CHAPTER V

EXPORT POTENTIAL OF KASHMIR CARPETS
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In the present chapter an attempt has been made to assess and analyse the export potential and future market prospects for Kashmir carpets. The chapter has been divided into three sections. Section one portrays the past and recent trends of hand-knotted carpets in the world trade, whereas the second one brings to focus the export performance of India's carpet industry as a whole. In the last section an assessment of the export potential of Kashmir carpets has been highlighted.

WORLD TRADE IN HAND-KNOTTED CARPETS

World imports of hand-knotted carpets continued to grow, regularly during the second half of the 1970's and reached its peak at 15.2 million m² worth $1.76 billion in 1980. The major part i.e., about 95 percent of the value represented woollen carpets. Imports of silk carpets were probably in the range of $80 - 85 million in 1980. ¹ It should however, be noted here that

the global import figures quoted below are somewhat higher than the export figures of the carpet exporting countries because they include re-exports, especially from carpet trading countries namely Federal Republic of Germany and United Kingdom.

The table given below throws light on the world import trade in carpets in the recent years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (million $)</th>
<th>Annual(%) change in value</th>
<th>Quantity (million m²)</th>
<th>Average unit value $/m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>760.86</td>
<td>-</td>
<td>11.87</td>
<td>65</td>
</tr>
<tr>
<td>1977</td>
<td>895.77</td>
<td>+ 18</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>1978</td>
<td>1211.33</td>
<td>+ 35</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>1979</td>
<td>1571.81</td>
<td>+ 30</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>1980</td>
<td>1769.55</td>
<td>+ 13</td>
<td>15.20</td>
<td>115</td>
</tr>
<tr>
<td>1981</td>
<td>1407.71</td>
<td>- 20</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>1982</td>
<td>1301.11</td>
<td>- 8</td>
<td>14.0</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Compiled by the scholar on the basis of
i) Year Book of International Trade Statistics(1981)
ii) ITC, Major Markets for Hand-knotted Carpets Volume III, 1983

The above table reveals that the import figures for 1980 increased by about 28 percent in terms of quantity, since 1976 where as increase in terms of value was above 130 percent. This obviously indicated a rise in the average unit value of imports from all origins from about $65/m^2 (per square metre) in 1976 to $115/m^2 in 1980 i.e. an increase of 77 percent.

However, after 1980, the table turned. This was so because of the unabated price rise followed by economic recession in the developed economies of the world. This phenomena had a serious impact on the purchasing power of the buyers. Besides the changes in the supply pattern created by Iran's reduced share in the carpet exports also coincided with this situation. As a result of this, imports registered a gradual fall. This is clear from the fact that in 1981-82 the import figures came down to about 14 million m² worth nearly $1.30 billion. There was also a sharp fall in the average unit values of carpets which came down to $90/m² in 1982, compared to $115 in 1980. This phenomena is the outcome of the fact that exports from cheaper sources and of lower qualities increased. Besides, cut throat competition among the supplying countries also contributed to this situation.
It is however, gratifying to note that this dismal situation, came to halt during the first three quarters of 1983, in some of the largest importing countries especially the Federal Republic of Germany and the United States, which together represented some 50 percent of the total world imports. Import position improved in 1983 as compared to 1982, at least in terms of quantity, reflecting further reduction in average unit values.

RECENT DEVELOPMENTS IN WORLD EXPORTS

A certain idea of recent developments in the world trade of carpet exports can be had from the import statistics of the world's largest importing countries. These figures are available on a comparable basis upto 1982 and give a fair idea of the global exports.

On the basis of the import statistics of the world's 12 largest import markets, which account for more than 85 percent of total world trade, the total volume of carpets exported from the producing countries was estimated at about 9.5 million m$^2$ in 1976 and about 12 million m$^2$ in 1982. The corresponding values were nearly $600 million in 1976 $300 million in 1980 and about $1000 million in 1982.

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4. Ibid, P. 17.
As can be seen from the Appendix-I, Iran still remained the largest supplier in terms of value upto 1982, despite a 20 percent drop in value from its 1976 records. In terms of quantity the fall was much sharper. During the last few years, some other biggest exporters that emerged on the global scene are India, Pakistan and China. All these countries have been competing fiercely to increase their market shares. The prices of their carpets were also much lower. The average unit value of supplies from Iran rose to $292/m² in 1980 from $120/m² in 1976. This indicates that there has been an increase of 144 percent so far as the average unit value is concerned. Contrary to this the global average unit value for supplies to the areas from nearly all sources fell gradually. It is further interesting to note that the average unit value of Iranian exports came down to nearly $276/m² in 1982 indicating a 5 percent decrease. However, the global trend registered 21 percent decrease in the same period. It is thus clear, that recession had little impact on Iranian exports compared to other exporting countries. As stated earlier, this development reflects increased exports from cheaper sources, exports of cheaper qualities as well as a certain reduction in prices due to tougher competition. As can be seen from the Appendix-I, the average unit values were particularly low in 1982 for supplies from Morocco ($31/m²) and
from India ($66/m²). Regarding supplies from Turkey and Afghanistan, the average unit values which stood at $142/m² and $109/m² respectively were still on higher side, despite the fact that the prices of carpets had gone down by 46 percent since 1980 in case of Turkey. Similarly, the average unit values for carpets from both Pakistan and China stood at $85/m². In the case of Pakistan this was an increase above the 1980 figures ($75/m²) as against a decrease for supplies from China ($93/m² in 1980).

CHANGES IN MARKET SHARES

An idea of the growing market share of exporting countries like India, Pakistan, Iran, China, Turkey and Afghanistan in the twelve major markets of the world can be had from the following table:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran</td>
<td>41.0</td>
<td>38.7</td>
<td>30.6</td>
</tr>
<tr>
<td>India</td>
<td>8.9</td>
<td>14.4</td>
<td>20.0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>12.1</td>
<td>15.1</td>
<td>13.3</td>
</tr>
<tr>
<td>China</td>
<td>4.9</td>
<td>8.3</td>
<td>11.0</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.7</td>
<td>4.7</td>
<td>7.9</td>
</tr>
<tr>
<td>Morocco</td>
<td>5.8</td>
<td>4.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>3.7</td>
<td>3.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Others</td>
<td>19.9</td>
<td>13.0</td>
<td>18.5</td>
</tr>
</tbody>
</table>

The table clearly exhibits that India, China and Turkey succeeded in extracting more shares in the world market compared to other exporting countries. It also indicates that Pakistan faired badly in the world market, as its share declined to 13 percent in 1982 from 15 percent in 1980. Although Iran was the largest exporter of carpets in 1982 (in terms of value) but its market share declined from 41 percent in 1976 to 20.6 percent in 1982. However, a matter of satisfaction was that India emerged as the second largest exporter as its market share registered a gradual increase from 8.9 percent in 1976 to 14.4 percent in 1980 and 20.0 percent in 1982. Likewise China improved its share from 4.9 percent in 1976 to 11 percent in 1982 and has thus become the fourth largest exporter after Iran, India and Pakistan.

