AN EMPIRICAL ASSESSMENT OF COMPETITIVENESS OF INDIAN CARPET AND RUG INDUSTRY

Mamta Pankaj Jain  
Assistant Professor – Amity Business School  
Amity University Rajasthan  
Mobile: 8769073412  
Email: mgupta3@jpr.amity.edu

Dr. Shikha Sharma  
Professor – Amity Business School  
Amity University Rajasthan  
Mobile: 9828387858  
Email: ssharma2@jpr.amity.edu

Ankita Batta  
MBA Student – Amity Business School  
Amity University Rajasthan, India  
Mobile: 7737229622  
Email: battaankita92@gmail.com

ABSTRACT

This paper intends to examine and measure India's comparative advantage and competitiveness in the carpet and rug industry and compare it with that of major international exporters of this industry, namely China, Belgium, Netherlands and Turkey. For this purpose, Balassa's, Lauresen's and Vollarth's index were employed for the period of 2001-2013 using the data from International Trade Centre (ITC). The study also tests the stability of all indices. The results revealed that India's carpet and rug sector has high level of export competitiveness and competitive advantage, validating its high potential to earn foreign exchange. All commodity groups of Carpets and other textile floor coverings (HS-57) reveal high competitiveness except Carpets And Other Textile Floor Coverings, Of Felt, Not Tufted Or Flocked, Whether Or Not Made Up (HS-5704). RTA index reveals India's competitive advantage in all commodity groups under assessment. India also holds strong position in international framework, relative to major exporters at both two-digit level and four-digit level.

Keywords: Carpet and Rug industry, India, comparative advantage, competitiveness.

1 INTRODUCTION

The Indian economy continues to emerge as one of the leading economies around the world and international trade is playing a vital role in boosting and sustaining its growth. A pivotal role in India's international trade and export scenario is of the Textile industry, which is credited with prime share in India's total exports, approximately 11% (Pratiyogita Darpan, 2015). A subset of this industry is the Indian Carpet and Rug industry. As per Indian brand equity foundation's (Indian Brand Equity Foundation, 2015) article on the Carpet Industry in India,
India stands to be one of the largest exporters of hand-made Carpets in terms of volume and value. This industry has been playing a pivotal rule in boosting the economy, providing employment to millions of artisans and earning foreign exchange. Thus, to strengthen the backbone of this high potential Industry it seems pertinent to analyze export competitiveness and the competitive (dis)advantage of various product categories of the industry. This will enable to identify those commodity groups of the Carpet and Rug industry, which have advantage in terms of export orientation as well as overall trade. With this objective, this study attempts to analyze the competitiveness of the Indian Carpet and Rug industry at two-digit level and four-digit level of HS classification. The paper also attempts an inter country comparison by comparing India's competitiveness and competitive advantage with that of major international exporters in the same industry. As per the data from International trade centre (ITC) for the periods of 2001 - 2013, the major exporters identified were China, Belgium, Netherlands and Turkey. These countries were also observed to be in close competition with India over the studied period and thus were taken into consideration.

This paper has been organized into these five related sections. Following introduction, second part consists of selective review of literature. The third section consists of framework used for research and methodology adopted. The fourth section consists of empirical analysis of the foreign trading activities of all the countries under consideration for this industry. The fifth part ends the study by reflecting major findings, recommendations and conclusion of the study. It outlines the extent to which research objectives have been achieved, limitation of the study and concluding comments.

1.1 Research Questions
The major questions this study aims to pursue are as follows:

- What is the extent to which Indian carpet and Rug industry possesses export competitiveness and competitive advantage?
- Where India's competitiveness and comparative advantage lie in Carpet and Rug industry within the framework of international trade in
reference to leading exporters of Carpet and Rugs namely China, Belgium, Turkey and Netherlands?

- Which are the competitive products in terms of their export competitiveness and competitive advantage for each of the country under consideration?

