

Sourcing India: The Awakened Tiger

Overseas Buyers seeing India as a Sourcing Destination

15th July 2020: The ongoing COVID-19 pandemic is driving the world economy to retreat from global economic integration. Policymakers and business leaders are now questioning whether global supply chains have been stretched too far. In an environment where alliances are uncertain and international cooperation is sub-optimal, countries are thinking whether they should reduce their economic interdependence. National security and public health concerns are providing new basis for protectionism and an emphasis on domestic sourcing. The world was in a state of transition even before the COVID-19 Pandemic struck, with each nation revising its own political and economic

strategy to solidify its foothold in the world order. As a result, the growth of global value chains-the spread of supply networks across countries-is appearing to be flattening. The reform agenda has stalled around the world. In light of the currently prevailing global trade environment, it is very important to understand how India would position itself as the key player in the supplies of home, lifestyle, fashion, furniture and textile products to the world. There is major possibility in transforming India into a global sourcing centre for the world as India has already in place a robust ecosystem for manufacturing these products. However, there is growing question mark over whether India could be leading sourcing center in the said segments when all the major countries are planning to utilise their local production centres to meet their domestic demand. Against this background EPCH conducted



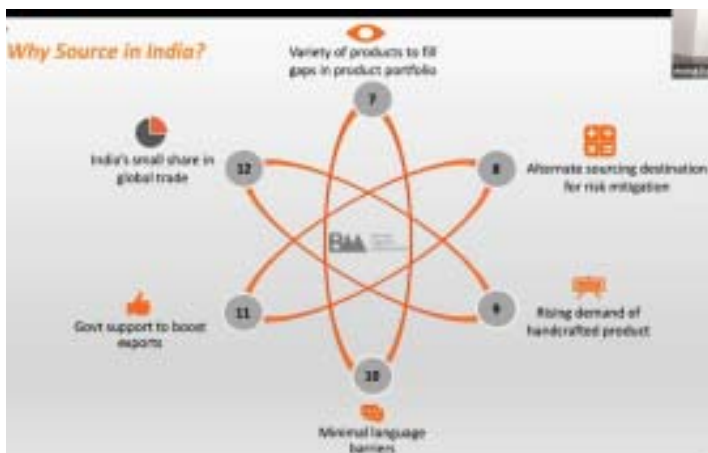
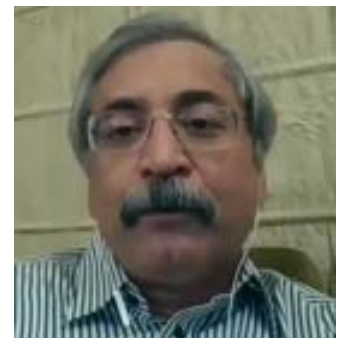
a panel discussion with an August gathering of senior representatives from the Govt.of India and Indian Missions overseas, the industry & trade, Export Promotion Council for Handicrafts (EPCH), Buying Agents Association of India (BAA) and eminent buyers from various international markets who have been working with Indian manufacturers.

The distinguished speakers were : Chief Guest, Mr. Shantmanu, Development Commissioner (Handicrafts); Mr. Sudhir Garg, Joint Secretary, MSME; Mr. Ajay Kumar Srivastava, Addl. DGFT, Ministry of Commerce & Industries; Dr. Manoj K Mahapatra, Minister (Commerce), Embassy of India, Washington DC; Mr. Manjish Grover, Consul Commerce & Trade, CGI Vancouver, Canada; Mr. Alberto Gustavo Porcel, President, India Argentina Friendship Society; Mr. David Moons, President, GFH Enterprises Inc, USA; Ms. Tamra Bryant,