Just after one year the Indian position improved further and occupied the first place among the exporting countries of the world so far as export of hand-knotted carpets is concerned.5 While the global market of carpets witnessed a decline in 1980 onwards, India and China successfully emerged on the top of recession pushing Iran and Pakistan into

the background. Viewed against this backdrop it is clear that with the decline of exports from Iran and Pakistan, China has emerged as the only potential and bigger competitor of India. The reason for this is not far to seek. Chinese have successfully started the production of medium quality persian design carpets, in which India was the acknowledged leader till recently.

Having portrayed the global picture of carpet trade, it should be interesting to review the performance of India in greater detail. Accordingly, therefore, following pages have been devoted to this aspect.

EXPORT PERFORMANCE OF INDIAN CARPETS

Of the traditional handicrafts exports from India, carpets account for nearly 42 percent of the overall exports barring the exports of gems and jewellery. From a modest figure of Rs. 21.44 crores in 1981-82, the exports touched a new height of Rs. 173.48 crores in 1981-82 registering an annual average growth rate of 27 percent. During 1982-83 and 1983-84, the total

7. Ibid P. 3.52.
exports of carpets have been provisionally placed at Rs. 163.85 and Rs. 147.70 crores respectively as against actual export of Rs. 173.48 crores in 1981-82. Exports of carpets during the last few years suffered mainly because of sluggish world demand, resulting from global economic recession. However, the position is likely to improve following the gradual economic recovery in the West Europe and North America. Table 5.3 given below shows the exports of carpets for the period 1974-75 to 1983-84.

Table 5.3
Export of Hand-knotted Woollen Carpets from India from 1974-75 to 1983-84.

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Exports (Rupees in crores)</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-75</td>
<td>36.11</td>
<td>-</td>
</tr>
<tr>
<td>1975-76</td>
<td>41.43</td>
<td>14.73</td>
</tr>
<tr>
<td>1976-77</td>
<td>66.41</td>
<td>60.29</td>
</tr>
<tr>
<td>1977-78</td>
<td>81.96</td>
<td>23.14</td>
</tr>
<tr>
<td>1978-79</td>
<td>99.87</td>
<td>21.85</td>
</tr>
<tr>
<td>1979-80</td>
<td>135.38</td>
<td>35.55</td>
</tr>
<tr>
<td>1980-81</td>
<td>157.66</td>
<td>16.45</td>
</tr>
<tr>
<td>1981-82</td>
<td>173.48</td>
<td>10.03</td>
</tr>
<tr>
<td>1982-83</td>
<td>163.85(provisional)</td>
<td>5.55</td>
</tr>
<tr>
<td>1983-84</td>
<td>147.70 (Do)</td>
<td>9.85</td>
</tr>
</tbody>
</table>

Source: Compiled on the basis of data obtained from the Office of the Development Commissioner (Handicrafts), New Delhi.
From the figures shown in the Table 5.3 it can safely be concluded that Indian contribution of hand-knotted carpets, as one of the items of handicrafts, is not only impressive but quite significant as well. Although, India has been exporting carpets for many years, it was only from the mid 60's that the export performance showed a sustained increase. From 1947 to 1965 export figures increased though at a slow rate. From Rs. 3.22 crores, it increased to Rs. 5.66 crores. But from 1966-67 onwards, the value of exports rose steadily from Rs. 7.79 to Rs. 173.0 crores in 1981-82. This shows that the growth was faster as the years rolled on.

Value and Quantity Indices

According to the available figures, while the quantity indices have shown only a three-fold increase between 1970-71 to 1981-82, the unit value indices have shown five-fold increase. This proves that the contribution of increase in unit value of exports compared to increase in the quantity exported has been


much greater in the total value of carpets exported. This has resulted partially because of the fact that India has gradually started exporting higher proportions of high quality carpets which fetch a greater unit value. This is a healthy trend and need to be not only maintained but also improved upon by laying more stress on the production of quality carpets.

**DIRECTION OF EXPORTS**

Reasonable prices and good workmanship have contributed to the worldwide acceptability of Indian carpets, particularly in European and American markets. Presently Indian hand-knotted carpets are exported to over 25 countries of the world. About 60 percent of total exports is, however, accounted by West Germany and the United States of America. Thus of all the leading exporters, India's exports are the most concentrated which makes it far more vulnerable to cycles in economic activity in importing countries and is a strong argument for a more diversified export effort. More so, when India is facing a stiff competition from other leading carpet exporting countries of the world, ITC study

conducted in the year 1981, signals a warning to India. The study reveals that Pakistani exporters are on the lookout for new markets in North America, Australia, Japan and South East Asia. Hence a careful export strategy need to be evolved to face this growing challenge.

Another development on the world scene is that the East European countries mainly USSR have also started importing hand knotted carpets from India in significant quantities. This augers well for the future growth of the industry. It further indicates that India has enough potential which however, needs proper direction and control. Table 5.4 demonstrates the position of carpet exports from India to various countries.

EXPORT PERFORMANCE OF KASHMIR CARPETS

Having surveyed the global market position of carpet exports and the role India plays in it, it would be quite fascinating to attempt a similar analysis in case of Kashmir carpets.


### Direction of India's Carpet Exports in terms of Percentage market shares

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>F.R. Germany</td>
<td>58.5</td>
<td>51.9</td>
<td>55.7</td>
</tr>
<tr>
<td>U.S.A</td>
<td>21.6</td>
<td>18.1</td>
<td>17.7</td>
</tr>
<tr>
<td>U.K.</td>
<td>5.1</td>
<td>5.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7.9</td>
<td>7.1</td>
<td>5.5</td>
</tr>
<tr>
<td>France</td>
<td>1.9</td>
<td>3.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Italy</td>
<td>0.8</td>
<td>2.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Austria</td>
<td>2.1</td>
<td>2.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.2</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Belgium - Lux</td>
<td>0.8</td>
<td>2.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Others</td>
<td>4.8</td>
<td>3.1</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: UNSO/ITC - Import Tabulation System at TDA, New Delhi.

Kashmir occupies a very significant place in the carpet industry of India. About 10-20 percent of India's total exports of handmade carpets constitute Kashmir carpets. It is one of the few places in the country, where handmade carpets are woven and which have enjoyed great name and fame. History bears an eloquent testimony to the fact that Kashmir is the only place in India, where finest quality hand-knotted oriental carpets in Persian designs, are being produced.

14. See Chapter I, P.
from times immemorial. Indeed, it is a matter of pride that Kashmir has specialised in the weaving of higher knottage carpets with 356 to 600 knots per square inch, which are comparable to world famous Persian carpets, in terms of designs, colour combination, texture etc.

The carpet industry in Kashmir is mainly an export oriented industry. About 90 percent of the annual total production is exported to foreign countries. The export trade of Kashmir carpets registered a rising trend since 1970 onwards, as is illustrated by Table 5.5 given below:

Table 5.5
Value of Carpet Exports from J&K State
(1973-74 to 1983-84)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Rs. in crores)</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>1.73</td>
<td>-</td>
</tr>
<tr>
<td>1974-75</td>
<td>2.47</td>
<td>+ 42.71</td>
</tr>
<tr>
<td>1975-76</td>
<td>2.50</td>
<td>+ 1.21</td>
</tr>
<tr>
<td>1976-77</td>
<td>5.50</td>
<td>+ 120.00</td>
</tr>
<tr>
<td>1977-78</td>
<td>8.49</td>
<td>+ 54.36</td>
</tr>
<tr>
<td>1978-79</td>
<td>12.10</td>
<td>+ 42.50</td>
</tr>
<tr>
<td>1979-80</td>
<td>26.96</td>
<td>+ 122.81</td>
</tr>
<tr>
<td>1980-81</td>
<td>26.80</td>
<td>- 0.59</td>
</tr>
<tr>
<td>1981-82</td>
<td>24.25</td>
<td>- 9.51</td>
</tr>
<tr>
<td>1982-83</td>
<td>23.10</td>
<td>- 4.74</td>
</tr>
<tr>
<td>1983-84</td>
<td>22.22</td>
<td>- 3.90</td>
</tr>
</tbody>
</table>

Source: Compiled by the scholar on the basis of data obtained from the Directorate of Handicrafts J&K Srinagar.