2 LITERATURE REVIEW

2.1 Competitiveness and Comparative Advantage

In order to comprehend the concept of competitiveness of countries in context of international trade a noteworthy measure of research exploration has been conducted (Yılmaz et al., 2007). Some of the popular theories in this regard are Theory of Absolute Advantage by Adam smith (Smith, 1937), Ricardo’s Theory of Comparative Advantage also known as Classical Trade theory (Ricardo, 1817), Posner's Technology Trade gap theory (Posner,1961), Porter’s Competitive Advantage of Nations Theory known as Modern Trade theory (Porter, 1990), Heckscher-Ohlin Trade Theory of Factor Proportions, also known as Neo classical trade theory (Heckscher & Ohlin,1991), Vernon’s Product Life Cycle Theory also known as Post neo classical trade theory (Vernon, 1966).

However, it was found that it is not easy to measure the competitiveness of the nations using these theories owing to fact that it is difficult to get and measure the data required for this purpose (Chi & Kilduff, 2006). As a result, the concept of comparative advantage was developed as a practical alternative. Comparative advantage can be defined as “the ability of a given economy to manufacture a product more efficiently than other countries do; it is reflected in the directions of export and import specializations” (Koszewska , 2005). Therefore, as per this we use a nation's trade data to assess its comparative advantage in a particular product group, product or industry. In other words, we utilize a nation's export data, import data and trade balance data to make this type of assessment. Commonly and widely, this type of assessment is used in textile and clothing industry (Chi, Kilduff, 2006).

2.2 Carpet and Rug industry

Dickie and Frank's (1996) applied systems for analyzing the position of
Artisans in the worldwide business and examined the capacity of artworks to go about as a means for people and social orders to adjust to changing production technologies, a medium of their financial and social expressions and a voice of confrontation against mastery and persecution. They examined it by analyzing the social, financial and cultural settings in which these skills are shaped, and the economic factors that have substantial influence of such conditions. IANS (2011) observed that there is a need for the Indian customers to change their mindset and switch it from 'videshi' to "swadeshi". The biggest hurdle faced by local weaving community is being disregarded by citizens as well as designers. Sunderarajan (2011) has recognized in his study that the cooperative society of weavers is struggling financially as many weavers are not able to pay their debts owing to the economic crisis. Singh (1979), describes in his paper the connection between the structure of an organisation and entrepreneurial activity. He also explains the type of activities that effectively decides entrepreneurial achievement and financial improvement. The carpet and rug industry has widespread in numerous parts of India but the “Bhadohi Mirzapur belt” area consisting of Bhadohi carpet industry is the major one. The produced Carpets and Rugs of Bhadohi is a luxuriant thing to offer into world business sector at more noteworthy value and played a huge part in monetary improvement of Bhadohi

Thus, it is observed that no major research has been conducted to assess the competitiveness of Indian Carpet and Rug industry that is identified as the research gap and aim is to contribute to this research gap by medium of this study.

3 RESEARCH METHODOLOGY

There are various measures for determining comparative advantage of a nation. Among these various measures, one of the most commonly used methods is Balassa's Revealed Comparative Advantage Index. This index was given by Bela Balassa and is popularly known as Balassa's index. " This index can be expressed as depicted by equation (1).

\[
\text{RCA}_{nm} = \text{RXA} = \frac{X_n}{X_w} / \frac{X_m}{X_w} \]

Where,
X_{n,m} = n^{th} country's export of product m  
X_{w,m} = World's total export of product m  
X_{n} = Total export of country n  
X_{w} = Total export of world  
RCA_{nm} = Revealed comparative advantage of product m in country n.

