluting industries;
- 17.7 Compulsion of giving employment to land-holder in lieu of acquired land removed;
- 17.8 In case of recovery of dues-
 - 17.8.1 stamp duty to be charged on actual auction amount;
 - 17.8.2 recovery charges on actual amount recovered/amount of OTS only;
- 17.9 Breaking local truck cartels;
- 17.10 U.P. Shops and Establishments Act, 1962 will be amended considering the needs of Call Centres, Multiplexes, Shopping Complexes and other services facilities which keep open for 24 hours;

Other Matters

- 18. Appointment of Chief Industrial Development Officer in selected industrial districts;
- 19. Task force under the chairmanship of Industrial Development Commissioner for inquiry into complaints of harassment by officials;
- 20. Fast track grievance redressal system on security issues. An IG Police to be deputed on whole time basis in the office of DG Police to look into the security needs of the entrepreneurs;
- 21. Entrepreneurs / Trader Security Forum to be created at District level under the Chairpersonship of the District Magistrate;
- 22. Meeting of Udyog Bandhu at Hon'ble Chief Minister's level once in every three months;
- 23. Creation of Human Resource Development Fund for providing assistance to participating companies for training and development of employees. Participating companies to contribute 1/2 to 1 per cent of their wage bill according to number of employees. State Government will contribute twice such amount. Participating companies will be entitled to draw three times their contribution.

24. U.P. Small Industrial Units Rehabilitation board to be created. An Act to be passed for effective implementation of Rehabilitation Board;
25. Creation of Rehabilitation Fund of Rs. 50 lakh for funding 50 per cent of consultancy charges for making rehabilitation packages;

5.2. U.P. SEZ Policy - 2006⁴

Salient features of U.P. SEZ Policy 2006 applicable to handicraft sector are presented below.

- The policy aims to develop integrated areas with world class infrastructure facilities establishment of SEZ for achieving a rapid economic and industrial growth in the state by boosting up the export by various provisions for the exemption of taxes etc. related to labour, environment, electricity etc.
- Policy related to Exemption of State Level Taxes, Levies, Cess, fee and duties
 - a. Exemption of SEZ units from all kinds of taxes, cess or levies of the govt. of U.P or taxes of any other fiscal authority/ agency for any transaction within SEZ or on any procurement of goods, supplies or services from the Domestic Tariff Area (DTA). Units in DTA would also be exempt from these on sales made by them to a SEZs unit. These included UP trade tax, turnover tax, mandi tax, entry tax, development tax, local bodies tax etc.
 - b. Exemption from taxes levied by local bodies.
 - c. Exemption from the stamp-duty and registration fee on first transaction.
- Policy related to Electricity
 - a. Electricity duty and taxes will be exempted on generated or purchased electricity for use in processing area of the SEZ for a period of 10 years from the date of production or start of service.
- Rationalizing labour laws
 - a. Power of Labour Commissioner related to implementation of labour laws will be delegated to the Development Commissioner of SEZ.

⁴ Source: http://upgov.nic.in/indusdev/SEZ%20Policy_English_Part-A.pdf

- b. For inspection relating to workers' health and safety, Government of U.P. will use best international practices by permitting units to get such inspections done through accredited agencies
 - c. Units located in the SEZ will be endowed with public utility status under the Industrial Dispute Act.
 - d. Government of U.P. will notify a single reporting format covering all the Labour Laws.
- Policy related to Inspection
 - a. For all physical inspections, a schedule would be worked-out in consultation with the Development Commissioner and then only inspections would be carried out.
 - b. In case of any specific information of any violation, the inspecting agency will be required to take prior approval of the Development Commissioner before conducting the proposed inspection.
- Clearance Procedure (Single Point/ Window Clearance System)
 - a. All state level clearances will be given at a single point.
 - b. Most of the state level clearances will be brought under automatic clearance route, meaning thereby that ex-post-facto information by the developer or unit entrepreneur will be sufficient.
 - c. For all clearances required from state government agencies, government will notify a single form of application and Letter of Permission issued by the Development Commissioner will contain approvals of subjects covered by the application from.
- Rationalizing of Environmental Procedures
 - a. A list of non-polluting industries will be notified for which separate environmental No Objection Certificate (NOC) will not be required in SEZ.
 - b. State government will take necessary steps to stop the un-planned development around the SEZs and shall consider developing green belt.
 - c. A system of periodic self certification for all industries in the SEZ, assisted by private certification agencies will be implemented.

- Policy related to the Development Structure
 - a. SEZ shall be established in the public sector, private sector and through public-private (PPP) route.
 - b. State government will act as a facilitator for ensuring the availability of water to the units.

5.3. Important Provisions under WTO

Some of the important provisions in the WTO like permissible subsidy and incentives, measures against unfair trade subsidies and countervailing measures, issues of specific subsidies etc. have been discussed in the following subsections.

5.3.1. Subsidy and Incentives in WTO Framework

The practice of giving export incentives is universal and India is also a party to it. However, the extent and the form of export incentives vary from country to country depending upon the country's economic structure, its overall resource availability, its export potential, and the effectiveness of export incentives in realizing its export potential. Within its overall budget constraint, each WTO member country must decide how best to structure its export incentives that are consistent with the WTO rules and at the same time achieve the objective of export promotion. Although awareness about WTO in India has increased in the last several years, still many people are not aware of its basic framework and major implications on India's international trade. In this context a brief overview of the WTO in liberalizing trade and some of the provisions of the WTO agreement on subsidies and countervailing measures is presented below.

The Uruguay Round of trade negotiations reached its completion in December 1993. The Marrakesh Agreement establishing the WTO was signed at the last ministerial meeting of GATT in Marrakesh in April 1994, paving the way for the WTO to commence operations on 1st January 1995. The WTO has a set of multilateral agreements, which prescribe the rights and obligations of government in several areas

and these form the basic principles of the world trading system. They are as following:

- *Most-Favoured-Nations Treatment (MFN)*: For trade in goods, a country should not discriminate between its trading partners i.e. equal and MFN status for all. Some exceptions are however, allowed. For instance, a country within a region can set up a free trade agreements that do not apply to goods from outside the group. A country can also raise barriers against products from specific countries that are considered to be traded unfairly. A country can also put restrictions on imports by raising import duty or putting quantitative restrictions if it faces a balance of payment problem. In services, countries are allowed to discriminate but only in limited circumstances and under strict conditions. In general, MFN means that every time a country lowers a trade barrier or opens up a market, it has to do so for the same goods or services from all its trading partners – whether rich or poor, weak or strong.
- *National Treatment*: This means that imported and locally produced goods should be treated equally – at least after the foreign goods have entered the market. The same applies for foreign and domestic services, foreign and local trademark copyrights and patents.
- *Freer Trade*: Lowering trade barriers is one of the most obvious means of encouraging trade. These barriers include customs duties or tariffs and measures like import bans or quotas that restrict quantities selectively. From time to time other issues like red tape and exchange rate policies have also been discussed. Opening up markets requires adjustment time. The WTO agreements allow countries to introduce changes gradually through progressive liberalization. Developing countries are usually given longer time to fulfil their commitments.
- *Predictability*: This means that the foreign companies, investors and governments should be confident that trade barriers should not be raised arbitrarily. The objective is to make the business environment stable and predictable. Predictability is mostly governed through binding. For goods, these bindings are in the form of ceilings on tariff rates. For instance in

agriculture 100 per cent of the products now have bound tariffs thereby resulting in a higher degree of market security for traders and investors.

- *Promoting Fair Competition:* The trading environment should be competitive, i.e. unfair practices like export subsidies and dumping products at below cost should be prohibited.

The basic structure of the WTO Agreements shares a common three-part outline. The first part deals with the broad principles i.e. General Agreement on Tariffs and Trade (GATT) for trade in goods, General Agreement on Trade in Services (GATS) and Trade Related Aspects on Intellectual Property Rights (TRIPS). The second part deals with the additional details, which include the agreements and annexes of specific sectors, and the third part deals with the market access commitments. These are schedules or lists of commitments made by individual countries allowing specific foreign products or service providers access to their markets.

5.3.2. Measures against Unfair Trade Subsidies and Countervailing Measures

Certain practices of governments may give rise to unfair competitive advantage to their firms in international trade. Sometimes firms resort to unfair measures for improving their export prospects. The WTO agreements provide for remedies against such unfair practices. One of these deals with giving of subsidies particularly export subsidies which are trade distorting in nature and the other is dumping of goods resorted to by firms. This subject is covered under the Anti-dumping Agreement of the WTO (Agreement on The Implementation of Article VI of GATT 1994).

One of the basic objectives of the WTO agreement is to remove the distortions present in international trade. It is recognized that subsidies particularly export subsidies, are distorting in nature and in order to remove distortions in international trade, it is important to impose disciplines on subsidies. To achieve this goal, WTO has established a set of rules to govern subsidies and export incentives. For non-agricultural products, subsidies and export incentives are governed by the WTO agreement on subsidies and countervailing measures (SCM). The WTO Agreement

on Agriculture (AoA) disciplines the export incentives and subsidies given to the agricultural items.

Article XVI is directly concerned with the use of subsidies. GATT's Article XVI has two main elements:

- Section A of the article, which already applied fully to all GATT contracting parties before the WTO came into existence, is a requirement that each government notify all subsidies it gives that would have the effect of increasing exports or reducing imports, and that it be ready to discuss limiting a subsidy that causes serious prejudice to interests of another member.
- Section B, the second element, concerns exports subsidies. This section was added to Article XVI in 1955, GATT signatories are required not to subsidize exports of a primary product in such a way that would give the subsidizing country “ more than an equitable share of world export trade in that product”. The developed countries accepted a requirement not to give subsidies to exports of non-primary products that would result in their export prices being lower than the domestic price. The Tokyo round negotiations resulted in 1979 in a code, which built on these GATT provisions, but did not substantially depart from them.