The figures given in the above table indicate that the exports of carpets from Jammu and Kashmir shot up from a meagre amount of Rs. 1.73 crores in 1973-74 to the record figure of Rs. 26.96 crores in 1979-80, indicating about 16 fold increase during this period. This phenomenal increase was the result of following main factors:

i) Significant increase in the global trade of carpets during the corresponding period,

ii) decline of carpet exports from Iran and

iii) launching of Massive Carpet Weaving Training programme in Kashmir.

However, the rising trend of carpet exports has been halted after 1980-81 onward. The table 5.5 reveals that the total value of carpet exports declined from the peak of Rs. 26.96 in 1979-80 to Rs. 22.20 crores in 1983-84, reflecting 17.16 percent decrease in the total value of exports. Following factors are held responsible for this situation.

i) Economic recession in the developed economies of the world,

ii) Severe competition from Pakistan, China and Turkey.
iii) Deterioration in the quality of Kashmir carpets.

EXPORT COMPOSITION OF KASHMIR CARPETS

Traditionally, Kashmir has been famous for its hand made woollen carpets. However, in the recent years a number of new varieties of oriental carpets have been developed. Presently, Kashmir produces and exports the following varieties of carpets.

<table>
<thead>
<tr>
<th>Types of Carpet</th>
<th>Raw Material Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a) Woollen Carpets</strong></td>
<td></td>
</tr>
<tr>
<td>1. Woollen Carpets</td>
<td>90% wool, 10% cotton</td>
</tr>
<tr>
<td>2. Woollen Carpets with silken base</td>
<td>60% wool, 30% silk, 10% cotton</td>
</tr>
<tr>
<td>3. Woollen Carpets with silk touch</td>
<td>80% wool, 10% silk 10% cotton</td>
</tr>
<tr>
<td><strong>b) Silk Carpets</strong></td>
<td></td>
</tr>
<tr>
<td>1. Full silk Carpets</td>
<td>100% silk</td>
</tr>
<tr>
<td>2. Silk Carpets</td>
<td>90% silk, 10% cotton</td>
</tr>
<tr>
<td>3. Silk Carpets with metallic threads</td>
<td>Silk, Metallic threads (Tilà)</td>
</tr>
<tr>
<td><strong>c) Staple Carpets</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>90% Staple, 10% cotton</td>
</tr>
</tbody>
</table>

Since the export data is not available separately for each of the above categories; it is difficult to
attempt a micro analysis of the various categories. 

The redeeming factor, however, is that the Central 
Silk Board, Bangalore maintains accurate and detailed 
export data at the all India level, in respect of silk 
carpets. As Kashmir is the only place in India, where 
silk carpets are being manufactured, it is safe to 
assume that the export figures of silk carpets at the 
all India level depict the position of export of silk 
carpets from Kashmir. Accordingly, the following table 
has been constructed to reveal the export composition 
of Kashmir carpets:

Table 5.6
Value of Silk and Woollen Carpet Exports from Jammu 
and Kashmir State.

<table>
<thead>
<tr>
<th>Year</th>
<th>Silk Carpet Exports* (Rs. in crores)</th>
<th>Woollen Carpet Exports** (Rs. in crores)</th>
<th>Total Carpet Exports (Rs. in crores)</th>
<th>Share of Silk in total (%)</th>
<th>Share of Wool Carpets in Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-75</td>
<td>NEG</td>
<td>2.47</td>
<td>2.47</td>
<td>NEG</td>
<td>100</td>
</tr>
<tr>
<td>1975-76</td>
<td>0.66</td>
<td>1.84</td>
<td>2.50</td>
<td>26</td>
<td>74</td>
</tr>
<tr>
<td>1976-77</td>
<td>2.86</td>
<td>2.64</td>
<td>5.50</td>
<td>52</td>
<td>48</td>
</tr>
<tr>
<td>1977-78</td>
<td>3.84</td>
<td>4.65</td>
<td>8.49</td>
<td>45</td>
<td>55</td>
</tr>
<tr>
<td>1978-79</td>
<td>6.08</td>
<td>6.02</td>
<td>12.10</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>1980-81</td>
<td>9.22</td>
<td>17.58</td>
<td>26.80</td>
<td>34</td>
<td>66</td>
</tr>
<tr>
<td>1981-82</td>
<td>11.40</td>
<td>24.25</td>
<td>35.65</td>
<td>47</td>
<td>53</td>
</tr>
<tr>
<td>1982-83</td>
<td>12.73</td>
<td>23.10</td>
<td>35.83</td>
<td>55</td>
<td>45</td>
</tr>
<tr>
<td>1983-84</td>
<td>16.33***</td>
<td>22.22</td>
<td>38.55</td>
<td>73</td>
<td>27</td>
</tr>
<tr>
<td>1984-85</td>
<td>17.51***</td>
<td>20.35</td>
<td>37.86</td>
<td>86</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Compiled by the scholar on the basis of information 
obtained from:
* Silk in India: Statistical Biennial 1984"
Central Silk Board Bangalore.
** Directorate of Handicrafts, J&K Srinagar.
*** Monthly Silk Export Bulletin (CSB) Bangalore, 
Feb. 84 and Jan. 85 Issues.
The table 5.6 makes striking revelations about the changes in the export composition of Kashmir carpets. It shows that in 1974-75, the export of silk carpets was negligible and woollen carpet exports amounted to Rs. 2.47 crores. As against this in 1975-76, the share of woollen carpets in the total carpet exports came down to 74 percent, whereas the share of silk carpets, for the first time, went up to 26 percent. The proportion between the two categories was about 50:50 during the year 1978-79. However, during the boom period of 1979-80 and 1980-81 the percentage share of woollen carpets again increased to 61 percent and 66 percent respectively, while as the share of silk carpets declined to 39 percent and 34 percent respectively, during the same period. In the subsequent two years of 1981-82 and 1982-83 the share of woollen carpet exports once again shrank to 53 percent and 35 percent respectively. However, the extraordinary change is visible in the last two years of 1983-84 and 1984-85. During this period the share of woollen carpets has been drastically reduced to 27 percent and 14 percent respectively, whereas the share of silk carpets has increased to 73 percent and 86 percent, respectively, during the corresponding period.

Thus the above table (5.6) reveals that a
total change has taken place in the export composition of Kashmir carpets during the last one decade or so. The reasons responsible for this inter-alia are:

a) Tougher competition in the international market for woollen carpets,

b) Higher cost of production in case of woollen carpets, due to high wage rates,

c) Silk carpets - a speciality of Kashmir.