As per the RCA index, a country 'n' is said to have a comparative advantage in a commodity 'm' when RCA > 1, and is said to have a comparative disadvantage when RCA < 1. When RCA = 1 the proportionate share of the given commodity is considered to be identical as the world average. However, the RCA index is not without shortcomings as the pure RCA is said to be asymmetric and not comparable on both side of unity. To deal with this shortcoming, Dalum et al. (1998) improved upon this index by proposing an adjusted index. Lauresen (1998) acknowledged this index as Revealed Systematic Comparative Advantage (RSCA). This index is depicted by the following equation.

\[
\text{RSCA} = \frac{(RCA - 1)}{(RCA + 1)} \quad \text{...................... (2)}
\]

RSCA removes the skewness of RCA and makes it symmetric such that the values obtained ranges between -1 and +1. The positive value of RSCA depicts that n^{th} country has comparative advantage in export of product m in reference with market of particular set of countries and the negative value of RSCA depicts vice-versa. However, RCA/RSCA index take into consideration only the exports of a country. To improve upon this Thomas Lachlan Vollrath suggested three alternative indices in 1991, which take in the effect of both exports as well as imports of the country to measure the comparative advantage of a nation. The first index suggested by Vollrath was RTA (Relative trade advantage) index. This index can be mathematically depicted as:

\[
\text{RTA}_{nm} = \frac{R_{X_{nm}} - R_{M_{nm}}}{(X_{n}/X_{w}) - (Y_{n}/Y_{w})} \quad \text{.............. (3)}
\]

Where, all the variables are same as given by equation (1) except Y which represents imports.

The positive values of all this index indicate a competitive/comparative advantage of a product for the particular country under consideration and the negative value depict a competitive/comparative disadvantage.
Under this study, the three described indicators were used to achieve the desired objectives, namely Balassa's RCA (equation 1), Lauresen's RSCA (equation 2) and Vollrath's RTA (equation 3). Since number of RCA indices were used in this study, there exists a possibility of variations in results and subsequently in conclusions. Thus, it was imperative to measure the consistency of the results drawn from different indices. For this purpose, certain statistical tools will be applied in this paper. Generally, the RCA index is interpreted cardinally as it depicts the degree to which a country possesses comparative advantage in a given commodity. Ballance et al (1987) proposed to have an ordinal interpretation of these indices to provide ranking to the products as per the degree of the comparative advantage they possess.

Thus, this paper will measure the consistency of the RCA indices by two measures, first being the cardinal measure of Karl Pearson's correlation coefficient, and second being the ordinal measure of Spearman rank correlation coefficient. Apart from this, Coefficient of Variance (CV) has been calculated for each commodity group as well as for each annual index to test the stability of these indices. The indices were measured for all the products pertaining to the Indian Carpet and Rug industry. At two-digit level of HS classification, Carpets and other textile floor coverings (HS-57) is evaluated. However, for the detailed analysis this study has also analyzed all the commodity groups of Carpets and other textile floor coverings (HS-57) at four digit level and Blankets and travelling rugs (HS- 6301) as this commodity group also pertains to the given industry. The HS data for this study is taken from the international trade centre (ITC) online database for the period of 2001-2013.

Lastly, it is crucial to note that the observed trade pattern depicted by these indices may be impacted by the government interference, therefore causing distortion of underlying comparative advantage. Therefore, it becomes important to take into consideration various government policies while interpreting the results obtained from various indices.

4 Data Analysis

This study analyses export competitiveness and competitive advantage of five major Carpet and Rug exporting
countries, namely India, China, Belgium, Netherlands and Turkey in respect of global trade at two digit level as well as four digit level of HS classification. For each commodity group of Carpets and Other Textile Floor Coverings (HS-57) and for Blankets And Travelling Rugs (HS-6301) export competitiveness has been examined by employing Balassa's and Lauresen's index and competitive advantage has been examined by employing Vollarth's index for the period of 2001-2013. The RCA indices have been calculated with export and import data for the 5 countries under consideration and world, and the data has been taken from International Trade Centre (ITC). In addition to this, average Revealed comparative advantage (RCA) indicies and Coeffecient of Variance (CV) have been calculated over the period of 2001-2013.