The WTO SCM agreement contains a definition of the term “subsidy”. According to the definition, a measure must have three basic elements to be considered as a subsidy. They are:

- The measure must be a financial contribution.
- It should be made by a government or any public body within the territory of a member, and
- The measure must confer a benefit.

All three of these elements must be satisfied in order to be specified as a subsidy. Even if a measure is a subsidy within the meaning of the SCM Agreement, it is not subject to the disciplines of the SCM Agreement unless the concerned subsidy is a ‘specific subsidy’. By specific subsidy the SCM Agreement means subsidies which

are specifically provided to an enterprise or industry or group of enterprises or industries. Thus, only “specific” subsidies are subject to the SCM Agreement disciplines. There are four types of “specificity” within the meaning of the SCM Agreement:

- Enterprise-specificity - A government targets a particular company or companies for subsidization;
- Industry-specificity - A government targets a particular sector or sectors for subsidization;
- Regional specificity - A government targets producers in specified parts of its territory for subsidization; and
- Prohibited subsidies - A government targets export goods or goods using domestic inputs for subsidization.

All specific subsidies are actionable under the SCM agreement. However, depending upon the trade distorting nature of the specific subsidies, the SCM agreement classifies the specific subsidies into two groups: prohibited subsidies and actionable subsidies. According to the SCM agreement if a country grants or maintains prohibited subsidies then other member countries can impose countervailing actions on the errant country straightaway. However, for non-prohibited or actionable subsidies, a Member country can impose a countervailing measure only if it proves that there are subsidized imports from the other Member country, there are injuries to its domestic industry, and there exist a causal link between the subsidized imports and the adverse effect on its domestic industry.

5.3.3. Types of Specific Subsidies

- Prohibited Subsidies: These subsidies are prohibited by the WTO as they directly affect trade and are most likely to have adverse effects on the interest of other members. Two categories of subsidies are prohibited by Article 3 of the SCM Agreement. The first category consists of subsidies contingent, in law or in fact, whether wholly or as one of several conditions, on export performance (“export

subsidies”). The second category consists of subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods (“local content subsidies”). These two categories of subsidies are prohibited.

- Actionable Subsidies: Most subsidies that do not belong to the prohibited are categorized as actionable subsidies in the SCM⁵. Actionable subsidies are not prohibited. However, the WTO rules stipulate that if a Member country can prove that subsidized exports from a country is adversely affecting another Member country then the affected country can impose countervailing duties on the subsidized exports from the subsidizing country. The affected country can challenge the other country either through multilateral dispute settlement or through countervailing actions.

To sum up, the following conditions have to be satisfied if countervailing measures are imposed on a certain product:

- The product is domestically supported by a measure, which according to WTO definition is a ‘subsidy’.
- The subsidy has to be prohibited subsidy or specific subsidy.
- There should be imports of that subsidized product in that country or in a third country.
- It will have to be proved that injury has occurred to the domestic industry of the complainant country and there is a causal link between the subsidized imports and the injury.

As far as countervailing actions are concerned, a member can request consultations with the offending member. If the two members fail to reach a mutually agreed solution about the subsidy within a stipulated time period, then the matter is referred to the Dispute Settlement Board (DSB) of WTO. If the dispute settlement procedure confirms that the subsidy is prohibited, it must be withdrawn immediately. Otherwise,

⁵ Source: http://upgov.nic.in/indusdev/SEZ%20Policy_English_Part-A.pdf

the complaining country can take countervailing measures i.e. charge extra duty (known as “countervailing duty”) on subsidized imports that are found to be hurting domestic producers. As mentioned before, for non-prohibited but actionable subsidies, injury to the domestic industry has to be proved if such countervailing actions are to be taken.

5.3.4. Developing Countries and the SCM Agreement

The article 27.2 of the SCM Agreement exempts the developing countries with per-capita income of less than US\$ 1000 from the prohibition of export subsidies. India’s per-capita income is less than this stipulated limit and therefore, for non-agricultural products, WTO rules do not prevent India to subsidize its exports. However, the SCM agreement imposes two restrictions on the use of export subsidies by these countries. The first exception to the right use of export subsidies arises if a country reaches ‘export competitiveness’ in a certain product, the SCM agreement requires that the export subsidy on that product should be phased out over a period of eight years. According to the SCM agreement, ‘export competitiveness’ in a product exists if a developing country Member’s export of that product has reached a share of at least 3.25 per cent in world trade of that product for two consecutive calendar years.

The second category of prohibited subsidy for developing countries is that of import substitution or local content subsidy. This prohibition was not applicable to developing country members for a period of 5-years, which ended on December 31 1999. Therefore, exemption from prohibition on import substitution subsidy is now not available to India.

It should be emphasized that even if the WTO SCM Agreement allows developing countries to have export subsidies, this does not make these countries immune from the countervailing duties. If the conditions for imposing CVD on certain products are met, then other member countries can impose CVD on those subsidized imports from the developing countries mentioned in Article 27.2. However, Article 27.10 and 27.11

allows certain *de-minimis* level (Maximum permissible level) of subsidies for developing countries and for countries mentioned in Article 27.2 including India⁶.

5.4. WTO Compatibility of the Industrial Policy of Uttar Pradesh

Based on the examination of the Industrial policy of U.P., U.P. SEZ Policy 2006 and interaction with experts in the area of WTO, the issues related to WTO compatibility of state interventions are presented below.

Export subsidy is generally not prohibited in developing countries like India. However, 'local content subsidies' and subsidies on products in which India has achieved export competitiveness are the two exceptions. As per data published by International Trade Statistics Year Book 1999 and 2005 and presented in Economic Survey of India, 2001-02 and 2005-06, India had more than 3.25 per cent market share in nine commodities in two consecutive years 1997 and 1998 or during 2002 and 2003. The list of such products is shown in Table 5.1. Any export subsidy given to these products can be countervailable by other WTO member countries. However, none of these products belong to the selected handicraft sub-sectors, which were taken for the present study.

Apart from these subsidies, all other form of export incentives given by India / U.P. will be countervailable only if the following two conditions are met:

1. These subsidies belong to the category of 'specific subsidies'.
2. Countervailing actions against specific subsidies given has caused injury to the domestic industry of the other member country.

⁶ 27.10. Any countervailing duty investigation of a product originating in a developing country Member shall be terminated as soon as the authorities concerned determine that:

- a. the overall level of subsidies granted upon the product in question does not exceed 2 per cent of its value calculated on a per unit basis; or
- b. the volume of the subsidized imports represents less than 4 per cent of the total imports of the like product in the importing Member, unless imports from developing country Members whose individual shares of total imports represent less than 4 per cent collectively account for more than 9 per cent of the total imports of the like product in the importing Member.

Table 5.1: India's Share in World Exports

Code Group	Commodity Division/Group	Market Share (percent)			
		1997	1998	2002	2003
042	Rice	12.5	10.4	18.1	12.5
074	Tea and mate	18.5	16.4	12.6	10.9
075	Spices	12.1	11.2	8.5	7.7
121	Unmanufactured tobacco and refuse	3.6	3.6	*	*
281	Iron ore and concentrates	4.9	4.6	8.7	9.5
612	Manufacture of leather of composition of leather	5.9	5.8	5.0	3.8
652	Woven cotton fabrics	4.3	4.3	4.1	3.6
654	Woven fabrics other than of cotton or man-made fibers	*	*	4.1	4.4
667	Pearls, precious and semi-precious stones	10.6	10.7	13.6	13.9

*Note: * India's market share in these years was less than 3.25 percent*

Source: Economic Survey 2001-2002, 2005-06

Most of the measures mentioned in Industrial and Service Sector Investment Policy 2004 intend to improve the basic infrastructure of the state, electricity and power conditions, simplification of administrative procedures, The measures mentioned in policy related to export and S.E.Z. are also designed to boost exports from the state mostly in the form of providing proper export infrastructure, marketing information and improving the administrative set-up etc., most of which are very much allowed under WTO framework and in fact should be encouraged in the state. But, it also provides certain subsidies such as export freight subsidy, soft loan for export production, capital subsidy for new investments in the state, subsidy for modernization of plants etc.

Export freight subsidy is basically a type of specific subsidy under the WTO framework specified earlier because the government is directly assisting their exporters and is hence

can be countervailable. In case of export credit, if the interest rate charged is lower than the prevailing market rate, it will also be countervailable. Non-application of trade tax or abolition of state taxes for export zones are not considered as subsidy because the SCM Agreement allows for exemption of an exported product from duties or taxes borne by the like product (destined for domestic consumption). It also allows the remission of such duties or taxes provided that it does not cross the amount which has accrued for that product.

Apart from the above mentioned subsidies, most other state level interventions in U.P. do not have any industry or sector specific effects and hence its measures are outside the ambit of subsidies and countervailing measures agreement. To conclude, the industrial and export related policies of U.P. are more or less WTO compatible and the state can continue to pursue these policies in future for the overall development of industries and to promote exports from the state. However, it should also keep in mind that all these policies should be implemented in an objective manner and should improve the overall climate of the investment in the whole state in all the sectors, otherwise, it may be fall under specific subsidy and will remain countervailable in other importing countries.

CHAPTER 6: STRATEGY FOR PROMOTING EXPORT OF HANDICRAFT

Based on the findings of primary and secondary study on various aspects of handicraft sector in Uttar Pradesh, some action points are being suggested in the present chapter, which will not only create a conducive environment for the development of handicraft sector in the state, but also likely to boost the exports in a significant way in near to medium term.