**EXPORT PERFORMANCE OF SILK CARPETS**

As already mentioned the export of silk carpets from Kashmir has been showing a rising trend for the last one decade or so. A close examination of the changes in value, quality and average unit value realisation can be made on the basis of table 5.7.

It can be observed from the above table that the annual value of silk carpets has increased significantly from the meagre amount of Rs. 0.66 crores in 1975-76 to Rs. 17.51 crores in 1984-85, depicting an annual average growth rate of 65 percent. The quantity of exports has increased from about 3006 m² (square metres) in 1975-76 to about 63000 m² in 1984-85, indicating a 59 percent average annual growth rate over the decade.
**Table 5.7**

Value, Quantity and Average Unit Value of Silk Carpet Exports from Kashmir (1975-76 to 1984-85)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Exports (Rs. in crores)</th>
<th>Quantity (Sq. metres approx.)</th>
<th>Average Unit Value (Rs.)</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-76</td>
<td>0.66</td>
<td>3,000</td>
<td>2,200</td>
<td>-</td>
</tr>
<tr>
<td>1976-77</td>
<td>2.86</td>
<td>9,000</td>
<td>3,178</td>
<td>+366</td>
</tr>
<tr>
<td>1977-78</td>
<td>3.84</td>
<td>9,000</td>
<td>4,267</td>
<td>+34</td>
</tr>
<tr>
<td>1978-79</td>
<td>6.08</td>
<td>14,000</td>
<td>4,343</td>
<td>+58</td>
</tr>
<tr>
<td>1979-80</td>
<td>10.39</td>
<td>20,000</td>
<td>5,195</td>
<td>+71</td>
</tr>
<tr>
<td>1980-81</td>
<td>9.22</td>
<td>18,000</td>
<td>5,122</td>
<td>+11</td>
</tr>
<tr>
<td>1981-82</td>
<td>11.40</td>
<td>27,000</td>
<td>4,222</td>
<td>+24</td>
</tr>
<tr>
<td>1982-83</td>
<td>12.73</td>
<td>35,000</td>
<td>3,637</td>
<td>+12</td>
</tr>
<tr>
<td>1983-84</td>
<td>16.33</td>
<td>51,000</td>
<td>3,202</td>
<td>+28</td>
</tr>
<tr>
<td>1984-85</td>
<td>17.51</td>
<td>63,000</td>
<td>2,781</td>
<td>+7</td>
</tr>
</tbody>
</table>


A comparison between the growth rates of export values and export quantities reveals that from 1975-76 to 1979-80 the value of silk carpet exports increased at a faster rate than the rate of growth in the corresponding export quantities, whereas from 1981-82 to 1984-85 the rate of growth in export quantities became higher than the rate of growth in export values, reflecting the changes in the average unit value realization of the carpets.

**AVERAGE UNIT VALUE**

The table 5.7 reveals that the average unit value of silk carpet exports from Kashmir, reached the peak of Rs. 5,195/m² in 1979-80, as against 2200/m² in
1975-76, thereby indicating the boom period for Kashmir carpets. However, the boom period did not last long. The average unit value registered a steep fall from Rs. 5,122/m in 1980-81 to Rs. 2781/m² in 1984-85, indicating the severe impact of the market depression. The decline in the Average Unit Value Realization is still continuing. Following factors are considered to be responsible for this situation:

- General economic recession in the market,
- Customer resistance to high prices,
- Severe competition from Turkey and China, and
- Deterioration in the quality of Kashmir carpets especially due to the use of artificial silk.

DIRECTION OF SILK CARPET EXPORTS

Silk carpet exports from Kashmir are directed towards a number of countries in the world. The prominent among them are:

- Federal Republic of Germany,
- United States of America,
- France,
- Switzerland,
- United Kingdom,
- Belgium,
- Australia,
The following table shows the direction of silk carpet exports from Kashmir.

Table 5.8

Country-wise Exports of Silk Carpets from India (Kashmir)
A Comparison between 1978-79 and 1982-83

<table>
<thead>
<tr>
<th>Destination</th>
<th>Value of Exports 1978-79 (Rs. in lakhs)</th>
<th>Value of Exports 1982-83 (Rs. in lakhs)</th>
<th>% share in total value 1978-79</th>
<th>% share in total value 1982-83</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Germany</td>
<td>228.32</td>
<td>397.01</td>
<td>37.50</td>
<td>31.18</td>
</tr>
<tr>
<td>Switzerland</td>
<td>106.31</td>
<td>167.33</td>
<td>16.47</td>
<td>13.12</td>
</tr>
<tr>
<td>United States</td>
<td>50.24</td>
<td>158.21</td>
<td>8.25</td>
<td>12.33</td>
</tr>
<tr>
<td>France</td>
<td>41.92</td>
<td>113.63</td>
<td>6.88</td>
<td>8.95</td>
</tr>
<tr>
<td>Italy</td>
<td>29.20</td>
<td>11.26</td>
<td>4.79</td>
<td>0.88</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>7.46</td>
<td>105.91</td>
<td>1.22</td>
<td>8.33</td>
</tr>
<tr>
<td>U.A.E.</td>
<td>0.92</td>
<td>36.76</td>
<td>0.15</td>
<td>3.14</td>
</tr>
<tr>
<td>U.K.</td>
<td>30.02</td>
<td>36.87</td>
<td>4.93</td>
<td>3.14</td>
</tr>
<tr>
<td>Kuwait</td>
<td>2.83</td>
<td>36.15</td>
<td>0.46</td>
<td>2.83</td>
</tr>
<tr>
<td>Singapour</td>
<td>3.05</td>
<td>26.96</td>
<td>0.50</td>
<td>2.11</td>
</tr>
<tr>
<td>Australia</td>
<td>8.00</td>
<td>25.84</td>
<td>1.31</td>
<td>2.04</td>
</tr>
<tr>
<td>Austria</td>
<td>5.31</td>
<td>20.19</td>
<td>0.86</td>
<td>1.59</td>
</tr>
<tr>
<td>Belgium</td>
<td>32.11</td>
<td>18.63</td>
<td>5.86</td>
<td>1.49</td>
</tr>
<tr>
<td>Others</td>
<td>62.11</td>
<td>114.63</td>
<td>10.20</td>
<td>9.01</td>
</tr>
</tbody>
</table>

Total          | 609.80                                 | 1273.66                                | 100.00                         | 100.00                         |

Source: Compiled by the researcher on the basis of the data obtained from the "Silk in India, Statistical Biennial 1984" published by Central Silk Board of India, Bangalore.

16. It has been already pointed out that Kashmir is the only place in India which produces and exports silk carpets. Therefore, it has been assumed that the silk carpet export figures for India, represent the export of Kashmir silk carpet exports.
The table 5.8 demonstrates that the West Germany is the single largest market for the silk carpet: exports from Kashmir, absorbing 31.18 percent of the total exports of silk carpets from India followed by Switzerland (13.12 percent), U.S.A. (12.33 percent) France (8.95 percent), Saudi Arabia (8.33 percent) and U.A.E (3.14 percent). These five countries together import more than 70 percent of the total silk carpet exports from India. This is a clear proof of the popularity of Kashmir silk carpets.