### 4.1 Analysis at Two Digit Level

As observed from Table 1, Turkey holds highest export competitiveness and competitive advantage among all the 5 countries under consideration. In addition to this, Turkey has depicted a rapid increasing trend over the studied period. India closely follows Turkey and holds high export competitiveness as well as high net competitive advantage. However, Post 2006 the three indices started showing a declining trend for India. India is followed by Belgium, which also holds a high export competitiveness and competitive advantage in Carpets and other textile floor coverings (HS-57). It is observed that alike India, in the last few years Belgium too has recorded a declining trend of three indices. Netherlands follows Belgium, which in turn

<table>
<thead>
<tr>
<th>Year</th>
<th>INDIA</th>
<th>CHINA</th>
<th>BELGIUM</th>
<th>NETHERLANDS</th>
<th>TURKEY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RCA</td>
<td>RSCA</td>
<td>RTA</td>
<td>RCA</td>
<td>RSCA</td>
</tr>
<tr>
<td>2001</td>
<td>9.99</td>
<td>0.82</td>
<td>9.82</td>
<td>1.40</td>
<td>0.17</td>
</tr>
<tr>
<td>2002</td>
<td>9.22</td>
<td>0.80</td>
<td>9.07</td>
<td>1.31</td>
<td>0.13</td>
</tr>
<tr>
<td>2003</td>
<td>9.10</td>
<td>0.80</td>
<td>8.91</td>
<td>1.16</td>
<td>0.07</td>
</tr>
<tr>
<td>2004</td>
<td>9.00</td>
<td>0.80</td>
<td>8.78</td>
<td>1.12</td>
<td>0.06</td>
</tr>
<tr>
<td>2005</td>
<td>9.39</td>
<td>0.81</td>
<td>9.17</td>
<td>1.10</td>
<td>0.05</td>
</tr>
<tr>
<td>2006</td>
<td>9.70</td>
<td>0.81</td>
<td>9.43</td>
<td>1.06</td>
<td>0.03</td>
</tr>
<tr>
<td>2007</td>
<td>8.39</td>
<td>0.79</td>
<td>8.13</td>
<td>1.08</td>
<td>0.04</td>
</tr>
<tr>
<td>2008</td>
<td>7.40</td>
<td>0.76</td>
<td>7.18</td>
<td>1.28</td>
<td>0.12</td>
</tr>
<tr>
<td>2009</td>
<td>5.78</td>
<td>0.70</td>
<td>5.58</td>
<td>1.30</td>
<td>0.13</td>
</tr>
<tr>
<td>2010</td>
<td>6.47</td>
<td>0.73</td>
<td>6.24</td>
<td>1.33</td>
<td>0.14</td>
</tr>
<tr>
<td>2011</td>
<td>4.95</td>
<td>0.66</td>
<td>4.71</td>
<td>1.43</td>
<td>0.18</td>
</tr>
<tr>
<td>2012</td>
<td>5.68</td>
<td>0.70</td>
<td>5.48</td>
<td>1.43</td>
<td>0.18</td>
</tr>
<tr>
<td>2013</td>
<td>5.89</td>
<td>0.71</td>
<td>5.67</td>
<td>1.31</td>
<td>0.13</td>
</tr>
<tr>
<td>MEAN</td>
<td>7.77</td>
<td>0.76</td>
<td>7.35</td>
<td>1.25</td>
<td>0.11</td>
</tr>
<tr>
<td>CV</td>
<td>0.23</td>
<td>0.07</td>
<td>0.24</td>
<td>0.11</td>
<td>0.06</td>
</tr>
</tbody>
</table>

Source: Author’s Calculations Based On HS Data From The International Trade Centre (ITC) Database
is very closely followed by China. China and Netherlands, too, depict export competitiveness and competitive advantage. Netherlands has shown essentially a steady pattern, with marginal increase over the studied period. China’s carpet and Rug industry has shown least export competitiveness and competitive advantage among all the five countries under consideration.

Thus, we observe that all the five countries under consideration have export competitiveness and competitive advantage in Carpets and other textile floor coverings (HS-57). Considering India, it is observed that Turkey is the only precedent of India in terms of export competitiveness and competitive advantage. India, however, do hold a strong competition from its immediate successor Belgium as well. The Coefficient of Variance (CV) of RCA indices depicts the volatility in exports and trade pattern, which helps in better assessment of export competitiveness of the country under consideration. It is observed that apart from Turkey, all the countries show relatively low level of variations and thus depict stability of trend. Although, Turkey shows high level of variations it can be observed that it is due to the rapid increase Turkey has shown over the studied period and thus this variation indeed presents its favorable position.