6.1 Reinventing the Role of Support System for Export

As pointed in Chapter 4 (Section 4.2), as per responses from manufacturers and/or exporters, the infrastructure support available at the state, district and local level as well as support from government agencies are quite inadequate. Their level of satisfaction with the supporting organizations in most cases is below the average. This observation is common to all the sub-sectors and among all types of manufacturing and/or exporting organizations. This should act as an eye-opener for all the government and private organizations at state, district and local level responsible for infrastructure development as well as the relevant government agencies that are responsible for promoting and supporting export from the state.

These organizations will have to take more proactive role to improve the work culture in the state at the cluster level. They should take up increasing the export from the state and various districts as joint responsibility not only in the short-term but also in the medium and long terms. Manufacturers and Exporters should see these organizations as facilitators in increasing exports rather than regulators of export. However, some of the manufacturers/exporters also try to take undue advantages of various loopholes prevalent in the system. Those cases should be sternly dealt with an objective and swift manner.

Some of the steps that must be taken to increase the efficiency of support organization are listed below:

- The support organizations should have proper organizational structure which may provide them stability, incentive and flexibility in working. As analysis of the detailed organizational structure of various support organizations in terms of manpower and infrastructure requirement is beyond the scope of the present study, only some of the important points are highlighted here.
- Organizations like Export Promotion Bureau, which has direct inter-linkages with exporters, should be given a more permanent structure with some key permanent staffs of its own. At present there is no permanent staff appointed to this organization and most of them are brought from Directorate of Industry, U.P. Some computer staffs have been appointed on contract basis. Since these staffs are drawn from other department on temporary basis, it is difficult for them to have a long term perspective on export front. Learning can be drawn from the state of Orissa wherein there is an independent organization as 'Directorate of Export Promotion and Marketing', which acts not only to promote export of goods from the state but also provides marketing assistance to SSI units within the state.
- People who are interacting with manufactures and exporters at District Industry Centre, Export Promotion Bureau etc. should have some formal knowledge and experience in the field of relevant fields. They should be periodically updated with the latest export-import procedure and export-import policies of the country, through cooperation of some of the specialized organization in this area like Indian Institute of Foreign Trade, New Delhi.
- While providing independence, incentives and flexibility to people in these organizations, they should also be made accountable to the industry and industry associations for continuously enhancing the export from the state over the specified period of time.
- There should be better inter-linkages among various support organizations on information dissemination. At the moment, the small and medium exporters do not have access to quality information on international trade. EPB may create and maintain such database at its main server, which could be made accessible from

DIC information gateway as proposed in Section 6.6. A nominal amount may be charged from users of such resources.

- At present the exporters have to do a lot of paper work for reimbursement of Marketing Development Assistance and Transport Subsidy. This also makes the work at EPB quite cumbersome. Initiating online submission of forms for such reimbursements with scanned copies of supporting documents will not only save a lot of time for exporters but it will also facilitate speeding up the process at EPB, which will help in settling such requests faster in a transparent manner. In case of any discrepancy, the concerned party may always be asked to submit its request in hard copy later on. Some timeframe should also be fixed and announced for settlement of such requests, if all the supporting documents are in order. For easy interaction with the exporters, few field offices of EPB may also be established at important regions within U.P. like Noida, Varanasi and Moradabad.

6.2 Upgradation of Basic Infrastructure

Looking at the type of infrastructure available at some of the well known handicraft clusters like Bhadohi, Mirzapur, Saharanpur, Varanasi and Moradabad, it is really surprising to note how could those organizations bring these centers in the forefront of the handicraft map of the country despite all odds being against them. If we are really serious to increase the export from the state, drastic improvements in the infrastructure of these centers will be needed very quickly. Some of the important steps in this regard are listed below:

- All the major clusters of handicraft sectors should be well connected to the major cities through better roads. The current conditions of the approaching roads to these cities make the transportation of the raw materials and final goods very time taking and costly affair due to higher wear and tear of the vehicles.
- Air connectivity of Varanasi airport should be improved from Delhi, Mumbai and Nepal for quick access to nearby handicraft clusters.

- Road conditions should be drastically improved within all the clusters. Bad road conditions and lack of basic amenities in the clusters puts off the importers and they start looking out for other options elsewhere.
- Water is a major input to the carpet sector. Its availability should be improved for industrial purposes. Along with the availability of water, its drainage facility should also be improved especially in carpet belts so that used water does not remain logged in the town. In rainy season the entire town looks very filthy and does not speak high about the quality of work for which these places are known for.
- Electricity is a problem in almost all the places in the state. Running the plants on generators, make the product very costly and noncompetitive in international markets, especially for the products where machineries are also used like art-metalware products. Even for other sub-sectors, lots of artisan-hours are wasted every day, for want of electricity. Its availability should be improved as early as possible at least up to the level of 14-18 hours per day. If needed, private electric distribution companies may be involved in handling this problem. Till the electricity condition is improved, the load shedding should be done after informing the timings of such period well in advance so that the manufacturers/exporters may reschedule their production process accordingly.
- Further, some mechanism should be evolved to repay the excise and import duty charged on diesel, if used in generators for production of export items. Although this facility is available for large exporters based on volume of consumption of diesel, its benefit should be extended to the small exporters as well. This will ease them with the extra burden in absence of electricity. However, it should be available only till the electricity condition is improved in the area.

6.3 Improving the Business Environment of the Clusters

- The manufacturers/ exporters in the handicraft clusters have shown immense entrepreneurial skill so far in managing their business in places lacking good business environment. But the serious law and order problems in the surrounding

areas, especially in Eastern U.P., absence of good schools, reliable hospitals etc, are making their life difficult. Even artisans are shifting from these places for want of such basic facilities. There is no good hotel in entire carpet belt where foreign buyers may stay. To avoid exodus of manufacturers / exporters to other places like Uttaranchal, Rajashthan etc., these problems should be immediately targeted.

- Some common facility center may be created in these handicraft regions where the foreign buyers may stay overnight. In these places, a well managed showroom should also be established where the buyers may see the latest designs and development activities being carried out in the field of handicraft items under one roof. However, apprehension of the exporters about copying of designs from such common places should be properly addressed before creating such common facility centers. The industry should also be made partner in creating such centers.
- After improving the local infrastructure and basic amenities, some regular sight seeing tours to some well known nearby tourist places like Varanasi, Chunar fort, Vindhyachal etc. may be started on regular basis, which will add extra incentive to foreign buyers visiting these places for handicraft items.
- The producers/ exporters have high expectations from the proposed special economic zones. The creation of such zones should be expedited, with world class basic infrastructure and good working conditions.

6.4 Upgradation of Technology and Skill of Artisans

- In art metalware sector, the machineries used by some of the producers are quite old, which should be phased out through facilitation of procurement of new machinery by extending technical and financial help and loan at remunerative rate of interest, irrespective of size of producers.
- Welfare of artisans such as adult education programmes should be regularly organized at late evenings to improve their efficiency. The artisans should be informed about the need of improving their skill for facing tough competition in

international markets so as to safeguard the interest of not only the exporters but their own existence as well.

- Some training centers should be established in these clusters, which will be making the artisans aware of the new technology and designs in art metalware, carpets, zari and zari goods, chikan works and woodcarving etc. Except for IICT at Bhadohi, there is hardly any institute/ organization who are working in improving the technology in these sectors and for upgrading the skill of the artisans. IICT should also increase its linkages with the producers and exporters. In absence of their mutual linkage, all the new technologies developed in the center will remain on papers only.
- All the closed weaving centers at Bhadohi (about 27 in number) should be reopened. This will ease the problem of scarcity of weavers in the carpet belt of U.P. and will also provide employment to the rural youths.
- A common finishing plant may be set up at the carpet and zari producing clusters, where different exporters may get the service of finishing touch to their products on payment basis depending on the importer's requirement. This will save lot of time of the exporters and multiple investments at individual level.

6.5 Availability of Raw Material at Reasonable Price

- Availability of wood at reasonable prices for woodcarving units should be ensured with the cooperation of forest department, and proper organization and regulation of wood mandi in Saharanpur. Cartel at the wood mandi, if any should be immediately thrashed. Outward movement of raw wood from the cluster should be properly monitored. But for the producers/ exporters easy wood transport permit should be given.
- The possibility of a wool depot at Bhadohi/ Mirzapur for the carpet sector and metal depot at Muradabad may be looked into as per the demand of the local producers/exporters.

- To avoid uncertainty due to wide fluctuation in price of the raw materials (brass, iron, aluminum etc.) there has been a demand by art metalware sector to keep the price of these raw materials at a constant level for a certain period (about 2 years). This may not be feasible in view of the linkages of domestic metal market with international markets. However, they may be given proper training to tackle risk of price variation through hedging of the metal through commodity exchanges. Further, they may also be provided information at the district level (through DICs) about the likely trend in price of metals in near to medium term in the domestic and international markets.

6.6 Information Network at DICs

- District Industry Centres (DICs) should be developed as the hub for the development of manufacturing and export from the respective districts. These DICs should be linked with other state and national level industrial and export related websites. Site of each DIC should provide details about the firms working in the district, their major products etc.
- The DICs should provide facility to access various export and import related data through their link to state and national level servers, which can be accessed by the small and medium sized producers/ exporters at the district level itself, as many of them cannot afford to buy and maintain these databases at their own. Availability of latest data about type of products in demand in various countries, its trend etc. will greatly help the producers and exporters to target the international market in a calculated manner.
- Category wise list of exporters should be provided at the website of Export Promotion Bureau so that buyer may easily find out the relevant exporters. Links to the exporters' website and DICs should also be provided at this website. Such database should be updated on regular basis, otherwise, it will lose its relevance.