The Table 5.8 further reveals that significant changes have taken place in the direction of exports between 1978-79 and 1982-83. The share of exports to West Germany has declined from 37.50 percent to 31.18 percent during this period. Similarly the share of exports to Switzerland has also gone down from 16.47 percent in 1978-79 to 13.12 percent in 1982-83. Contrary to this, a number of other importing countries have increased their share of Kashmir silk carpets during the same period including U.S.A. (From 8.25% to 12.33%) Saudi Arabia (from 1.22% to 8.33%), France (from 6.88% to 8.95%) and U.A.E (from 0.15% to 3.14%) etc.

It is, therefore, gratifying to note that the market for silk carpets from Kashmir has become relatively
diversified during the above mentioned period. Besides, developed countries, a number of Gulf countries have started importing the silk carpets from Kashmir in significant quantities. This affords a convincing proof that Kashmir silk carpets have a great potential. What is therefore, needed is to redouble the efforts in conducting thorough market exploration studies.

KASHMIR'S POSITION IN THE GLOBAL TRADE OF SILK CARPETS

Despite statistical constraints, fairly good idea can be had about the recent trends in world import of silk carpets from the perusal of Appendix-II, which shows imports into nine of the major carpet importing countries in 1976 and from 1979 to 1982, constituting about 75 percent of the total world market for silk carpets. Unfortunately the data for silk carpet imports into the United States and Switzerland are not included as they are not shown separately in published import statistics.


On the basis of the data available, import of silk carpets into the nine countries combined continued to increase up to 1980, when they reached $77 million (compared with $31 million in 1976) but they fell gradually in the next two years, following the same general trend for woollen carpets imports and reached only $63 million in 1980.

The relative position of various supplying countries in the nine of the major silk carpet importing countries from 1976 to 1982 is depicted by Table 5.9.

**Table 5.9**

Competitive Market Position of 4 major suppliers of Silk Carpets in the Nine Major Importing Countries.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>6,612</td>
<td>12,238</td>
<td>28,469</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Iran</td>
<td>17,949</td>
<td>36,074</td>
<td>14,192</td>
<td>58</td>
<td>51</td>
</tr>
<tr>
<td>China</td>
<td>889</td>
<td>4,821</td>
<td>7,349</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>India</td>
<td>1,848</td>
<td>7,899</td>
<td>6,810</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Others</td>
<td>3,522</td>
<td>9,936</td>
<td>6,216</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>30,821</td>
<td>70,968</td>
<td>63,036</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Compiled by the scholar on the basis of the tables in the Appendix-II and the ITC Report on Major Market for Hand-knotted Carpet" 1983.
The above table clearly demonstrates that Turkey, Iran, China and India contribute about 90 percent of total imports of silk carpets into the 9 major markets of the world. Kashmir has increased its market share from 6 percent in 1976 to 11 percent in 1982. The market share of Iran has drastically declined from 58 percent in 1976 to only 23 percent in 1982, whereas the Turkey has increased its share from 21 percent to 45 percent during the same period. China has also dramatically expanded its share from 3 percent in 1976 to 12 percent in 1982. Thus, Kashmir was the third largest exporter of hand-knotted silk carpets into the nine major markets in 1976 and 1979. However, in 1982 China overtook Kashmir, for the third position and thus Kashmir stood at fourth position in 1982. It follows therefore, that Kashmir silk carpets face cut throat competition, which calls for a new look on export strategy already spelled out. Turkey is posing a serious threat compared to other countries. It has been reported that extraordinary expansion of exports by Turkey is the result of the economic policy pursued in Turkey, which encourages exports by means of a special Income Tax Relief. Consequently the Turkish silk carpets have become very much in demand in the
key markets in Western Europe, in the United States and in several countries in the Middle East. 19

EXPORT OF WOOLLEN CARPETS

Prior to 1970, the entire production and export of Kashmir carpets was that of woolen carpets. Export of silk carpets is a recent phenomena. Despite this, fact, the woolen carpets still constitute a substantial position (about 40 percent) of the total carpet exports from Kashmir. It has already been mentioned that statistical information has remained a major constraint in writing this thesis. No reliable information is available that could point-out the value, quantity and direction of the export of woolen carpets of Kashmir to foreign countries. Nevertheless, some important clues can be picked up from the international trade statistics. The National Foreign Trade Statistics of EEC countries (which import more than 50 percent of the world's total export of woolen carpets) provides some valuable clues. The European Economic Community in their publications provide information of hand-knotted carpets.

woollen carpets separately as under:

i) knotted carpets made of wool or other fine animal hair with maximum 10 percent of silk and with a maximum of 350 knots per metre of warp (BTN 58.01.11);

ii) knotted carpets made of wool or other fine animal hair with maximum 10 percent of silk and with more than 350 and upto 500 knots per metre of warp (BTN 58.01.13);

iii) knotted carpets made of wool or other fine animal hair with maximum 10 percent of silk with more than 500 knots per metre of warp (BTN 58.01.13).

These three categories based on different qualities have been established by the EEC nomenclature of goods for its external and internal trade statistics (NIMEXE) and incorporated into the Brussels Tariff Nomenclature (BTN) in 1978. This classification is highly useful for assessing and analysing the export potential of Kashmir carpets. The present study reveals that the 90 percent of the total woollen carpet exports from

Kashmir fall under category No. iii given above. Kashmir being the only place where high knottage carpets are produced, it can safely be deduced that imports of Indian woollen carpets into the EEC countries falling under the category No. III are the woollen carpets of Kashmir. On this basis an attempt has been made in the following pages to assess the export performance of Kashmir carpets in the key markets of the world.

EXPORT PERFORMANCE OF KASHMIR IN THE KEY MARKETS:

In the light of the foregoing analysis it would be fruitful to examine the export performance of Kashmir carpets (both woollen and silken) vis-a-vis other competitors in the key markets of the world, for which the required statistical data is available. In this connection the six EEC countries, Sweden and Saudi Arabia have been selected. 21

FEDERAL REPUBLIC OF GERMANY

a) Silk Carpets

The Federal Republic of Germany is the world's

21. Unfortunately the data for silk carpet imports and woollen carpets imports (with 500 knots per metre of warp and above) into the U.S.A. and Switzerland are not included as they are not shown separately in published import statistics.
largest importer of silk carpets, accounting for more than 50 percent of the total world imports. Appendix-III shows that by value, imports of silk carpets amounted to $48 million for about 6.5 percent of all hand-knotted carpet imports into FRG in 1980 having increased by 341 percent from 1975 to 1980. Imports by quantity trebled during the same period. The main suppliers are Iran, Turkey, India and China. India's exports of silk carpets to FRG have increased from 2.5 thousand m² worth $1.13 million in 1976 to 12.9 thousand m² worth $5.02 million in 1982, indicating about five fold increase in quantity as well as value of imports. In terms of quantity and value, India's position is third in the market after Turkey and Iran but as regards average unit value realization, India's position is sixth among the supplying countries. In 1980, Turkey obtained highest average unit value of $18,167/m² where as for India it was only $5,025/m².

The market share of India was only 12 percent in FRG market for silk carpets, as against very high percentage of Turkey (43%) and Iran (25%) in 1982. All this proves that there is ample scope for increasing the silk carpet exports from Kashmir to FRG. Hence, it calls for greater concerted efforts based on scientific market investigation.
b) Woollen Carpets

The Federal Republic of Germany has grown over the years into the world's largest importer and user of hand-knotted carpets. Its total imports, during 1980, amounted to $756 million forming 45.0 percent of world imports.  