4.2 Analysis at Four Digit Level

4.2.1 RCA Analysis
Table 2 (2.1-2.6) exhibits Balassa’s Revealed Comparative Advantage (RCA) index for the period 2001-2013 for the countries under consideration at four digit level of HS classification. On its empirical assessment it is observed that India holds export competitiveness in all the commodity groups except in Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704). Relative to other countries under consideration, India holds highest export competitiveness for Carpets and other textile floor covering knotted (HS-5701) and Other carpets and other textile floor coverings (HS- 5705). China holds export competitiveness in Carpets and other textile floor covering knotted (HS-5701), Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703), Other carpets and other textile floor coverings (HS-5705) and Blankets and travelling rugs (HS-6301). China leads ahead of all other countries in commodity group of Blankets and travelling rugs (HS- 6301).
Belgium holds export competitiveness in Carpets and other textile floor coverings, woven, not tufted or flocked (HS- 5702), Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703), Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704). Netherlands holds export competitiveness in Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703), Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704), and in Other carpets and other textile floor coverings (HS- 5705). Turkey holds export competitiveness in all the commodity groups except Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704). Belgium precedes all the countries with maximum competitiveness in case of Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703) and Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704) whereas Turkey leads ahead Carpets and other textile floor coverings, woven, not tufted or flocked (HS- 5702). The Coefficient of Variance (CV) of RCA depicts the volatility in exports. Relatively stable trend of RCA was depicted by all countries for Carpets and other textile floor covering knotted (HS- 5701) except China and Netherlands. India and Turkey depicted a high variation for Carpets and other textile floor coverings, woven, not tufted or flocked (HS- 5702). For Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703) except Turkey all show relatively stable trend of exports. For Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704) India and Turkey depict high level of variation. A high level of variation was depicted by Other carpets and other textile floor coverings (HS- 5705). For Blankets and travelling rugs (HS- 6301), India and Turkey depict high level of variations.

4.2.2 RSCA Analysis
Table 3 (3.1-3.6) exhibit Laurens's Revealed Systematic Comparative Advantage (RSCA) index for the period 2001-2013 for 5 countries under consideration at four digit level of HS classification. On its empirical assessment, it is observed that the results obtained by RSCA assessment are identical to the results obtained by RCA assessment. India holds export competitiveness in all the commodity groups except in Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704). China, however, held export competitiveness as per RCA assessment in Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703) but as per RSCA assessment, this result is not confirmed as China depicts a negative value of RSCA. Belgium hold export competitiveness in Carpets and other textile floor coverings, woven, not tufted or flocked (HS- 5702), Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703), Carpets and other textile floor coverings, knotted (HS- 5701), Carpets and other textile floor coverings, tufted (HS- 5703), Carpets and other textile floor coverings, nes (HS- 5705), Blankets and travelling rugs (HS- 6301).
coverings, of felt, not tufted or flocked (HS-5704). Netherlands holds export competitiveness in Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703), Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704), and in Other carpets and other textile floor coverings (HS- 5705). Turkey holds export competitiveness in all the commodity groups except Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704). The Coefficient of Variance (CV) of RSCA depicts the volatility in exports, which helps in better assessment of export competitiveness of the country under consideration. Relatively stable trend of RSCA was depicted by all countries for Carpets and other textile floor covering knotted (HS- 5701) except China. A high variation was depicted by China and Netherlands for Carpets and other textile floor coverings, woven, not tufted or flocked (HS- 5702). For Carpets Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703) except China all show relatively stable trend of net trade. For Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704) India depicts high level of variation. A high level of variation was depicted by Belgium, Netherlands and Turkey for Carpets Other carpets and other textile floor coverings (HS- 5705). For Blankets and travelling rugs (HS- 6301), India and Turkey depict high level of variations.

