

Study to Evaluate the Export Potential of the Handloom Sector of Pakistan



**Small and Medium Enterprise Development Authority
Government of Pakistan**

43-T, Gulberg II, Lahore 54660, Pakistan

UAN: 111 111 456 Fax: 92-42-5753545 & 5753587

EXECUTIVE SUMMARY	1
1. HANDLOOM INDUSTRY	3
1.1. PRODUCT RANGE	3
1.2. RAW MATERIALS	4
1.3. GLOBAL MARKETS	4
2. THE AMERICAN MARKET	5
2.1. PRODUCT MIX OF IMPORTS.....	5
2.2. ASIAN COUNTRIES AND THE AMERICAN MARKET	7
2.3. HANDLOOM PRODUCTS AND THE USA	8
2.3.1. <i>Product Composition of Handloom Imports</i>	8
2.3.2. <i>Asian Countries and The USA Market</i>	10
2.3.3. <i>India and The USA Import Market of Handloom Products</i>	11
3. THE EUROPEAN MARKET.....	13
3.1. PRODUCT MIX OF IMPORTS.....	14
3.2. ASIAN COUNTRIES AND THE EU MARKET	15
3.3. PERFORMANCE OF ASIAN COUNTRIES IN THE EU	16
4. HANDLOOM INDUSTRY IN INDIA.....	20
4.1. EXPORT PERFORMANCE OF INDIAN HANDLOOM PRODUCTS.....	20
4.2. PRODUCT SPLIT OF EXPORTS	21
4.3. DIRECTION OF HANDLOOM EXPORTS.....	23
4.4. HANDLOOM SECTOR IN INDIA : FOCUS OF DEVELOPMENT	24
4.4.1. <i>Importance of Handloom Sector in India</i>	24
4.4.2. <i>Handloom Reservation Act and its Enforcement</i>	25
4.5. PROMOTIONAL AND DEVELOPMENTAL PROGRAMS FOR HANDLOOM SECTOR IN INDIA	28
4.5.1. <i>Handloom Export Promotion Council (HEPC)</i>	28
4.5.2. <i>Input Support</i>	29
4.5.3. <i>3. Mill Gate Price Scheme</i>	29
4.5.4. <i>Training to Handloom Personnel</i>	29
4.5.5. <i>Weaver's Service Centers / Indian Institutes of Handloom Technology</i>	29
4.5.6. <i>Publicity and Exhibition</i>	30
4.5.7. <i>Scheme for Handloom Export Development</i>	30
4.5.8. <i>Project Package Scheme</i>	30
4.5.9. <i>Handloom Development Centers / Quality Dyeing Units Scheme (HDC/QDU)</i>	31
4.5.10. <i>Workshed-cum-Housing Scheme</i>	31
4.5.11. <i>Welfare Package Schemes</i>	32
4.5.12. <i>Thrift Fund Scheme for Handloom Weavers</i>	32
4.5.13. <i>Group Insurance Scheme</i>	32
4.5.14. <i>New Insurance Scheme for Handloom Weavers</i>	32