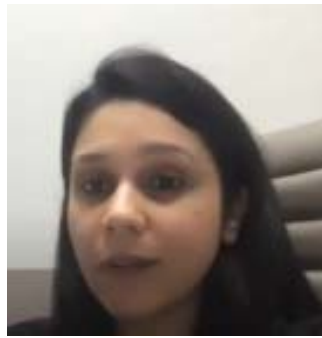


Sr. Vice President Product & Merchandising Creative Co-op, USA; Mr. Atick Nilesh Barreto, buyer from Brazil; Mr. Tim Oaks, Vice President, Sourcing & Asia Organisation; Mr. George Messing, Managing Director, Fink, GMBH & Co. Germany; Mr. Ravi K. Passi, Chairman, EPCH; Mr. Neeraj Khanna, President, IHGF-Delhi Fair - Virtual 2020; Mr. Vishal Dhingra, Chairman, BAA; Mr. Rakesh Kumar, Director General, EPCH; Mr. R K Verma, Executive Director, EPCH; Dr. Tamanna Chaturvedi, Consultant, Indian Institute of Foreign Trade (IIFT), New Delhi; and Ms. Anchal Kansal, General Secretary, BAA - moderator of the panel discussion.

Mr. Vishal Dhingra, Chairman, BAA, in his welcome address thanked EPCH for providing the opportunity to share the needs of sector with the Government of India representatives present as part of the panel discussion and also for conceptualising a virtual edition of its IHGF Delhi Fair, for continuing business.



Moderator of the event, **Ms. Anchal Kansal, General Secretary, BAA**, offered a background of the region-wise



Indian industry in terms of its strengths & varieties in various handcrafted products. "Its about where you can source from India and what you can source," she said and elaborated that the discussion will traverse across -Why to source in India; Where you can source from India; and What you can source, keeping in mind the cultural difference between India and the Western world and what buyers and manufacturers can do to bridge this gap to avail the best that India has to offer.

Dr. Tamanna Chaturvedi, Consultant, Indian Institute of Foreign Trade (IIFT), New Delhi, in her



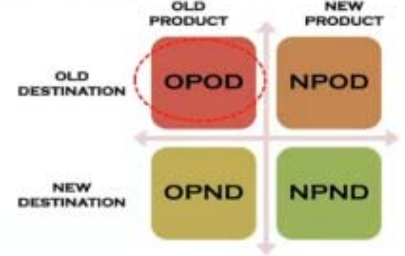
presentation took forward the discussion as to what companies can source from India, focusing on five sectors where India has defined strengths in several sub-categories with

unique product lines - Home, Fashion, Lifestyle, Textiles and Furniture. In the present situation, there are questions regarding the status of the traditional destinations- "do they still exist or they have been effected in this lockdown?" Pertinent questions that rise here are : Do we get opportunity in all the sectors?; Are the traditional export destinations lost forever?; Lockdown in traditional markets-time to diversify to emerging ones?; Are we prepared to exploit this emerging opportunity?; MSMEs are seeking Govt. help & intervention; Will our Trade Agreements be of some help at this juncture? **Dr. Chaturvedi spoke on India's strengths in the various sectors and the 'advantage' it gets in this scenario.** In some, with the downfall in China and no other nation filling the gap, India sees an immediate opportunity and should exploit it,

especially in carpets (Varanasi cluster) and ceramics and glassware among tableware. Immediate action with price and quality competitiveness could be offered to buyers by Indian companies.

Overseas buyers shared their experiences on working with Indian exporters and problems being encountered so that the handicrafts exporting community could make itself ready and improve upon the same to present India as a major sourcing hub in the near future.

COVID-19 BRINGS IN A STRONG NEED FOR PRODUCT MARKET DIVERSIFICATION



LET'S PRIOTISE OUR STRENGTHS IN HANDICRAFTS

HS code	Sectors	Ranking in world exports	Export growth (2014-2018) in%, p.a.	Value exported in 2018 (USD thousand)	Trade balance 2018 (USD thousand)
'71	Gems & Jewellery	6	1	40096394	-24930431
'42	Articles of leather	7	-1	2487752	1987403
'69	Ceramic products	7	18	1511575	911482
'64	Footwear	10	-1	2846333	2104505
'97	Works of art/ antiques	17	-14	142786	-36061
'70	Glassware	21	4	888591	-450687