4.2.3 RTA Analysis
Table 4 (4.1-4.6) exhibit Vollrath's Relative Trade Advantage Index (RTA) for
the period 2001-2013 for five countries under consideration, at four-digit level of HS classification. On its empirical assessment, it is observed that India holds competitive advantage in all the commodity groups. Relative to other countries under consideration, India holds highest competitive advantage for *Carpets and other textile floor covering knotted (HS- 5701)* and *Other carpets and other textile floor coverings (HS- 5705)*. Alike India, China
too hold competitive advantage in all the commodity groups. China leads ahead of all other countries in commodity group of *Blankets and travelling rugs (HS- 6301)*. Belgium hold competitive disadvantage in *Carpets and other textile floor covering knotted (HS- 5701)* and *Blankets and travelling rugs (HS- 6301)*. Belgium has neutral take in context of competitive advantage for *Other carpets and other textile floor coverings (HS- 5705)*.
Netherlands and Turkey depicts same results as depicted by RCA and RSCA. Belgium preceeds all the countries in case of Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703) and Carpets and other textile floor coverings, of felt, not tufted or flocked (HS-5704) whereas Turkey leads ahead for Carpets and other textile floor coverings, woven, not tufted or flocked (HS- 5702). It is observed that all the countries show high level of variation. High variation was depicted for Carpets and other textile floor coverings knotted (HS- 5701) by all the countries except India. Similarly, India, Netherlands and Turkey depict it for Carpets and other textile floor coverings, woven, not tufted or flocked (HS- 5702) with CV of 54%, 142% and 82% respectively. For Carpets and other textile floor coverings, tufted, whether or not made up (HS- 5703) except China all show relatively stable trend of net trade. For Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704) India and China depict high level of variation with CV of 129% and 47% respectively. An extreme level of variation was depicted by Belgium and Netherlands for Other carpets and other textile floor coverings (HS- 5705). For Blankets and travelling rugs (HS- 6301), India and Turkey depict high level of variations.

### 4.3 Consistency and Stability of Revealed Comparative Advantage

To examine consistency and stability of computed RCA indices correlation coefficients have been used. Table 5 exhibits the consistency test result for Carpets and other textile floor coverings (HS-57) over the thirteen years, 2001-2013. As a cardinal measure of consistency Karl Pearson correlation coefficient is used and as an ordinal measure of consistency, rank correlation coefficient for each pair is used. Coefficients > 0.70 are considered as being indicative of consistency between a pair of indices. It is observed that Cardinal measure of consistency test reveals that all the possible 9 pairs of RCA indices have significant level of correlation indicating their consistency. Similarly, the ordinal measure of correlation indicates perfect correlation among all the possible 9 pairings of RCA indices. This result implies that all the 3 RCA indices perform consistently in ranking product group. Thus, from the above results it can be concluded that all the 3 RCA indices used in this research are
consistent. Overall, it can be inferred that all the RCA indices used in this research are useful measures for determining the comparative advantage and disadvantage of the Carpet and Rug industry for the 5 countries under consideration, and very useful in ranking the goods as per the relative degree of comparative advantage.

### Table 5 Consistency Of Revealed Comparative Advantage Indices (Two digit Level)

<table>
<thead>
<tr>
<th></th>
<th>Cardinal</th>
<th>Ordinal</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCA</td>
<td>.991**</td>
<td>1.000**</td>
</tr>
<tr>
<td>RSCA</td>
<td>1.000**</td>
<td>.991**</td>
</tr>
<tr>
<td>RTA</td>
<td>1.000**</td>
<td>.991**</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**

5 CONCLUSION

The data analysis reflects that for Carpets and other textile floor coverings (HS-57), India holds high export competitiveness as well as high competitive advantage. India however held higher export competitiveness in 2001-2005 but it started declining post 2006. Post 2006 the three indices started showing a declining trend for India. Turkey is the only precedent of India in terms of export competitiveness and competitive advantage. India, however, do hold a strong competition from its immediate successor Belgium as well. At four-digit level, it is observed that India holds export competitiveness in all the commodity groups of under study, except in Carpets and other textile floor coverings, of felt, not tufted or flocked (HS- 5704). The RTA index indicates positive values for all product categories under assessment indicating that Indian Rug and Carpet industry has high competitive advantage.