4.5.15.	<i>Health Package Scheme</i>	32
4.5.16.	<i>Research & Development / Market Surveys & Studies</i>	32
4.5.17.	<i>Market Development Assistance Scheme</i>	33
4.5.18.	<i>All India Handloom Fabrics Marketing Cooperative Society</i>	33
5.	BANGLADESH AND HANDLOOMS	34
5.1.	GRAMEEN UDDOG	34
5.2.	GRAMEEN CHECK.....	34
5.3.	GRAMEEN FOUNDATION USA	34
5.3.1.	<i>Product Development of Textiles and Finished Goods</i>	34
5.3.2.	<i>Business and Sales Management</i>	35
5.3.3.	<i>Marketing and Promotion</i>	35
5.3.4.	<i>Corporate Partnerships</i>	35
6.	PAKISTAN AND HANDLOOM EXPORTS	36
6.1.	PRODUCT SEGMENTS OF EXPORTS	36
6.2.	PRODUCT PERFORMANCE OF EXPORTS	38
6.2.1.	<i>Apparel Fabric</i>	38
6.2.2.	<i>Home Furnishing Articles</i>	39
6.2.3.	<i>Floor Coverings</i>	42
6.3.	EXPORT MARKET OF HANDLOOM PRODUCTS	42
6.3.1.	<i>Changes in Market Mix</i>	44
6.4.	PAKISTAN HANDLOOM INDUSTRY STRUCTURE.....	45
6.4.1.	<i>Existing State of Handlooms in Pakistan</i>	45
6.4.2.	<i>Geographical Concentration of Handlooms</i>	45
6.4.3.	<i>Handloom Production</i>	48
6.4.4.	<i>The Production process</i>	49
6.4.5.	<i>Weaving Technology</i>	49
6.5.	PRODUCTIVITY AND EFFICIENCY OF HANDLOOMS	50
6.5.1.	<i>Production and Cost Comparison with Power Looms</i>	50
6.6.	HUMAN RESOURCE FOR THE INDUSTRY	52
6.6.1.	<i>Handloom Training Institute</i>	52
6.7.	DISTRIBUTION CHANNEL.....	53
7.	CONCLUSION AND RECOMMENDATIONS	54
7.1.	MARKET FOR HANDLOOM PRODUCTS	54
7.2.	POST MFA SCENARIO AND THE HANDLOOM INDUSTRY.....	54
7.3.	HANDLOOM PRODUCT VIABILITY	54
7.4.	THE CASE OF 'KHAADI'	54
7.5.	THE INDIAN HANDLOOM SECTOR. A MUST DO SCENARIO	55
7.6.	THE ROLE OF THE GOVERNMENT OF PAKISTAN	55
7.7.	WHAT CAN BE DONE?	56
7.8.	SOCIAL DEVELOPMENT OR EXPORTS	56



ANNEXURE I..... 58

ANNEXURE I..... 61

EXECUTIVE SUMMARY

The report is the outcome of an assignment given to SMEDA by the Minister of Industries and Commerce, Mr. Razak Dawood, to evaluate the export potential of the handloom products from Pakistan. The report contains detailed analysis of a set of textile products including fabric, home textiles, floor coverings and other textile made-ups in a global perspective. The two major markets, the European Union and the USA were selected to determine the size of the global demand for handloom products. The export product portfolio and the regulatory environment of the competing Asian countries are also included in the document.

The overall global market of the handloom products is very limited. Most of the products manufactured on handlooms and traded globally are placed in the same market and product segments as similar products manufactured through other advance weaving technologies. The labour intensive nature of the handloom industry has made it uncompetitive as regards to the power loom sector.

The case in point is India, which is the largest producer and exporter of handloom fabric in the world. In order to ensure the sustainability of the sector the Indian Government has protected the sector by barring the production of certain products on power looms. Even by doing so the Indian handloom sector faces stiff competition from other Asian countries including China and Pakistan, which do not have any such regulations in place. The Multi Fibre Arrangement (MFA) phase out in the year 2005 leading to removal of non-tariff barriers (quotas) is likely to jeopardise the strength of Indian handloom sector, when it will be further exposed to increased domestic and international competition.

The technological evolution of the textile industry in Pakistan and the cost competitiveness of the power looms forced the industry to up-grade itself, resulting in closure of a number of handlooms in the country. This process however, had no negative effect on the exports of textile made-ups from the country, rather the exports of such products have increased.

The exports of handloom products can only be developed in areas which provide some technological barrier to advance weaving technologies and at the same time are placed in the high-end market segment. Examples of such products include woven tapestries and floor coverings. Most important of all it requires a concentrated marketing effort to create a niche for handloom products in the international markets where the buyers are willing to pay more than the average market price for an exclusive product.

The handloom sector, majority of which operates in the informal sector at a cottage industry scale, is unable to market its products internationally. The Grameen Uddog initiative of the Grameen Bank, Bangladesh provides some basic guidelines on developing the handloom industry through niche marketing. On a macro level it would be incorrect to propose a regulatory intervention similar to the Indian model of handloom industry development.



The handloom industry of Pakistan cannot be considered or transformed as a driver of textile export growth for the country. The purpose of enhanced penetration of the domestic textile products in the global markets, including textile made-ups, is served by the power looms and other similar weaving technologies.

1. HANDLOOM INDUSTRY

The basic principal of weaving in a handloom is similar to any other weaving technology such as power looms and shuttle less looms. Except for the low productivity of handlooms while handling complex fabric constructions, handlooms are capable of producing a diverse range of fabrics. Increased demand of fabric as a consequence of rising global population, required efficient production techniques to meet this enhanced global fabric requirement. Similarly, Industrialisation in the developed world also lead to higher labour costs, both these factors contributed to the development of capital intensive weaving technologies which were able to produce cost effective fabric with very low labour component.