6.7 Facilitating Marketing and Export

- Although, the government provides subsidy for air fare and stall charges for participating in domestic and international trade fares once a year, it should be done in an objective manner. For certain handicraft sectors, once a year is not enough to make their presence felt in national and international arena as this sector is design specific and the pace of change is very fast in this sector. Exporters should be encouraged to attend more number of trade fares with certain subsidy. The list of forthcoming trade fairs can be obtained from India Trade Promotion Organization Website (<http://www.indiatradepromotion.org>). The list of such events should be widely circulated among all the exporters.
- Export promotion council and Export Promotion Bureau should regularly organize buyers-exporters meet at major export centers in the state. They should try to create awareness about quality of handicraft items such as chikan works, zari goods etc. in the domestic and international Markets. A good domestic market provides the necessary cushion to face the occasional jerks in international markets.
- There are presently two major schemes being handled by EPB: a) Freight Subsidy and b) Market Development Assistance. Both of these schemes have some major gaps, which must be addressed to increase their effectiveness.
- *Freight subsidy:* At present, the scope of freight subsidy is very limited. A freight subsidy of Rs. 1000 per container of 20 feet length (on full container load) is available only to small scale units if the shipment is exported through U.P. based container depots. Keeping large and medium exporters outside the purview of freight subsidy appears as if that they are being penalised for their larger size and efficiency compared to small scale units, which needs suitable correction. This scheme should be made more broad-based in such a way that medium and large exporters, merchant exporters and export houses also get its benefit. The amount of subsidy appears to be quite insignificant considering the actual freight cost of about Rs 20,000 per container from U.P. to Mumbai port. This may be revised upwards preferably around Rs 5000 per container to make it more effective. Small

exporters quite often export part-container load, on which they do not get the subsidy. A proportional amount of freight subsidy may also be considered on part container load for the benefit of small exporters. State based exporters may also be given freight subsidy on their export from ICDs based outside the state or if they transport their products up to the port city through truck or rail as some of the exporters' shipping agents are based in those places.

- *MDA Scheme*: Under MDA scheme, benefits are again limited to small scale units only. Export houses should also get covered under this scheme. For participating in major international trade fairs the rent for space is quite high, but support under this scheme is limited only up to 60 percent of the rent with a cap of Rs 60,000. This may be increased to 75 percent with a possible upper limit of Rs 1 lakh for each fair. Air-fare for these fairs are subsidised up to 50 percent with an upper limit of Rs 15,000. This limit may also be relaxed up to Rs 50,000 for USA and South American countries, for which air-fare is quite substantial. For other countries, the earlier limit may be continued. Advertising expenditure for export purposes are subsidised up to 60 percent at present, which may be increased to 75 percent of total expenditure on this account with an overall limit of Rs 50,000. The limit for subsidy on air-courier charges for sending samples to foreign buyers may be increased from Rs 25000 to Rs 50000 (limited to 75 percent of total expenditure). Support on quality certification according to international standards and certification of laboratories should also be increased from 50 percent at present to 60 percent subject to a maximum of Rs 75,000. With changes in time, these support should be revised periodically on certain intervals, which will provide incentives to the exporters to look for more lucrative markets abroad rather than sticking to the traditional ones. .
- In line with woolmark, some quality mark may be introduced for Bhadohi carpets and Lucknow Chikan. The branding of chikan work by an exporter invites excise duty for the production, which remains otherwise, free from such duty. This anomaly should be sorted out. Chikan Should be categorized and promoted as handicraft item.

- There should be single window system to solve all export related problems at each handicraft cluster. The head of department in all offices related to production and export of handicrafts should be provided with some good knowledge about importance of export-import, its procedures etc.
- Many of the producers are not aware of the procedures for export. They have half-baked information about export-import policies. Export Promotion Bureau may arrange the training sessions on these issues for the benefit of new entrepreneurs and small exporters. Support of relevant organizations such as Indian Institute of Management or Indian Institute of Foreign Trade may be taken in arranging such sessions.

6.8 Miscellaneous Issues

- Stringent environmental provisions of pollution control do not allow operation of small manufacturing facilities in residential area. Since majority of metalware manufacturers in Moradabad are located in residential areas, they have to shift their production units outside the city. Very high cost of land in the periphery of city is a big hindrance to achieve this process. Banks should be encouraged to help out the exporters through soft loans to shift outside residential areas. The manufacturers should be provided with the pollution control mechanism, which is affordable to them and some timeframe may be fixed to shift to the new technology.
- Because of the typical nature of handicraft production, several people are engaged in production process but they are not the employees of the organization. They work at their respective places apart from doing their other regular works. Labour law should be properly informed to all the stakeholders. The concerned departments should also be informed about this in clear term about who will be considered the organization employee and who will be not. This will save exporters from undue interference from the labour departments and avoid corruption.

- There has been a demand from art metalware sector to set up a passport office at Moradabad as they have to go to Bareilly for such purpose. At least some facilitation centers may be made available at all the major export centers .in the state to expedite the process.
- Gold cards, which were issued to the exporters earlier, may be reactivated and its use may be facilitated. These cards provided the exporters free and easier access to government offices to sort out their problems, if any.
- Some banks in the major exporting centers may be designated especially for exporter in such a way that harassment to the exporters may be minimized.
- Indian government should continue the existing support scheme for the promotion of handicraft exports as most of them are WTO compatible, as discussed in previous chapter.
- Establishment of a craft centre: A craft centre at an important trading cum production centre like Lucknow is suggested on the lines of “Delhi haat” wherein the craft persons from different regions of the state will have the facility to exhibit their manufacturing skills and range of products.
- Department of Tourism’s punch-line, “Incredible India” and India’s success in the field of information technology have earned a lot of respect in the mind of foreigners for India. As per one study, India has been named as one of the top preferred places for travel in the world. This has opened new opportunity for the Indian handicraft sector. Publicity of Indian handicraft products along with “Incredible India” punch line should work wonder for both the sectors, tourism and handicraft sector in a complimentary fashion.

6.9 Concluding Remarks

Several steps have been suggested above for revitalization of selected handicraft sectors. It might not be possible to start working on all those issues simultaneously in short term. To provide a major fillip to the development of handicraft sector, the government may follow a selective and concentrated approach. Initially in the first year, it may start with

one sub-sector where immediate intervention is needed. The criteria for such selection can be parameters like its uniqueness to the state, supply capabilities, availability of skilled artisans and development activities already initiated in respect of the craft.

Based on the above criteria, the study recommends the initial export focus should be given to the carpet sector, in which U.P. is second to none in the country. Still its share has been decreasing within handicrafts exports. There are some shifts of production units to other states like Uttaranchal because of problems highlighted earlier. So it may take the above suggested steps especially relevant for carpet belt in the beginning. Thereafter, it may concentrate on other sub-sectors in sequence like woodcarving, art metalware, zari and zari goods, and finally chikan works.

However, it should be noted that not all the steps suggested above may be postponed for longer period for other clusters. So even when focus is on one sector, some immediate relief should be provided to other sectors as well before they reach the point of no-return.

APPENDICES

Appendix 1

Major Crafts / Export Centers in U.P.

Location	Export Item/Major Crafts
NOIDA	Gems & Jewellery, Apparel, Electronics, Computer Hardware & Software, Leather.
Greater Noida, Noida	Electronics, Computer Hardware & Software, Apparel, Engineering, Automobiles, Chemicals
Sahibabad, Loni, Pilkhua Ghaziabad	Chemicals, Engineering, Apparel, Textiles, Hand Printing, Herbal Medicines & Cosmetics, Stocks, bones buttons & Beads, art Jewellery, Carpentry
Khekra, Meerut	Sports Goods, Textiles, Hand Printing - Block & Screen, Handloom, Gold Jewellery
Saharanpur	Wood Carving, Toys, Wooden Fancy Items, Furniture, Screens, Rice
Khurja, Bulandshahar	Pottery, Pottery Painting, Ceramics, Ceramic Tiles, Bathroom Utilities, Bone China
Aligarh, Purdilnagar	Locks, Builders Hardware, Art metal, Piled Durries, Glass & Ceramics Beads & Craft Items
Hathras	Glass & Ceramics Beads, Piled Durries, Stone/Bead Studded Brass Lamps
Agra	Silk Carpets, Handicrafts items, Embroidered goods, jewellery, studded articles, Marble goods, Marble inlay, stone Art pieces leather shoes, chappals, Bags
Firozabad	Cut Glass, Glass items, Glass bangles, Scientific instruments
Moradabad	Art Metal Ware, Art Jewellery, Bone Jewellery.
Dehradun	Fancy item, Wooden articles, Woolens
Nainital	Rice, Hand made Carpet, (Tibetan design), Wooden handicrafts items, Garments, Woolens
Rampur	Appliqué Work
Bareilly	Zardozi, embroidered articles
Mathura	Stone craft, Block Printing, Hand Printing, Ghungru, Miniature Printing
Nagina Bijnore	Comb, bone Craft, Wood Carving
Almora	Ganga Jamuni (Brass-Copper) utensils, handicrafts, Woolens ,Painting
Shahzahanpur	Carpet
Kannauj	Attar, Perfumes, Rose Water, Sandalwood oil based Perfumes
Farukhabad	Hand printed Cotton and silk bed spreads, Zardozi Work, Wooden block , Tarkeshi

Location	Export Item/Major Crafts
Lucknow	Miniature painting Chikan Zardozi, Floriculture, Ayurvedic/Herbal Medicine, Mango, Tobacco, Batik, Camel bone carving
Mainpuri	Tobacco, Garlic products, Tarkashi work on wood
Mujaffarnagar	Rice, Paper
Kanpur	Leather, Leather shoes, Suitcases, Bags, Leather Garments, Software export, Chemicals, Engineering, Automobiles.
	Textiles, Handloom, Powerloom, Essential oils and Perfumes, Pharmaceuticals, Spices