ADVANTAGE INDIA: COVID FACTOR

Category	HS code 2 digit	China's Positioning in world exports share (%)	India's positioning in world export share (%)	Advantage
Fashion	67 (leather articles)	78.7	2.5	Immediate Advantage
	65 (hats/headgna)	44.3	0.5	Moderate Advantage
	58 (emb)	42.4	3.3	
	63	42.2	7.8	Less Advantage
	64	31.3	1.8	
	61	29.9	3.3	
	63	27	0.9	
	70	23.5	1.2	
	56	22.2	1.6	
	68	21.6	3.2	
71	3.3	5.9	Absolute Advantage	

Category	HS Code 2 Digit	China's Positioning in world exports share (%)	India's positioning in world export share (%)	Advantage
Home	69 (Table/Kitchenware)	42.4	3	Immediate Advantage
	96 (Brooms/brushes)	33.7	1.2	Advantage
	83 (Mirror frames)	27	0.9	Moderate Advantage
	70	23.5	1.2	Advantage
	73 (Wrought iron)	22.9	2.4	Less Advantage
	76	14.5	2.9	
	44	9.9	0.4	
74	4.7	0.6		

Category	HS code 2 digit	China's Positioning in world exports share (%)	India's positioning in world export share (%)	Advantage
Furniture	46	62.1	1.3	Immediate Advantage
	44	9.9	0.4	Less advantage

ADVANTAGE INDIA: COVID FACTOR

HANDICRAFTS				
SECTORS	CHINA	INDIA	OTHER GLOBAL COMPETITORS APART FROM CHINA	CHINA IMPACT
Leather articles (42)	35.7	3	Italy (12.5%), Vietnam(3.8%)	IMMEDIATE ADVANTAGE
Ceramic (69)	38.3	2.6	Italy (9.7%), Japan(3%), Turkey (1.8%)	
Leather footwear (64)	32.3	2.3	Viet(11.5%), Indonesia(3.5%), Italy (8.5%)	
Glassware (70)	21.8	1.2	Poland(3%), Japan(4.2%),Korea (2.3%), Malaysia (1.6%)	MODERATE ADVANTAGE
Wood (44)	10.1	0.9	Canada(9.7%), USA (6.7%), Vietnam(2.1%)	NO ADVANTAGE
Antiques (97)	0.7	0.4	USA (44%), UK(21.9%),HongKong(4.7%)	
Gems & Jewellery (71)	3.1	6.2	Hongkong (10.5%), UAE(7.3%)	

TIME TO PEEP INTO THESE PERTINENT QUESTIONS



Speaking of what inspires him to buy from India, **Mr. David Moons, President, GFH Enterprises Inc, USA** shared, he started sourcing from India 7 years ago - 20% of their complete products. Now 7 years later 70% of their products are sourced from

India and their company has doubled in size. "This is not by accident but because **we have some very strong partnerships within the country and the key components that make up our success there are 3 components** -the people; their innovative spirit and attitude; and handmade products, besides adherence to sustainability. I have been sourcing since 20 years and can say that it is very rare that you come across such passionate people who can see what you want in a product and carry it forward for you," he said. Mr. Moons gave the example of some his partners and said, they have their core competencies in place and are full of ideas. They have all the capability to skillfully engage with a diverse buyer base across the world. Talking about how factories should equip themselves for the future, he said its about "taking the leap of faith in seeing a collaboration that means growth for both parties".

Mr. Tim Oaks, Vice President, Sourcing & Asia Organisation, USA, spoke of challenges he faces while working with Indian manufacturers in terms of production capacity, the compliance readiness and the prices. He works with



very high volumes within very short time frames. While he has worked a lot in India, his current company does not work that much. China has been their sourcing base and in this pandemic situation, they are **trying to make a transition to some extent to India, given the positives about people, handicrafts and the creativity**. He felt, as buyers are transitioning and looking at alternatives, what they primarily seek (volume, time and quality) must be met with professionalism by those who are trying to offer themselves as a more viable option, alongwith infrastructure & capacity building to support that. Low MOQs may be India's strength but to cater to those with very high volumes, they have to step up competencies and reach that level to add to their existing pluses, Mr. Oaks emphasised.