Appendix-IV shows that the volume of imports to Federal Republic rose from 4.37 million m² in 1975 to 5.55 million m² in 1980, thus registering an increase of 27 percent. The value of imports, however, rose much more steeply from $257.06 million in 1975 to $755.61 million in 1980, an increase of 194 percent.

Imports of medium and high quality carpets during 1975-80 rose by 60 percent in quantity at the expense of low quality imports. Similarly, in terms of value the share of low quality imports shrunk from 32.3 percent in 1975 to 19.0 percent in 1980, while the share of medium and high quality imports rose from 63.2 percent in 1975 to 74.6 percent in 1980. It, therefore, proves that the buyers attach greater importance to quality and do not mind paying higher prices for quality products.

Morocco does not appear to be fussy about the quality of the product. This fact becomes clear from a perusal of Appendix - V. It indicates that the country got the largest share of low quality imports in 1980, i.e. 54 percent by value. Morocco can, thus, be said to be specialising in lowest quality carpets. To sum up, in 1980, the largest supplier of low quality carpets (Below 350 knots per metre warp) to the FRG, was Morocco, followed by India and Iran. In the medium category, the largest supplier was Iran, followed by India and Afghanistan. In the highest category (above 500 knots) Pakistan supplied twice as much by quantity as Iran, the second largest supplier. In value terms, however, Iran's supplies were more than twice that of Pakistan. The third largest supplier was India. 23

India has had a larger share of the low quality market, although its share of medium and high quality imports has grown recently. Thus, in 1980, its share of low quality imports was 30.8 percent in terms of quantity and 31.2 percent in terms of value. In 1978, 1979 and 1980, its share of market for carpets of medium and high quality were as follows.

23. For details see Appendix—VI.
Table 5.10
West Germany: Market share of India for Woollen Carpet Imports

<table>
<thead>
<tr>
<th>Quality Category</th>
<th>Quantity (%)</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 350 and up to 500 knots/m</td>
<td>25.2</td>
<td>27.6</td>
</tr>
<tr>
<td>More than 500 knots/m of warp</td>
<td>13.0</td>
<td>19.5</td>
</tr>
<tr>
<td>Total</td>
<td>38.2</td>
<td>47.1</td>
</tr>
</tbody>
</table>


The table 5.10 reveals that India's share of high quality carpets increased from 25.2 percent to 19.4 percent in terms of quantity and from 11.5 percent to 15.3 percent in terms of value during the period 1978 and 1980. Similarly, the market share for medium quality carpets rose from 13.0 percent to 21.6 percent (Quantity-wise) during the corresponding year.

As noted earlier, India's exports in the quality category of 500 knots/m of warp and above, constitute mainly of the Kashmir carpets. The Appendix—VI shows the imports of this category into FRG from major importing
countries. It reveals that India's exports of fine quality carpets to FRG have gone up from 147 thousand $m^2$ to 308 million $m^2$ (Quantity-wise) and from $\$ 16.56$ million to $\$ 38.68$ million (Value-wise) from 1978 to 1980, indicating more than two fold increase in terms of quantity as well as quality.

Thus, the market potential for Kashmir hand-made carpets in Federal Germany is very large, but only if the defects in quality, designs and colours are set right.\textsuperscript{24} Prices also need to be related to the best products of Pakistan than to the best products of Iran, because Pakistan has emerged as the main competitor of India in respect of finest quality woollen carpets.

\textbf{UNITED KINGDOM}

a) \textit{Silk Carpets}

The United Kingdom is a major trading centre for hand-knotted carpets. In this connection Appendix- VII brings to light some interesting facts. It shows that in 1976, the total imports of silk carpets into UK amounted to 38 thousand $m^2$ worth $\$ 5.79$ million; whereas in 1982 the same fell to the level of 22.4 thousand $m^2$ worth $\$ 4.10$ million only.

The imports from India have also shown a steep decline from 6 thousand m² worth $629 million in 1976 to 0.7 thousand m² worth $81 million in 1982. The average unit value realization of imports from India has also registered a sharp decline from $448.33 (1976) to $115.71 (1982). Thus the United Kingdom's market for handmade silk carpets is shrinking gradually.

The market share of Kashmir in the total imports of silk carpets into UK in 1982 was very low (1.97 percent) as compared to Iran (32.35 percent), Turkey (23.50 percent), and China (14.51 percent) in terms of value.

b) Woollen Carpets

Imports of hand-knotted woollen carpets into the United Kingdom in 1982 were at the same level — in quantitative terms — as in 1976. There were considerable fluctuations in the import quantities in the meantime but imports have tended to average some 0.85 million m² worth $83 to $85 million.

during the last few years. It is, however, interesting to note that despite economic recession, imports of high quality woollen carpets continue to rise. India has also succeeded in improving its share in this category of imports.

India's total imports of carpets into the U.K. have gone up from 0.16 million m² worth $1.75 million in 1978 to 0.28 million m² worth $3.39 million in 1980, reflecting 75 percent increase in quantity and 93 percent in value during the period.

Appendix-VII depicts India's position in UK market as compared to other major suppliers, in respect of finest quality carpets (500 knot/m and above). It reveals that Pakistan dominates the fine category with 1,56,700 square metre valued at $16.75 million, carrying a share of 52.4 percent in value in this category followed by Iran, with 7500 square metres worth $7.26 million. India supplied 27,800 m² at a value of $3.4, representing 10.6 percent of the total value, during the year 1980.

The IIFT (1983) market survey report also remarks that "there is undoubted scope for Kashmir carpets in the U.K. The trade data shows that Iran's

position in the market is weakening and that there is therefore room for other suppliers to increase their supplies. Kashmir carpets have begun to establish themselves and generally have satisfactory reputation.

FRANCE

a) Silk Carpets

After FRG, France occupies the second place among the countries selected for present analysis so far as the importa of silk carpets is concerned. This is clearly exhibited from a study of Appendix II.

Appendix -IX shows the imports of silk carpets into France from major supplying countries from 1976 to 1982. It reveals that the quantity of silk carpet imports into France have increased from 8.4 thousand m² in 1976 to 25.6 thousand m² in 1982, reflecting three fold increase. As against this the value of imports has gone up from $ 2.32 million in 1976 to $. 5.76 million in 1982. This indicates that imports have doubled during the period. However, the average unit values have registered a decline from $ 276.30/m² to $ 225.23/m² between 1976 to 1982.

A detailed analysis of Appendix-IX further reveals that Kashmir occupies second position in

respect of quantity of silk carpets imported into France during the year 1982, by contributing 17.19 percent of the total import quantity, as against China and Turkey whose share stood at 48 and 8 percent respectively. In terms of value, the relative market share for Turkey, China, India and Iran are 35.57, 17.34, 15.78 and 7.5 percent respectively. India's position in respect of value is thus, third in the French market.

The average unit value of Kashmir silk carpets imported into France in 1982, amounted to $206.82/m² compared to $976/m² for Turkey, $844/m² for Afghanistan and $621/m² for Iran. The relative poor performance speaks of poor quality of Kashmir silk carpets. Thus on the one hand, French market can give a lot to India but at the same time quality will have to be improved and ensured.

b) Woollen Carpets

Total imports of hand-knotted carpets into France increased by 67 per cent in quantity and trebled in value in the period 1975-80. Imports in 1980 enhanced exceeded 1.2 million m² valued $101 million. (See Appendix X).