Source: Export Promotion Bureau, Uttar Pradesh

Appendix 2

List of Handicraft Products Based on to HS Codes

Sl. No.	HS CODES	Items
		Art metalware
1	74181910	E.P.N.S. Ware
2	74181921	Brass utensils
3	74181922	Copper utensils
4	74181929	Utensils of other copper alloys
5	74199920	Articles of copper alloys electroplated with nickel-silver
6	74199930	Articles of brass
7	74199940	Copper worked articles
		Wood Wares
1	44190010	Tableware Of Wood
2	44190020	Kitchenware Of Wood
3	44201000	Statuettes and other Ornaments of Wood
4	44209010	Wood Marquetry and Inlaid Wood
5	66020000	Walking Sticks Seat Sticks Whips Riding Crops And The Like
6	97019091	Domestic Articles of Wood (Hand Decorated)
		Hand Printed Textiles
1	50072090	Items other than sarees containing >85% by wt of silk etc.
2	54083418	Rayon saree
3	57049010	Cotton
4	61045910	Skirts & divided skirts of silk
5	62019200	Other similar articles of cotton
6	62019300	Other similar articles of man-made fibers
7	62021200	Overcoats, raincoats etc & similar articles of cotton
8	62021300	Overcoats, raincoats, carcoats, capes, cloaks and similar articles of man made fibers
9	62029210	Wind & ski jackets, wind cheaters
10	62029290	Others than hand printed and hand embroidered
11	62029310	Wind & ski-jackets, wind cheaters
12	62029390	Others hand printed and hand embroidered
13	62033200	Jackets & blazers of cotton
14	62033300	Jackets & blazers of synthetic fibers

Sl. No.	HS CODES	Items
15	62041200	Suits of cotton
16	62041300	Suits of synthetic fibers
17	62042290	Other ensembles of cotton
18	62042300	Ensembles of synthetic fibers
19	62044290	Other dresses of cotton
20	62044390	Other dresses of synthetic fibers
21	62045200	Skirts and divided skirts of cotton
22	62045300	Skirts & divided skirts of synthetic fibers
23	62045990	Skirts & divided skirts of other textile materials other than silk
24	62046200	Trousers, bib and brace overalls, breeches and shorts of cotton
25	62046300	Trousers, bib and brace overalls, breeches and shorts of synthetic fibers
26	62052000	Men's or boys' shirts of cotton
27	62053000	Men's or boys' shirts of man-made fibers
28	62063000	Blouses, shirts & shirts-blouses of cotton
29	62064000	Blouses, shirts etc of man-made fibers
30	62071100	Underpants and briefs of cotton
31	62071910	Undergarment & briefs of synthetic fibers
32	62082200	Nightdresses & pyjamas of man-made fibers
33	62089190	Garments other than dressing gowns & bathrobes of cotton
34	62093000	Babies garments & clothing access of synthetic fiber
35	62114210	Kurta & salwar with/without dupatta of cotton
36	62114290	Cotton garments other than kurta & salwar with without dupatta
37	62149021	Chadars, cotton, grey
38	62149022	Chadars, cotton, white bleached
39	62149029	Chadars, cotton, n.e.s.
40	62149031	Odhani, cotton, gray
41	62149032	Odhani, cotton, white bleached
42	62149039	Odhani, cotton, n.e.s.
43	62151000	Ties, bow ties & cravats of silk/silk waste
44	63039100	Other curtain etc of cotton
45	63049210	Counterpanes of cotton, ntkntd/crchtd
46	63049230	Pillow case & slip of cotton, ntkntd/crchtd
47	63049240	Table cloth & cover of cotton, ntkntd/crchtd
48	63079011	Dress materials of cotton hand printed

Sl. No.	HS CODES	Items
		Scarves
1	62141010	Scarves of silk measuring 60 cm or less other than hand printed
2	62141090	Shawls, scarves, etc. (excd 60 cm) of silk, others
3	62149090	Shawls, scarves, etc of other textile fibers
4	62141020	Scarves of silk measuring 60 cm/less, hand printed
		Hand knitted and embroidered goods
1	58050010	Tapestries handmade or needle worked by hand of cotton
2	58050090	Tapestries of others
3	58109100	Other embroidery of cotton
4	58109290	Other embroidery of manmade fibre
5	61041200	Suits of cotton
6	61041300	Suits of synthetic fibers
7	61044200	Dresses of cotton
8	61044300	Dresses of synthetic fibers
9	61044400	Dresses of artificial fibers
10	61045200	Skirts & divided skirts of cotton
11	61045300	Skirts & divided skirts of synthetic fibers
12	61045910	Of other textile materials- of silk
13	61045920	Skirts & divided skirts of artificial fibers
14	61051010	Cotton shirts, hand crocheted
15	61052010	Men's/boy's shirts synthetic fibers
16	61052020	Men's/boy's shirts of artificial fibers
17	61071100	Underpants & briefs of cotton
18	61071210	Underpants & briefs of synthetic fibers
19	61071220	Underpants & briefs of artificial fibers
20	61071910	Underpants and briefs of silk
21	61072100	Nightshirts & pyjamas of cotton
22	61072220	Nightshirts & pyjamas of artificial fibers
23	61072210	Nightshirts & pyjamas of synthetic fibers
24	61072910	Nightshirts & pyjamas of silk
25	61072920	Nightshirts & pyjamas of wool/fine animal hair, not elastic nor rubberized
26	61072990	Nightshirts & pyjamas of other fibers
27	61079190	Other cotton articles
28	61081110	Slips & petticoats of synthetic fibers
29	61081120	Slips & petticoats of artificial fibers
30	61081920	Slips & petticoats of cotton

Sl. No.	HS CODES	Items
31	61081910	Slips and petticoats of silk
32	61082100	Briefs and panties of cotton
33	61082210	Briefs & panties of synthetic fibers
34	61082220	Briefs & panties of artificial fibers
35	61082910	Briefs and panties of silk
36	61083100	Nightdresses and pyjamas of cotton
37	61083210	Nightdresses & pyjamas of synthetic fibers
38	61083220	Nightdresses & pyjamas of artificial fibers
39	61083910	Nightdresses and pyjamas of silk
40	61083990	Nightdresses & pyjamas of other fibers
41	61091000	T-shirts etc of cotton
42	61099010	T-shirt etc of synthetic fibers
43	61099020	T-shirt etc of artificial fibers
44	61099030	T-shirt etc of silk
45	61102000	Jerseys etc of cotton
46	61103010	Jerseys etc of synthetic fibers
47	61103020	Jerseys etc of artificial fibers
48	61113000	Babies' garments etc of synthetic fibers
49	61119020	Babies garments & clotting accessories of artificial fibers
50	61119010	Babies' garments & clothing accessories of silk
51	61151930	Panty hose & tights of artificial fibers
52	61171030	Shawl, scarve, muffler etc of cotton
53	61171020	Shawl, scarve, muffler etc of wool
54	61171010	Shawl, scarve, muffler etc of silk
55	61171040	Shawl, scarve, muffler etc of man-made fibers
56	61171090	Shawl, scarve, muffler etc of other fibers
57	61172030	Ties, bow ties & cravats of cotton
58	61172020	Ties, bow ties & cravats of wool
59	61172010	Ties, bow ties & cravats of silk
60	61172040	Ties, bow ties& cravats of man-made fibers
61	61178030	Other clotting accessories of cotton
62	61178010	Other clotting accessories of silk
63	61178040	Other clotting accessories of man-made fibers
64	63021010	Bed linen, knted/crchtd of cotton
65	63024030	Table linen of cotton ,hand knitted/crocheted
66	63024020	Table linen of wool, hand knitted/crocheted

Sl. No.	HS CODES	Items
67	63024010	Table linen of silk, hand knitted/crocheted
68	63024040	Table linen of man-made fibres, hand kntd/crchtd
69	63031100	Curtain etc hand kntd/crchtd of cotton
70	63031200	Curtain etc hand kntd/crchtd of synthetic fibre
71	63031900	Curtain etc. hand kntd/crchtd of other textile material
72	63041100	Bedspreads, knitted or crocheted
73	63049110	Silk belt
74	61112000	Babies' garments etc of cotton
75	62043200	Jackets of cotton
76	62043300	Jackets of synthetic fibers
77	62044210	House coats & like dresses of cotton
78	62044220	Dresses of cotton
79	62044310	House coats & like dresses of synthetic fibers
80	62045910	Skirts & divided skirts of silk
81	62092000	Babies' garments & clothing accessories of cotton
82	62093000	Babies garments & clothing access of synthetic fiber
		Shawls as artware
1	62142010	Shawls of wool
		Zari & zari goods
1	50072010	Sarees containing $\geq 85\%$ by wt of silk/silk waste, other than noil silk.
2	50079000	Other woven fabrics
3	52082910	Dhoti and saree zari bordered
4	52083910	Zari bordered saree
5	52084910	Zari bordered saree
6	52085910	Zari bordered saree
7	52092910	Dhoti and saree, zari bordered
8	52093910	Zari bordered saree
9	52094910	Zari bordered saree
10	52095910	Zari bordered saree
11	52102910	Dhoti and saree, zari bordered
12	52103910	Zari bordered saree
13	52104910	Zari bordered saree
14	52105910	Zari bordered sarees
15	54082218	Rayon saree ,dyed
16	54082418	Rayon saree, printed

Sl. No.	HS CODES	Items
17	54083211	Rayon brocades
18	54083418	Rayon sarees
19	56050010	Real zari thread (gold and silver thread combined with textile thread)
20	56050090	Others
21	56060030	Trimmings of zari
22	58090010	Zari borders
23	58090090	Others
24	58109210	Embroidery badges, motifs and the like
25	58109900	Embroidery of other textile materials
26	74082210	Silver plated flattened wire of copper (lametta)
27	83089020	Imitation zari spangles
28	83089031	Beads& spangles of base metal for garments made ups, knitwear, plastic & leather goods
29	83089039	Other beads& spangles of base metal
30	83089040	Fittings for travel requests & leather goods
		Imitation jewellery
1	71132000	Articles of base material clad with precious material
2	71142010	Articles clad with gold
3	71142020	Other articles of base metal clad with precious material
4	71171100	Cuff links & studs of base metal w/n plated with precious metal
5	71171910	Bangles
6	71171920	German silver jewellery
7	71171990	Other
8	71179010	Jewellery set with imitation pearls or imitation or synthetic stones
9	71179090	Other imitation jewellery for personal adornment(other than artware)
		Miscellaneous handicrafts
		1. Musical instrument
1	92011000	Upright pianos
2	92012000	Grand pianos
3	92019000	Other pianos
4	92021000	String musical instruments played with a bow
5	92029000	Other string musical instruments
6	92030010	Harmoniums
7	92030090	Others