Ms. Tamra Bryant, Sr. Vice President Product & Merchandising Creative Co-op, USA, spoke of specific challenges she faced since the last 10 years that she has been doing business with India. "The largest challenge has been of building trust - a foundation of how we do business together as we look for long-term partnerships," she said and added, "that definitely



takes time and that has been a cultural difference with India in comparison to other countries I work in." She said, right now her company is sourcing from 10 different countries with China and India playing a major part, with Indian businesses grown immensely over the last 5 years. She attributes this growth to her Indian partners' **capabilities to push past (only) their handicrafts skills & beautiful heritage and being able to aesthetically adjust the aesthetics of their products to what the world wants.** "That is important and is part of my key components as it is really difficult to grow my business with vendors who limit themselves to just handicrafts," she added.



Mr. George Messing, Managing Director, Fink, GMBH & Co. Germany said that its India's handicrafts and the fact that businesses here run in the family with skills passing on from one generation to another, continue to fascinate him

since the last 30 years he has been working with Indian manufacturers. "My business is also family owned and that makes us two sides of a coin," he quipped and added, "we do our own designs and we don't wish to give it to a big factory that makes the product lose its exclusivity or the emotion with which it is created when people put in their soul, skills & knowledge into it. **The humanistic and people aspect make our products appealing. Besides, India is rich in ideas and you carry back one everytime you visit this country.**" Mr. Messing concluded that skills & talents India has are timeless and what vendors here create are right from a foundation and not "copy & paste."



Mr. Alberto Gustavo Porcel, President, India Argentina Friendship Society touched upon Argentina's sentiment towards India, "now is the right moment and an unique opportunity to demonstrate that India is the best option

for sourcing all products for home and lifestyle. The pandemic has brought about this opportunity even stronger as India is

friendly to everyone; not that China is the enemy but world trade sentiment is working against it." He mentioned, India attracts because of its immensely rich & diverse culture. Their **products look like a lot of feelings & sentiments have been put into them unlike those from China that always seem so precise and factory made in big lots.** That's why working with India means working with family. Mr. Porcel feels that some things were being worked out at the Govt. level to be introduced this year and if they do, the heavy duties levied on imports from India to Argentina and Peru can be relaxed to zero Custom taxes.



Mr. Atick Nilesh Barreto from Brazil opined that this pandemic has made many Brazilian companies make certain shifts - looking to reduce their dependency on one country and move into sourcing from different

countries/partners. He said, "since last 15-20 years Brazil has been a partner of India with our political leaders maintaining good relations, impacting bilateral trade positively. Brazilians look at India as having similar family values as them. Indian soap operas are looked forward to and Brazilians learn a bit more about Indian culture and how things function in India, binding the cultural values of both the countries as a result." Mr. Barreto further spoke of Covid impacted trends & influences like family time, yoga, spirituality, holistic lifestyle, etc. and said that the soft power of India might be useful at this moment and help in acquisition of these categories in the Brazilian market. In comparison to other countries, **Brazilians look up to India for its creativity, not just a 'cheap-cost destination', so "the time is now for Brazil to seek more opportunities with India."**

Mr. Manjish Grover, Consul for Commerce & Trade, CGI Vancouver, Canada said, while we are grappling with the 'new normal' and then trying to work on these gaps as trade is foreseen as shifting from China to other countries and while India is looking as taking its share from that, India needs to leverage itself as a destination which has traditionally been very forthcoming and easy-to-do business in. That whole scenario has been changing positively for the last 5-6 years as Prime Minister Modi's improved India's World Bank world rankings in terms of ease of doing business. We need to build



on that first of all. Mr. Grover also said, "as Consulates have multiple portfolios to handle, maybe **EPCH and BAA could present them with a White Paper on how we can leverage ourselves here** so that we may in our capacities

be able to help you in turn in securing more trade linkages and businesses eventually.