From 2001-2006, The Indian Carpet and Rug industry has shown steady growth and overall increase in market size mainly due to India's liberal export policies and blooming global economy. After 2007-2008, The Indian carpet and rug industry saw a sharp decline due to several factors. The decline was mainly due to worldwide economic recession as most of the produce is exported. In addition, the prices of raw material such as woolen yarn, cotton yarn, wool has shot up in the past few years. India has acute shortage of Carpet grade wool, resulting in need to import large quantities of it. Nevertheless, increased international competition has not allowed the Indian exporters to shift this increase onto final
consumers. This has resulted some of the exporters shifting to alternative sources of income due to decreased profitability. The labor cost has also increased in recent years due to increasing shortage of skilled labors. The situation has been further aggravated by MNERGA scheme launched by government, where skilled labors got an incentive to shift to jobs at better pay. Recognizing the huge potential that this industry owns to the country, government has taken various initiatives that are applicable to the entire handloom industry at large. However, the effect of these schemes are not profoundly observable as no major growth has been witnessed by this industry after their implementation. Some of the noticeable initiatives taken by government include Launching the handloom mark in June, 2006, Deen Dayal Hathkargha Protsahan Yojana, Handloom Export scheme, Workshed-cum-housing scheme, Weavers welfare scheme, the health insurance scheme for handloom weavers, The Mahatma Gandhi bunker bima yojana and the integrated handloom cluster development scheme. Apart from this, the government has lunched mega cluster scheme to support weavers. Various provisions have been underlined for this industry under New Textile Policy, 2000 to modernize and revamp this industry. As per the trade policy, the imports of Carpets and other textile floor coverings (HS-57) are entirely free. As per the industrial policy, no license is required for manufacturing carpets and other floor covering. Government has granted various subsidies to this sector such as State Capital Subsidy, Generator Subsidy, and Power Tariff Subsidy. The government has further set up various institutes such as Indian Institute of Carpet Technology, Bhadohi (UP) and Srinagar (J&K) for Technological support. Thus, Government is leaving no stone unturned to boost up this tremendous potential industry. However, the effects of these initiatives are fully yet to be observed as the industry has not shown major signs of recovery.

The paper also aimed to identify the competitive products in terms of their export competitiveness and competitive advantage for each of the country under consideration. This will further help in drawing macro level policies. For India the most competitive commodity groups are Other carpets and other textile floor coverings (HS- 5705) closely followed by Carpets and
other textile floor covering knotted (HS-5701) and Carpets and other textile floor coverings, woven, not tufted or flocked (HS-5702) respectively. For China, the most competitive product is Blankets and travelling rugs (HS-6301). Belgium holds highest export competitiveness and competitive advantage in Carpets and other textile floor coverings, of felt, not tufted or flocked (HS-5704) closely followed by Carpets and other textile floor coverings, woven, not tufted or flocked (HS-5702) and Carpets and other textile floor coverings, tufted, whether or not made up (HS-5703). For Netherlands the most competitive product is Carpets and other textile floor coverings, of felt, not tufted or flocked (HS-5704) and for Turkey it is Carpets and other textile floor coverings, woven, not tufted or flocked (HS-5702).

To conclude, this study shows that India's carpet and rug sector has high level of export competitiveness and competitive advantage. India also holds strong position in international framework. This industry has been playing a pivotal role in boosting the economy, providing employment to millions of artisans and earning foreign exchange. In order to increase as well as retain this comparative advantage special focus should be given to this industry to exploit its huge potentiality. The limitation of this study provides scope for future research. To measure net trade advantage RTA has been used. However, RTA does not take into consideration Country or sector's size rendering its application inapt for comparing countries. In addition, due to time limitation the probable reasons for substantial shift in competitiveness of the countries such as rapid increase in case of Turkey could not be probed and thus presents a possibility for further research. The study arises a need to research extensively the major drivers of this industry and drawing guidelines to improve export competitiveness of India's carpet and rug industry with international context.

REFERENCES