Sl. No.	HS CODES	Items
8	92051000	Brass-wind instruments
9	92059010	Flutes
10	92059090	All other wind musical instruments
11	92060000	Percussion musical instrument(for example, drums, xylophones, cymbals, castanets, maraccas)
		2. Lace and lace goods
1	58041010	Tulles & other net fabrics of cotton
2	58041090	Tulls & other net fabrics of other textile materials
3	58043000	Hand made lace
		3. Buttons & studs
1	96062200	Buttons of base material, not covered with textile material
		4. Hatwares
1	65030000	Flt hats & other headgear made from the hat bds hoods/pltx of hdg 6501 w/n lined/ trimmed
2	65040000	Hats & other headgear plated/made by assmbling strips of any materials w/n lined/ trimmed
		5. Carpets, carpeting & rugs of vegetable
1	46012090	Others
2	46019100	Other plaiting materials of vegetable
		6. Articles of aloe fibre
1	57023910	Carpets and other floor coverings (not durries of cotton)
2	57024990	Other floor coverings
3	57025990	Other textile floor coverings of other textile materials, not of pile construction
4	57029990	Other floor coverings of other textile, not pile consort
		7. Leather goods
1	42022120	Vanity bags of leather
2	42022910	Hand bags of other materials excl wkrwrk/bskt work
3	42022990	Others
4	42023110	Jewellery boxes
5	42023910	Jewellery box
6	64032030	Leather soles with embroidered uppers
7	64032040	Kolhapuri chappals and similar footwear
8	64061010	Embroidered uppers of textile materials
9	42031010	Jackets and jerseys

Sl. No.	HS CODES	Items
		8. Attars & agarbatti
1	33019031	Attars of all kinds in fixed oil base
2	33074100	"Agarbatti" & other odoriferous preparations which operate by burning
		9. Sculpture & statuary in any materials
1	97030010	Original sculptors & statuary in metal
2	97030020	Original sculptors & statuary in stone
3	97030090	Original sculptors & statuary in other materials
		10. Paintings, drawings etc, executed by hand
1	97011010	Madhubani paintings (on textiles)
2	97011020	Kalamkari paintings(on textiles)
3	97011030	Rajasthani paintings(on textiles)
4	97011090	Others
		11. Pottery
1	69071010	Vitrified tiles, whether polished or not
2	69071090	Tiles other than vitrified tiles
3	69081010	Ceramic mosaic cubes
4	69081020	Ceramic mosaic tiles
5	69081090	Others
6	69111011	Tableware of bon china & soft porcelain
7	69111019	Tableware of other than bon china & soft porcelain
8	69111021	Kitchenware of bon china & soft porcelain
9	69111029	Kitchenware of other than bon china & soft porcelain
10	69119010	Toilet articles of porcelain china
11	69119020	Water Filter Of Capacity Not Exceeding 40lts Of Porcelain
12	69120010	Ceramic tableware (e.g. of imitation porcelain/or semi-porcelain)
13	69120020	Ceramic kitchenware
14	69120090	Others
15	69131000	Statuettes etc of porcelain/china
16	69139000	Other statuette etc(excl of porcelain/china)
17	69141000	Other ceramic articles of porcelain/china
18	69149000	Other ceramic articles excl of porcelain/china
		12. Articles of fur, feathers & human hair
1	43031010	Articles of apparel & clothing accessories made of wild animals covered under wild life protection act

Sl. No.	HS CODES	Items
2	43031020	Articles of apparel & clothing accessories made of animals covered under "cites"
3	43031090	Others
4	43039010	Other articles of fur skin made of wild animals covered under wild life protection act
5	43039020	Other articles of fur skin made of animals covered under "cites"
6	43039090	Others
7	43040011	Artificial fur as trimming/embellishment of garments
8	43040019	Others
9	43040020	Articles of artificial fur
10	67010010	Feather dusters
11	67010090	Other articles of skin & other parts of birds other than feather dusters
12	67029010	Jute decorative plants
13	67029090	Others, of all materials
14	67030010	Human hair dressed or otherwise worked
15	67042010	Wigs
16	67042020	Hair nets
17	67042090	Others
		13. Articles of tortoise
1	96019010	Worked tortoise-shell & articles thereof
2	96019020	Worked mother of pearl & articles thereof
3	96019030	Worked bone(excl whale bone)& articles thereof
4	96019040	Worked horn, corl etc animal carving material & articles
5	96020010	Worked vegetable carving material & articles thereof
6	96020020	Mould/carved articles of wax, stearin, natural gums & resins & other mould/carved articles
		14. Other artwares
1	95051000	Articles for Christmas festivities
		15. Walking sticks
1	66020000	Walking sticks seat sticks whips riding crops and the like
		16. Articles of wickerwork, bamboo etc.
1	46021011	Palm leaf basket etc.
2	46021019	Palm leaf items other then baskets
3	46029000	Other wicker/basket work articles
4	46021090	Others

Sl. No.	HS CODES	Items
5	94038010	Furniture of wickerwork/bamboo
6	94038090	Others
7	94015000	Seats of cane, osier, bamboo/similar materials
		17. Dolls & toys
1	95021010	Dolls of wood
2	95021020	Dolls of metal
3	95021090	Others
4	95029100	Garments & accessories, footwear & headgear
5	95029900	Other parts and accessories of hdg 9502
6	95034910	Toys of wood
7	95034920	Toys of metal
		18. Articles of grass & fibre
1	46012010	Coir mats & matting bound in parallel stand
2	96149020	Hookah of coconut shell
		19. Stuffed animals
1	95034100	Stuffed toys representing animals/non-human creature
2	97050010	Stuffed animals & birds (taxidermy)
		20. Fancy glass small wares
1	70161000	Glass cubes & other glass similar wares w/n on backing for mosaics/similar purposes
		21. Hookahs of base metal
1	83061000	Bells gongs and the like
2	96149010	Huble & buble of base metal
		22. Trophies
1	83062110	Statuettes (excluding works of art) plated with precious metal
2	83062120	Trophies plated with precious metal
3	83062190	Other ornament plated with precious metal
4	83062910	Other statuettes(excluding works of art)
5	83062920	Other trophies
6	83062990	Others
7	91132010	Parts of base metal/n gold or silver-plated
8	91132090	Others of base metal
		23. Antiques
1	97060000	Antiques of an age exceeding one hundred yrs

Source: Export Promotion Council for Handicraft

Appendix 3

Number of Handicraft Exporters in Select Product Categories in U.P.

Sl. No	Place	Art-Carpet	Art-Metalware	Zari-Zardosi	Wood-Carving	Chikan	Total	Percent
1	Agra	1	1	1	-	-	3	0.54
2	Aligarh	-	8	-	-	-	8	1.45
3	Noida	-	1	-	-	-	1	0.18
4	Moradabad	-	407	-	-	-	407	73.60
5	Mirzapur	33	-	-	-	-	33	5.97
6	Bareilly	-	-	2	-	-	2	0.36
7	Bhadohi	27	-	-	-	-	27	4.88
8	Farrukabad	-	-	2	-	-	2	0.36
9	Hathras	-	4	-	-	-	4	0.72
10	Jaunpur	2	-	-	-	-	2	0.36
11	Kaushambi	1	-	-	-	-	1	0.18
12	Lucknow	-	1	2	-	3	6	1.08
13	Mathura	1	3	-	-	-	4	0.72
14	Meerut	1	-	-	-	-	1	0.18
15	Saharanpur	-	-	-	9	-	9	1.63
16	Varanasi	42	1	-	-	-	43	7.78
	Total	108	426	7	9	3	553	100.00

Source: Compiled from the data provided by EPB

Appendix 4
Questionnaire
Export Potential Survey of Handicraft Products in U.P.

Dear respondent, please note that this is part of a study being conducted by IIM Lucknow on behalf of Export Promotion Bureau, Govt. of U.P. We need your sincere response so as to arrive at the problems and prospects of exports of handicraft products from the state.

All information given in the questionnaire will be used only for academic purposes and will be kept strictly confidential.

A. Basic Information about Organization

- Name of the Respondent :
- Designation :
- Organization Address :

- Phone no./Mobile :
- Fax no. :
- Email id :
- Type of Organization (*please tick the correct option*):
 - a. Manufacturer:
 - b. Manufacturer-exporter:
 - c. Direct Exporter:
 - d. Indirect Exporter:

- Annual Turnover (in Rs Lakh)
- Major products being manufactured:
.....
.....
- Products being exported:
.....
.....
- Exporting since:
- Major export markets:
.....
.....
- Approximate value of Export in the last five years (in Lakh Rs):
 - 2001-02: _____
 - 2002-03: _____
 - 2003-04: _____
 - 2004-05: _____
 - 2005-06: _____

B. Support mechanism available for the export of handicraft products.

- What is the level of infrastructural support available in the **state** for export of handicraft products?

Highly inadequate Excellent
 1 2 3 4 5

- What is the level of infrastructural support available in the **district and local level** for export of handicraft products?

Highly inadequate Excellent
 1 2 3 4 5

- What is the level of cooperation you get from **government agencies** for export of handicraft products?