Dr. Manoj K Mahapatra, Minister (Commerce), Embassy of India, Washington DC presented a detailed background on Indo-American trade, emphasising on the fact that when

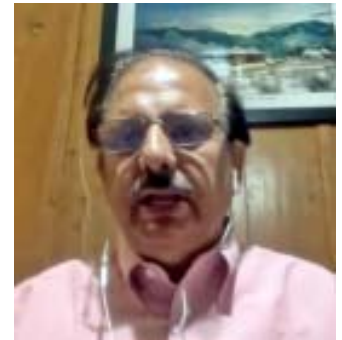


exporters cater to the 'very large' US market, they actually cater to many different kinds of requirements. Hence, they should be educated and sensitised about how to adhere to various norms, develop the ability to offer

tailormade solutions to stringent buyer requirements and claim their market share from what is already going to other countries. He added, "in the categories of home, lifestyle, fashion, textiles and furniture, there is scope for Indian products in USA and Indian manufacturers are resilient enough to cater to the requirements." Dr. Mahapatra further said that right now, our bilateral trade stands at 150 billion. Trade associations in USA are looking at packages from their govt. that can help them focus on India. But there are certain challenges where EPCH can come to the picture. For example in 2019 more than 1800 consignments from India were rejected by USA owing to faulty procedures/papersubmission/branding, etc. Here **EPCH can step in and educate the exporters on the specific requirements of the US market. That way the challenges will be converted into opportunities.** USA already sees India as a reliable partner.

Quickly responding to Dr. Mahapatra views on EPCH's intervention, **Mr. Rakesh Kumar, Director General, EPCH**, said that his points on where the Indian exporters are lacking (paperwork, etc.that led to the rejections) will be taken up for inclusion in the study being conducted by Indian Institute

of Foreign Trade (IIFT). A series of tutorials or complete training sessions will be taken up so that business is not lost on such accounts. Responding to Mr. Alberto Gustavo Porcel, President, India Argentina Friendship Society, Mr. Kumar said that in reference to Latin American countries including Argentina, a lot of FTAs and PTAs are already being discussed. EPCH has already made its submissions to the Commerce Ministry for the same. For Argentina and Chile, the discussions are already in the final stages. The



EPCH Director General also **called for inclusion of points related to India's competitor countries, in the IIFT study.**

Mr. Ajay Kumar Srivastava, Addl. DGFT, Ministry of Commerce & Industries opined, "we already have a small PTA with Mercosur countries that also include Brazil and



Argentina. While handicrafts are not covered in them." He emphasised, "it's a very small PTA but then it undergoing expansion so I request EPCH to request the Ministry of Commerce to include handicrafts in it. Speaking of the Govt.'s role in facilitating ease of doing business in India

in terms of labour laws, policy initiatives and infrastructure, Mr. Srivastava first touched upon labour laws stating that right now very ambitious excersise is going on for subsuming 29 labour laws into just 4 courts - on Wages, Occupational Safety & Health, Industrial Relations and Social Security of workers. "We are very sure, the compliance burden of the firms will come down substantially and at the same time, benefit workers' interests," he said. On policy issues, he referred to the extensions the Govt. has granted on various submissions, etc. On MEIS he said, rates had been fixed the highest for the sector; these are to be phased out and replaced by RoDTEP for which the Govt. is already in consultations with the industries. Here, **EPCH would have to educate the Govt.** The next is the Hon'ble Prime Minister's vision to create each district in India into an export hub by involving the various

States to identify local crafts and working on a well charted out mechanism, so that in future there will be a burgeoning growth in the number of entrepreneurs and exporters from each State. On infrastructure, Mr. Srivastava said, soon there will be better connectivity between the various bodies related with exports like Customs, DGFT, Ports, etc. He signed off quoting our imports and asked how this could be curbed especially in the context of Atma Nirbhar Bharat. **In response, Mr. Rakesh Kumar, Director General, EPCH, shared about the percentages of production and domestic consumption vis-a-vis exports in handicrafts** and carpets, stating that with exporters looking at the Indian retail sector and its demand/sentiment for handcrafted goods made in India, this equation would change soon. Besides, EPCH has requested the concerned Ministries to increase duties on certain home & lifestyle products so that exporting nations to India offer superior products only; do not use India as a 'dumping ground' for their goods; and consequently, there is the well-deserved recognition to the India manufactured handcrafted and handmade goods.