The composition of hand-knotted carpet imports in terms of quality (knot density) underwent substantial
change between 1975 and 1980. More than half of total imports consisted of woollen carpets with over 500 knots/m of warp, the highest category shown in the trade statistics. Imports of highest quality category (comparable to Kashmir) increased by over 300 percent in both quantity and value, whereas imports of cheaper qualities declined or stagnated. This evolution shows that French market has become increasingly quality conscious. The competitive market position of India, in respect of finest quality hand-knotted woollen carpets, is highlighted by the Table 5.11 given below:

**Table 5.11**

France: Percentage Market Shares of Major Supplier for Woollen Carpets (More than 500 Knots/m of warp)

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Quantity (%)</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>68</td>
<td>84</td>
</tr>
<tr>
<td>Iran</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>India</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Total:</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Compiled by the scholar on the basis of data obtained from ITC Report on "Major Markets for Hand-knotted Carpets" Volume I, 1983.

It will be observed from the above table that Pakistan has emerged as the dominant supplier in the French Market for the supply of woollen carpets (with 500 knots/m of warp and above). Its market share increased from 68 percent to 84 percent (Quantity-wise) and from 50 percent to 60 percent (value-wise) from 1975 to 1980, whereas Iran's market share declined remarkably from 14 percent to 4 percent (Quantity-wise) and from 35 percent to 19 percent (value-wise) during the corresponding period. Although, the market share of India increased from 3 percent to 9 percent in terms of quantity and from 2 percent to 7 percent in terms of value over the same period but compared to Pakistan its performance leaves much scope for improvement.

**BELGIUM-LUXEMBURG**

a) **Silk Carpets**

Belgium-Luxemburg provide a good market for Kashmir silken carpets. A look at the figures in the Appendix-XI shows that the trend of imports has remained staggering. Between 1976 to 1979 there was upward swing but it subsequently sluggish and came down to $2.33 million in 1982. Meanwhile the
average unit values of silk carpet imports from all the sources into BLEU decreased from $630/m² in 1976 to $475.06/m² in 1982.  

The Appendix XI reveals that in 1982, Turkey emerged as the leading supplier of hand knotted silk carpets to BLEU, in terms of total value and average unit value. Prior to that viz. 1976, Iran was the leading supplier both in terms of quantity and value. It supplied then 67 percent of the total requirements annually and 40 percent of the total value. But in the following years, particularly from 1982 onwards, its share drastically declined both in terms of quantity (24%) and value (11%).

The decline in Iranian exports had provided a golden opportunity for India to capture the market. But it is a pity, that India missed this chance. It was however, Turkey, which grabbed this opportunity to the fullest possible extent. In 1982, its contribution to the total value of imports into BLEU stood at 40 percent.

b) Woollen Carpets

The total imports of hand-knotted woollen

29. See Appendix-XI for details.
carpets into BLEU went up from $ 20.89 million in 1975 to $ 60.25 million in 1980 and came down to $ 37.36 million in 1982. The quantity of imports increased from 0.351 million m^2 in 1975 to 0.422 million m^2 in 1980 and came down to 0.331 million m^2 in 1982. The average unit value of all imports reached the peak $ 138/m^2 in 1982, as against $ 57/m^2 in 1975 and $ 118/m^2 in 1980.30

Qualitatively, the share of medium and high quality carpets in the total imports has increased from 69.83 per cent in 1975 to 87.98 percent in 1980, in terms of value. Similarly, in terms of quantity, the share of medium and high quality carpets has increased from 60.11 percent in 1975 to 75.59 percent in 1980. It thus proves that the market prospects for superior quality woollen carpets are gradually improving in BLEU.31

India's share in medium and high quality carpets in the year 1980 was only 6.47 percent as against 16.47 percent of Pakistan and 23.03 percent in respect of Iran (value-wise)32 However, in 1983 India improved its market share of high quality carpets.31 See Appendix-XII. 31 For details, see Appendix-XIII. 32 Ibid.
carpets significantly and it reached 14 percent of the total market for high quality carpets into BLEU as against 20 percent of Pakistan. Although, India's average unit value realisation has increased from $47/m^2$ in 1975 to $99/m^2$ in 1980 but it is still low as compared to Pakistan ($116/m^2$) and Iran ($355/m^2$) during the same period.

NETHERLANDS

The imports of hand-knotted carpets into Netherlands have risen from $26.77 million in 1975 to $61.52 million in 1980, representing a 129 percent increase in terms of value. Quantitatively, the imports have increased from 0.539 million $m^2$ to 0.633 million $m^2$ during the corresponding period. The average unit value has recorded increase from $50/m^2$ in 1975 to $97/m^2$ in 1980.

The break up of the total imports into different quality categories, shows that the share of medium and high quality carpets has increased at the cost of low quality carpets. This is reflected by the

34. For details, see Appendix-XIII.
fact that in 1980, the share of medium and high quality carpets in the total carpet imports reached 78 percent, as against only 63 percent in 1976. Appendix-XIV, shows the imports of hand-knotted carpets, by origin from 1975 to 1980, into Netherlands. It reveals that in 1980, India's share in medium and high category carpets was only 10 percent as against 14 percent of Pakistan and 21 percent of Iran. Similarly the average unit value of imports from India into Netherlands was $92/m² as against $224/m² of Iran and $99/m² of Pakistan during the same period.

However, the latest figures available for the year 1983 reveal that India and Pakistan are almost equal in supplying the top market and they have comparable Average Unit value price. The market share of India has particularly gone up from 10 percent in 1980 to 40 percent in 1983, in respect of fine quality carpets. This indicates that the very top quality carpets will offer good export opportunities for Kashmir in Netherlands's market.

ITALY

Italy is one of the important markets for


37. Ibid
the export of hand-knotted silk carpets from India. The Appendix-XV shows the details of imports of hand-knotted silk carpets into Italy for 1976 and from 1978 to 1982. It reveals that the total imports to Italy have increased from 2.3 thousand m² (worth $35000) in 1976 to 2.8 thousand m² (worth $4,56000) in 1982, reflecting a 7.6 percent increase in terms of value. The average unit value of imports from all countries to Italy has increased from $15.21/m² in 1976 to $162.86/m² in 1982. The competitive position of India vis-a-vis other suppliers in the Italian market is depicted from the Table 5.12 given below:

Table 5.12

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>Quantity (%)</th>
<th>Value(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>5</td>
<td>36</td>
</tr>
<tr>
<td>China</td>
<td>3</td>
<td>18</td>
</tr>
<tr>
<td>Turkey</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>FRG</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Iran</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Others</td>
<td>92</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Compiled on the basis of Appendix-XV.
The table 5.12 demonstrates that India has emerged as the largest supplier of hand-knotted silk carpets to Italy, both in terms of quantity (36 percent of the total) and value (33 percent of the total) in 1982.

The close competitor to India is China, which has a market share of 18 percent in quantity and 26 percent in terms of value. However, the average unit value of Indian exports was very low ($151/m²) compared to China ($234/m²) in 1982.

On the whole Italy is an important market for the export of silk carpets from Kashmir.