Very little Very much
 1 2 3 4 5

- What is the level of **technical expertise needed** in the production of items manufactured / traded by your organization?

Very low Very high
 1 2 3 4 5

- What is the level of **technical expertise available** in your organization?

Very low Very high
 1 2 3 4 5

- Have you taken any step to improve the quality and/or varieties of the product manufactured / traded by your organization during the last three years? List them.

.....

- What are the **supporting-organizations** available in the district / state that provide you help in the production process or export? List them and indicate your level of satisfaction with each of such organisations.

Sl . No.	Highly dissatisfied	Fully satisfied				
1. _____	1	2	3	4	5	
2. _____	1	2	3	4	5	
3. _____	1	2	3	4	5	
4. _____	1	2	3	4	5	
5. _____	1	2	3	4	5	
6. _____	1	2	3	4	5	
7. _____	1	2	3	4	5	

- According to you, what should be improvements in the working of above organisations, if any?

.....

.....

.....

.....

- Do you think there is the need of some new organization for the handicraft sector for increasing the export from the State?

.....

.....

C. Specific problems in manufacturing / exporting of organization’s products

- What is the marketing channel that you use for the domestic market and/or export of your product?.....

.....

.....

- Are you facing any chronic problem in export of the items relevant for you?
Yes/No

- If yes, please specify:

.....

.....

- According to you, what is the likely solution for the above chronic problems?

.....

.....

- Are you facing some new problems in export of your products in recent past (like product quality, pricing, marketing channel, promotion, etc.)?

- If yes, please specify:.....

.....

.....

- According to you, what is the likely solution for these recent problems?

.....

.....

- Are you aware of the various tariff barriers (import duty) in the markets where you export? Yes/ No

- How much is the rate of import duties applicable to your products in these countries? (please indicate in the following table)

Product	Countries	Import Duty Applicable

- Is the tariff rates applicable to your products more compared to the rates applicable to the same products from other competing countries? Yes / No

If yes, please give the following information:

Name of the market	Name of the product	Difference in tariff	Name of the competing countries

- Are there any non tariff barriers hindering the export of items in the above countries? Please Specify.

<i>Non tariff barrier</i>	<i>Markets</i>	<i>Products</i>
Production characteristics required to protect the environment		

- Any other suggestion for increasing the export of handicraft products from U.P.?
1. _____
2. _____
3. _____
4. _____
5. _____



Thank you very much for your valuable time!

After filling up this questionnaire, please return it by postal mail/courier/fax or email at the following address:

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Indian Institute of Management
Prabandh Nagar, Off Sitapur Road
Lucknow – 226013
Phone: 0522-2736986
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Appendix 5

Tariff Barriers for Selected Handicraft Products in Major Importing Countries (2005)

HS CODES	Australia	Canada	China	EU	Japan	Saudi Arabia	UAE	USA
ART METAL WARES								
741819	5	3	18	3	-	5	5	3
741999	5	3.0-9.50	10.0-20.0	3	-	5	5	0-3
CARPETS,CARPETINGS GOODS								
5701	-	-	-	-	7.90	5.00	5.00	-
5702	-	0.00-14.00	14.00-16.00	3.00-8.00	0.00-7.90	5.00	5.00	-
5703	5.00	10.00-12.50	10.00-14.00	8	0.00-7.90	5.00	5.00	3.8-6.7
5704	-	12.50	10.00-14.00	6.7	0.00-7.40	5.00	5.00	0.00-4.7
5705	5.00	12.00	10.00-14.00	8	8.40-7.90	5.00	5.00	0.00-3.3
HAND KNITTED AND EMBROIDED GOODS								
580500	-	-	12	5.6	6.9	5	5	-
581091	5	-	10	5.8-7.2	14.2	5	5	-
581092	5	-	10	5.8-7.3	14.2	5	5	-
610412	17.5	18	17.5	12	10.2	5	5	9.4
610413	17.5	18	25	12	10.9	5	5	14.9
610442	17.5	18	16	12	10.9	5	5	11.5
610443	17.5	18	17.5	12	10.9	5	5	14.9-16
610444	17.5	18	16	12	10.9	5	5	14.9
610452	17.5	18	14	12	10.9	5	5	8.3
610453	17.5	18	16	12	10.9	5	5	14.9-16
610459	17.5	18	14	12	8.4	5	5	0.9-8
610510	17.5	18	16	12	7.40-10.90	5	5	19.7
610520	17.5	18	17.5	12	7.40-10.91	5	5	13.6-32
610711	17.5	18	14	12	7.4	5	5	7.4
610712	17.5	-	16	12	7.4	5	5	14.9
610719	17.5	18	14	12	7.4	5	5	0.9-5.6
610721	17.5	18	14	12	7.4	5	5	8.9
610722	17.5	18	16	12	7.4	5	5	16
610729	17.5	18	14	12	7.4	5	5	0.9-8.5
610791	17.5	18	14	12	7.4-8.4	5	5	8.7
610811	17.5	18	16	12	7.4	5	5	14.9
610819	17.5	18	14	12	7.4	5	5	1.1-6.6

HS CODES	Australia	Canada	China	EU	Japan	Saudi Arabia	UAE	USA
610821	17.5	18	14	12	7.4	5	5	7.6
610822	17.5	18	16	12	7.4	5	5	8.3-15.6
610829	17.5	18	14	12	7.4	5	5	2.1-13.3
610831	17.5	18	14	12	7.4	5	5	8.5
610832	17.5	18	16	12	7.4	5	5	16
610839	17.5	18	14	12	7.4	5	5	0.6-8.5
610910	17.5	18	14	12	7.40-10.90	5	5	16
610990	17.5	18	14	12	7.40-10.91	5	-	2.6-32
611020	17.5	18	14	12	9.10-10.90	-	-	5-16.5
611030	17.5	18	16	12	9.10-10.90	-	-	6.0-32
611190	7.50-17.50	18	14	12	5.30-8.40	5	5	0.9-26
611519	17.5	18	14	-	7.4	5	5	2.6-16
611710	-	18	14	12	8.4	5	5	1.5-11.3
611720	17.5	18	14	12	8.4	5	5	1.2-5
611780	-	12	14	8	5.60-8.40	5	5	2.3-14.6
630210	17.5	18	14	12	-	-	5	6
630240	7.5	18	14	12	9.10-10.90	5	5	6.4-6.8
630311	7.50-17.50	18	14	12	9.10-10.90	5	5	10.3
630312	7.50-17.50	18	16	12	9.10-10.90	5	5	11.3
630319	17.5	18	14	12	9.10-10.90	5	5	6.4
630411	7.5	18	-	12	9.10-10.90	5	5	5.9-12
630491	7.5	15	-	12	9.10-10.90	5	5	5.8
611120	7.50-17.50	18	14	8.9-12.00	7.40-10.80	5	5	8.1-19.7
620432	17.5	17	16	12	12.8	5	5	2.8-9.4
620433	17.5	18	17.5	12	9.10-12.80	5	5	2.8-27.3
620442	17.5	17	16	-	9.10-10.00	5	5	5.5-11.8
620443	17.5	18	17.5	-	9.10-10.00	5	5	7.1-16
620459	17.5	17	14	12	9.10-10.00	5	5	6.6-16
620920	7.50-17.50	17	14	10.5	7.40-10.00	5	5	9.3-14.9
620930	17.5	18	16	10.5	7.40-10.00	5	5	16-28.6
WOOD WARES								
441900	5	-	-	-	-	-	5	3.2-5.3
442010	5	-	-	3	-	-	-	3.2
442090	5	-	-	4	-	-	-	3.2-4.3
660200	-	7	10	2.7	3.1	5	5	4
970190	-	7	14	-	-	5	5	-

HS CODES	Australia	Canada	China	EU	Japan	Saudi Arabia	UAE	USA
ZARI & ZARI GOODS								
500720	-	-	10	5.3-7.5	10.00-12.50	-	5	-
500790	10	-	10	6.9	5.60-12.50	-	5	0.8-3.9
520829	10	12	10	8	-	-	5	7.7-13.5
520839	10	12	10	8	-	-	5	7-12.5
520849	10	12	10	8	-	-	5	8.1-14.7
520859	10	12	10	8	-	-	5	6-11.4
520929	10	12	12	8	-	-	5	7.7
520939	10	12	10	8	5.60-7.40	-	5	8.4
520949	10	12	10	8	5.60-7.40	-	5	8.4
520959	10	12	10	8	5.60-7.40	-	5	8.4
521029	10	14	14	8	-	-	5	8.1-14.7
521039	10	14	10	8	-	-	5	8.8-12.4
521049	10	14	10	8	-	-	5	10-15.5
521059	10	14	10	8	-	-	5	7.8-10.4
540822	-	14	10	-	4.00-8.20	-	5	14.9
540824	10	14	10	-	4.00-8.20	-	5	12
540832	10	14	10	8	4.00-8.20	-	5	6.9-19.7
540834	10	14	10	8	4.00-8.20	-	5	12
560500		8	5	-	4.7	-	5	7.5-13.2
560600	5	8	5	5.3-8.0	5.30-6.60	-	5	8
580900	-	14	10	5.6		-	5	14.9
581092	5	12	10	5.8-7.2	14.2	-	5	-
581099	5	12	10	5.8	14.2	-	5	-
740822	5	2.50-3.00	8	4.8	3	-	5	3
830890	5	3.5	10.5	2.7	3.10-5.30	-	5	-

Source: UNCTAD's TRAINS Database, 2006.