Mr. Sudhir Garg, Joint Secretary, MSME complimented EPCH and the O/o DC (Handicrafts) for holding virtual shows. MSMEs in India play a key role in the country's economy owing to their vibrancy, creativity, hand

crafting skills, ability to learn fast and adapt to changes quickly, among their strengths vis-à-vis many other nations, particularly China, known to produce machine manufactured goods, he said and added, **"creativity is the key to our products and in this era when people want individualistic products, MSMEs are capable of solutions.** So, on these strengths, we have to sail through." He suggested that 'carbon footprinting' of handicraft products like it is done in other green crafts like coir and khadi industries, can be done to further increase their sales in today's times and cash on, on the mandate of Europe and USA going carbon neutral by 2047. To further build on our strengths, Mr. Garg pointed out at the 'Cluster Approach' where the Ministry of MSME can join hands with this sector towards being a collective strength. "This trusted approach is being applied in 300 clusters approved

in the handloom and handicrafts sectors," Mr. Garg informed and shared that his Ministry is helping towards the building of CFCs, Technology Centres and in marketing linkages. Technology, skilling, 80% subsidy to design development as per buyer market perspectives and to firms adapting 'Lean manufacturing practices' are also part of this. Capsule experiments in these areas have been successful, Mr. Garg added with mention of some examples and urged manufacturers to visit www.champions.gov.in for information on MSME schemes. He added that his Ministry has gone digital and 60 control rooms across the country are addressing problems and offering solutions with a quicker turnaround time. Finally, **he suggested EPCH to explore a segment called 'art' to exploit yet unknown skills** and capitalise on it for global trade.



Mr. Shantmanu, Development Commissioner (Handicrafts), during his address appreciated the format of interaction which enabled participants from across the globe. Speaking about the analogy of the

Indian tiger and its significance & symbolism in mythology, Mr. Shantmanu referred to the rich culture of Indian handicrafts that continue to be enhanced with design developments. He also referred to the workings of the National Institute of Fashion Technology (NIFT) where he holds the post of Director General, NIFT. He informed how students of NIFT are being trained in the field of handicrafts and handlooms, how they are interacting with exporters and artisans through the cluster approach so that skills & designs blend to translate into very nice products for the markets. He further added that the **discussions in this session had brought in a lot of valuable feedback from the overseas buying community and will certainly be taken care of in all future endeavours to better handicraft products and also increase our market share world over.** "It is very important to pay attention to buyers who have negative feedback, buyers who feel dejected, buyers who've not had pleasant experiences as well so that we can use it constructively," he emphasised. Mr. Shantmanu thereafter informed that his office alongwith the Ministry of Textiles have

been working with several clusters as part of their 'Cluster Approach' and last year have identified export oriented clusters in consultation with EPCH and other Export Promotion Councils. Responding to Mr. Ajay Kumar Srivastava, Addl. DGFT, Ministry of Commerce & Industries' question on reducing the large value imports of home & lifestyle products into India and turning consumers' attention to goods produced in ones' own country, Mr. Shantmanu said, there will be some segments of our society showing strong inclination to imported items and that's a personal choice. Rather than controlling imports we are focusing on exports so that it ultimately reaches the reasonable level and imports look very small in comparison. Referring to points by buyers on trust, capacity building, etc. the DC (Handicrafts) said that his office, in consultation with EPCH senior officials would work out the modalities. He concluded by saying that while we continue to strive hard to increase our market share, our dream is to

see that each home across the world prides with a made in India product.



Mr. R K Verma, Executive Director, EPCH, proposed a Vote of Thanks to all the esteemed speakers and panelists. He thanked the overseas buyers for their valuable feedback and appreciation. He expressed his gratitude to the officials

from India's overseas missions in USA and Canada as well as the senior officials from the Govt. of India. About 530 participants from across the globe attended this webinar, organised jointly by Buying Agents Association (BAA) and EPCH. ■