**SWEDEN**

The Appendix-XVI throws light on the import of hand-knotted silk carpets into Sweden. It reveals that during 1976 to 1982 the imports have been registering a staggering trend. On the whole, the total quantity of silk carpet imports into Sweden has increased from 10 thousand m² in 1976 to 10.7 thousand m² in 1982, indicating a somewhat stagnation of the demand. In terms of value the total imports have decreased from $1.01 million in 1976 to $0.31 million in 1982, indicating a sharp decline in the average unit value
which came down from $162.1/m^2$ in 1976 to $93/m^2$ in 1982 (down 57%). The relative market shares of the major suppliers in terms of percentages are presented in the table 5.13.

Table 5.13

Sweden: Imports of Silk Carpets: % share of Major Suppliers (Comparison between 1976 and 1982)

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>Quantity (%)</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran</td>
<td>30</td>
<td>9</td>
</tr>
<tr>
<td>China</td>
<td>13</td>
<td>53</td>
</tr>
<tr>
<td>India</td>
<td>37</td>
<td>7</td>
</tr>
<tr>
<td>Pakistan</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Turkey</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>42</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Compiled by the scholar on the basis of Appendix-XVI.

The table 5.13 demonstrates that the Iran's market share, both in terms of quantity and value, has substantially decreased from 1976 to 1982. However, its place has been taken over by China, which has improved its market share from 13 percent to 53 percent (quantity-wise) and from 54.42 percent to 31.42 percent (value-wise) between this period. The market share of India has increased from 3 percent to 6.54 percent.
(quantity-wise) and from 5.24 percent to 13.35 percent (value-wise) over corresponding period.

SAUDI ARABIA

Saudi Arabia is the newly emerging market for the hand-knotted silk carpets from Kashmir. The Appendix XVII reveals that the total imports of silk carpets into Saudi Arabia have gone up from $1.26 million in 1976 to $8.93 million in 1982, representing a seven fold increase in the value of imports during this period. Surprisingly, the average unit value of all the imports of silk carpets into Saudi Arabia was as low as $89.7/m² in 1982. The main reason for this is attributed to the imports of artificial silk carpets from production centres, barring Iran and Turkey. The average unit value of imports from India was very low ($152/m²) in 1982 compared to $1,795.39 of Turkey and $1392.57/m² of Iran during the same period. It becomes, thus, clear that India is also supplying some quantity of artificial silk carpets to Saudi Arabia, which is not a healthy trend and need to be curtailed.

The market share of India in the total value of imports of silk carpets into Saudi Arabia, was very low (0.85 percent), compared to Turkey (66.27
percent), Iran (10.89 percent) and Pakistan (21 percent) during the year 1982.

Hence the scope for expanding the market share of Kashmir silk carpets in Saudi Arabia should be exploited by launching a vigorous export promotion campaign, based on adequate market research.

FUTURE MARKET FOR ORIENTAL CARPETS

From the preceding discussion, it is evident that the market for hand-knotted carpets grew significantly both in volume and value right upto 1980. This is a pointer to the fact that consumer habits and tastes, particularly in Western European countries, United States and gulf countries have undergone a significant change. However, after 1980, the consumer interest in the major markets slackened as a reaction against the higher prices, coupled by the general economic recession. Under its impact the imports declined gradually upto the year 1982. From then onwards this trend was halted in 1983, as a consequence of which imports of carpets started picking up once again in some of the largest markets like Federal Republic of Germany, Switzerland etc.

37. For details, see Appendix XVII.
Export market for carpets is poised for a big boost. It is expected to step up with a change in the age composition of the prospective consumers. Carpet is essentially an item of furnishing. As such its demand is bound to increase with an increased tempo of building new houses. Disintegration of joint families and tendency of improving the standard of living should provide an impetus for an accelerated demand for carpets. Furthermore the industry has already witnessed a recession and should now follow the next stage of the trade cycle. These factors, though favourable for increasing the demand, can prove effective only when the quality becomes hallmark and prices are competitive.

**MARKET PROSPECTS FOR KASHMIR CARPETS**

Market prospects for Kashmir carpets should be viewed against the backdrop of the following:

1. **Increased demand for hand-knotted Carpets**

   Demand for hand-knotted carpets has risen considerably in most importing countries upto 1980, both in terms of value and quantity.

2. **Changes in the supply pattern of the carpet exports**

   Consequent, upon the decrease in the carpet exports of Iran, for the last several years, a large
share of the increase in the world exports has been provided by relatively 'new comers' among the carpet producing countries like India, Pakistan and China.

3. **Emergence of India as the biggest supplier**

India has now emerged as the world's largest supplier of hand-knotted carpets, both in terms of value and quantity, followed by Iran, Pakistan and China.

4. **Shift in the demand pattern**

It has been observed that in all the major carpet importing countries, the relative share of high quality carpets has increased at a faster rate than low quality carpets. It is interesting that despite economic recession, the imports of high quality woollen and silken carpets continue to rise. This indicates that very high quality of Kashmir carpets offer excellent export opportunities.

On the basis of foregoing analysis it has been estimated that the total market potential for carpets comparable to quality of carpets manufactured in Kashmir, of the order of Rs. 500 crores (Rs. 400 crores for woollen and Rs. 100 crores for silk carpets), in the year 1982. As against this, Kashmir's actual 38

It includes the total import value of silk carpets in the world ($85 million) and about 30 percent of the world imports of woollen carpets (i.e. 30/100 x $1.3 Billion) = $330 million) which is comparable to Kashmir carpets.
exports of hand-knotted carpets during this period. amounted to only Rs. 23 crores which forms about 4.6 percent of the total potential market. Hence it follows that there is an ample scope for enhancing our exports of both woollen and silken carpets in the world market. This is a challenge which need to be exploited to the fullest possible extent by improving the quality and revising the export strategy through better market intelligence system.

**EXPORT PERSPECTIVE TARGETS**

From the above analysis it can be inferred that there does exist sufficient potential for exports of carpets from Kashmir. The stage is well set for take off. A good market share out of the existing market with careful planning and effective efforts, is assured for Kashmir carpets. Framing a suitable strategy with a thrust on quality production will have to be pursued to achieve the desired end. Assuming, that the future world demand for hand knotted carpets will not increase in a significant manner in the near future, but will remain constant at 1982 level, it is hopefully believed that the exports of Kashmir carpets can be doubled within the next 5 to 6 years.
Viewed against this background and taking into account factors, such as the production capabilities within the State, world market conditions, and past performance of the industry an attempt has been made to fix export targets for carpet industry of Kashmir. It has been estimated that an average annual growth rate of 15 percent is exports can and should be achieved during the period 1986-87 to 1991-92. Accordingly, the targets have been fixed as follows.

Table 5.14

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Exports (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986-87</td>
<td>25</td>
</tr>
<tr>
<td>1987-88</td>
<td>29</td>
</tr>
<tr>
<td>1988-89</td>
<td>33</td>
</tr>
<tr>
<td>1989-90</td>
<td>38</td>
</tr>
<tr>
<td>1990-91</td>
<td>44</td>
</tr>
<tr>
<td>1991-92</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Present study.
The scholar has reason to believe that it should not be difficult to achieve the above targets which are based on realistic assumptions. However, enough care has to be taken to reach the targeted figure. Successful achievement of the targets also depends on the fulfilment of some suggestions which have been identified in the chapter that follows now.

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