Appendix 6

Non-Tariff Barriers for Selected Handicraft Products in Major Importing Countries

Product Code	Measure Name
CANADA (2000)	
Wood Wares	
441900, 442010, 442090, 660200	Authorization to protect wildlife
Hand Knitted and Embroidered Goods	
580500, 581091, 581092, 610412, 610413, 610442, 610443, 610444, 610452, 610453, 610459, 610510, 610520, 610711, 610712, 610719, 610721, 610722, 610729, 610791, 610811, 610819, 610821, 610822, 610829, 610831, 610832, 610839, 610910, 610990, 611020, 611030, 611190, 611519, 611710, 611720, 611780, 630210, 630240, 630311, 630312, 630319, 630411	Multifibre arrangement (MFA)
611120	Multifibre arrangement (MFA), Import inspection
CHINA(1997)	
Zari and Zari Goods	
520829	Import inspection
EUROPEAN UNION (1999)	
Wood Wares	
441900, 442010, 442090, 660200	Authorization to protect wildlife (CITES)
Hand Knitted and Embroidered Goods	
581091, 581092	Prohibition
610412, 610413, 610442, 610443, 610444, 610452, 610453, 610459, 610510, 610520, 610711, 610712, 610719, 610721, 610722, 610729, 610791, 610791, 610821, 610822, 610829, 610831, 610832, 610839, 610910, 611020, 611030, 620432, 620433, 620442, 620443, 620459	Allocated quotas, Prior surveillance
611710	Allocated quotas
610990, 611190, 611720, 611780, 630210, 630240, 630311, 630312, 630319, 630411, 630491, 611120	Allocated quotas, Prior surveillance, Prohibition
620920, 620930	Allocated quotas, Prohibition
520859, 521029, 521039, 521049, 521059, 540822, 540824, 540832, 540834	Allocated quotas, Prior surveillance
560500, 560600, 581092, 581099	Prohibition

Product Code	Measure Name
JAPAN (1996)	
Art Metal Ware	
741819	Product characteristics requirements to protect human health
Wood Ware	
441900	Product characteristics requirements to protect human health
Zari and Zari Goods	
500720, 500790, 521029, 521039, 521049, 521059, 540822, 540824, 540832, 540834	Authorization
Carpets	
460120, 460191	Product characteristics requirements to protect human health
USA (Non-Tariff) (1999)	
Wood Wares	
441900, 442010, 442090	Authorization to protect wildlife
Hand Knitted and Embroidered Goods	
580500	Labelling requirements
610412, 610413, 610442, 610443, 610444, 610452, 610453, 610459, 610510, 610520, 610711, 610712, 610719, 610721, 610722, 610729, 610791	Labelling requirements, Product characteristics requirements to ensure human safety
Zari and Zari Goods	
520829, 520839, 520849, 520859, 520929, 520939, 520949, 520959, 521029, 521039, 521049, 521059	Authorization to protect plant health
540832, 540834, 581099	Labelling requirements

Source: UNCTAD's TRAINS Database, 2006

Appendix 7

List of Organizations Visited for the Study

S. No.	Organization Name	Name	Registered Address	District
1	R.F. Collections	R. Malik	224, Lajpat Nagar, Opp. M.H. Degree College	Moradabad
2	A.A. International	Om Veer Singh	Delhi Road, Lakri Fazalpur, Mini Bypass	Moradabad
3	The Candles	Mashkoor Ahmed Shamsi	174-176, Lajpat Nagar	Moradabad
4	Image India	Kapil Jain	Opp. Probhat Market, Manju Nagar , Rampur Road	Moradabad
5	Raj Metal Industries	Rajpal Dhall	Govind Nagar, Rampur Road	Moradabad
6	Omsons India Handicrafts	Mahesh Agarwal	"Omsons House" Rampur Road, Katghar	Moradabad
7	Brass Designer	Sudhir Khanna	H-35,Lajpat Nagar	Moradabad
8	Brasscity Creations	Shiv Autar Agarwal	Neelkanth Colony Road, Civil Lines	Moradabad
9	Ellen Exports	Lalit Kumar	Lakri Fazalpur, Delhi Road	Moradabad
10	A.G. Exports inc	Mannu Khanna	Khanna Building, Mehbulla Ganj , Katghar	Moradabad
11	The Ebra's	Mohd. Ibrahim Shamsi	P.O. Box No.-344, Gulshan-e-Ebrahim,161-Lajpat Nagar	Moradabad
12	Hussein International India	Idris Hussein	Hussein Industrial Estate, Near Deer Park, Rampur Road	Moradabad
13	Dewan & Sons	Rishi	Lakri Fazalpur, Mini bypass, Delhi Road	Moradabad
14	Navraj Exports	Rajpal Dhall	Govind Nagar, Rampur Road	Moradabad
15	Giftland Handicrafts	Aashish Gupta	Manju Nagar, Rampur Road	Moradabad
16	Talwar & Khuller Pvt. Ltd.	Manu Talwar	Rampur Road, Near Fly Over Bridge	Moradabad
17	Mugal Handicrafts	Abrar Husain	Peerzada Raza Wali Ziyarat Chowk	Moradabad
18	Quality Products of India	Vinay Goyal	Opp. Modern Public School, Delhi Road	Moradabad
19	R.R. Collection	Prem Veer Singh	Near Lakri Fazalpur, Mini bypass	Moradabad

S. No.	Organization Name	Name	Registered Address	District
20	AVS Silver plate	Ashwani Gagnega	P.O. Box No.-583, 50 Mehbulla Ganj Katghar	Moradabad
21	Aglow Exports	Danish Nain	3C-449, 50 Buddhi Vihar Colony, Majhola Delhi Road	Moradabad
22	Lakshmi International	Abhishek Malhotra	Lakshmi Compound, 34-Prince Road	Moradabad
23	Fine Wood Carving	Rasheed Ahmad	Mehendi Sarai, Near Amar Engineering Works, Gali Majeed Bhatte Wali	Saharanpur
24	National Centre For Photo & Picture Framing Technology (NCPFFT)	Mohd. Asif	U.P.E.C. Complex , Mandi Samiti Road	Saharanpur
25	Indread Classic Arts	S.A. Farooqui	Gulshan-e-Farid Enclave Adj. Nadeem Colony, Eidgah Road	Saharanpur
26	Abdul majid Exports	Sheikh Mohd. Iqbal	12/1004, Bazdaran Street,	Saharanpur
27	Lion Picture & Frames India Ltd.	Kapil Sharma	187-A, Sai Sadan , East of Kailash, New Delhi	Saharanpur
28	Interior Decoration & Handicrafts	Shuket Ali		Saharanpur
29	Crown Art Industries	Hagi Imam		Saharanpur
30	Miglani Exports	Ravindra Miglani	6th km Stone, Delhi Road	Saharanpur
31	Famous Art Group of Industries	S.A. Dinesh	Sheopuri Mandi	Saharanpur
32	New Light Drawing Emporium	M.I. Hanfi	Pacca Bagh, Yahia Shah	Saharanpur
33	Saleem Ahmad & Sons	Mohd. Aslam	P.O.Box-03, Khajoor Tala	Saharanpur
34	Indian Handicrafts	Bharat Bhushan Miglani	Anand Nagar Nala Patri Near Miglani Building	Saharanpur
35	Iqbal Ahmad Ansari & Brothers	Iqbal Ahmad Ansari	12/1005, Bazdaran Street	Saharanpur

S. No.	Organization Name	Name	Registered Address	District
36	Tanveer Metal Handicrafts	H.T. Aalam	11/230, Yahiya Shah, Pacca Bagh	Saharanpur
37	Art Palace	Tohid Ahmad	Bazdaran Street	Saharanpur
38	K.R.M. Exports Pvt. Ltd.	Kewal Khanna	D.15-16, Industrial Estate	Varanasi
39	Banaras Beads Ltd.	Amit Agarwal	A-1, Industrial Estate	Varanasi
40	Silk International	Mahmoodul Hasan	J.3/168-B, Katehar (Near Yamuna Cinema) Pilikothi	Varanasi
41	Milap Silk Industrial Co-operative Society Ltd.	Mahmoodul Hasan	J.3/168-B, Katehar (Near Yamuna Cinema) Pilikothi	Varanasi
42	Sarook Carpet & Textile Import	Satish Sood	C-6 Annapurna Enclave Vidya Peeth Road	Varanasi
43	Amit Exports	Harshad Tanna	D-7 Ext. Small Industrial Estate	Varanasi
44	Haji Mohd. Farooque & Co.	Haji Mohd. Farooque & Co.	J.3/54, Katehar(pilikothi)	Varanasi
45	Eastern U.P. Exporter's Association	Rajiv Agarwal	B-2 Gurukripa Colony, Nadesar	Varanasi
46	Sunder Carpet Industries		Main Road, Maryadpatti	Bhadohi
47	Hamidullah & Sons	Ashfaq Ahmad Ansari	P.O. Box No. – 73	Bhadohi
48	All India Carpet Manufacturers' Association	Shaukat Ali Ansari	"Kaleen Bhawan" Maryadpatti Post Box # 63	Bhadohi
49	Indian Institute of Carpet Technology	Rajesh Gupta	Chauri Road	Bhadohi
50	All India Carpet Manufacturers' Association			Bhadohi
51	Rajjab Ali & Sons		Peerkhanpur Road	Bhadohi
52	Vasons & Vasons	C.M. Vason	"Krishna Chaman", P.B.No.7, Lohia Talab	Mirzapur
53	Khatuco Export (India) Pvt. Ltd.	Baijnath Agarwal	P-1 & P-2 Industrial Estate	Mirzapur

S. No.	Organization Name	Name	Registered Address	District
54	Adhiraj Exports	Adhiraj Dutt	Rookharghat, P.O. Box No.-6	Mirzapur
55	Carpet Handicrafts Export	Siddh Nath Singh	Plot No. B/1-2, Industrial Estate	Mirzapur
56	Akash Kaleens	Ashok Sharma	Rookharghat	Mirzapur
57	Tondon's Chikan Apparel	Anshumali Tondon	2nd Floor, Ganpati Bhawan, 5, Khun Khunji Road Chowk	Lucknow