A process of handloom phase out started in the developed countries, the process which at one time was the only option for producing fabric soon became an art in the western world. Nowadays the western markets are the major buyers of handloom products, most of which are produced by the developing countries. The products manufactured on handlooms, on a broader level can be bisected on the basis of their functional and aesthetic value. Products such as table and bed linen have a mix of both the attributes, while products such as woven tapestries are only sold on the basis of their aesthetic value.

The developing countries on the other hand due to the advantage of lower labour costs selected intermediate weaving technologies to optimise the production of fabric on a larger scale. Even in the developing countries the labour costs increased to the extent that it became unviable to use obsolete weaving technology. Production on handlooms in the developing countries is now limited to a cottage industry scale where self employed individuals manufacture products, otherwise on a commercial scale the operations simply lead to higher labour costs, rendering the production infeasible. The success of handloom products lie in product differentiation and fetching a premium price for higher quality and exclusivity.

1.1. Product Range

For the purpose of analysis, a group of products have been selected which can be manufactured by using various weaving machines. Although the global trade in handloom products is a small percentage of products selected but it would enable to figure out the potential of such products in the international markets. The products selected includes woven textile articles and made-ups from the following category:

- ❑ Woven Fabrics for Apparel
- ❑ Special Woven Fabrics and Tapestries
- ❑ Table and Kitchen Linen (including towels)
- ❑ Bed Linen and bed spreads
- ❑ Curtains and Upholstery
- ❑ Woven Carpets and Floor Coverings (excluding hand knotted carpets)



- Blankets and Rugs

1.2. Raw Materials

A wide range of raw materials are used by the handloom sector depending upon the fabric or made-ups to be produced. Both natural and manmade fibres are consumed by the handloom industry, countries like India and Pakistan which have an inherent competitive advantage of indigenous cotton mostly rely on cotton to manufacture textile made-ups and fabrics on handlooms. Handloom production is also driven by the climatic conditions in a region, an ideal example are the Himalayas and mountainous regions of the two countries, where mostly woollen products are manufactured. In China high-end silk products are produced on handlooms.

The manmade fibres are not commonly used by the handloom industry to produce textile made-ups but the process of handloom weaving can easily adapt to the production of such articles so as to broaden the product range. The main reason behind the low usage of manmade fibres in the sector is that mostly the products are marketed as hand-made articles, produced through natural fibres with ancient processing techniques. The products manufactured through natural fibres seems to have developed a niche in the global textile markets.

1.3. Global Markets

Majority of the trade in the textile made-ups and other woven fabrics is directed towards the European countries (European Union) and the USA. The estimated global market of the products, mentioned above, is around US \$ 20 billion, which excludes the trade of synthetic and blended fabric and other textile made-ups which cannot be produced on handlooms. The reason for selecting the given set of products has already been discussed.

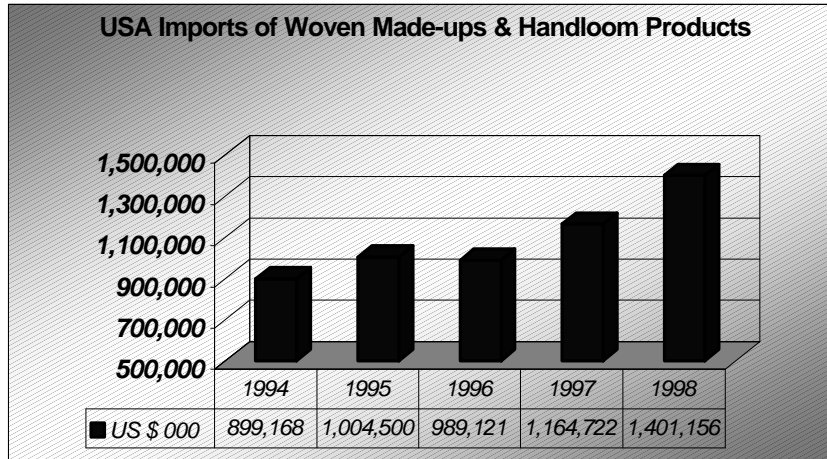
For analysis purpose these two major markets have been chosen. Detailed data regarding the imports of handloom products is only available for the American market, as such a break-up is achieved at a 10-digit split level for Harmonised System (HS) and 7-digit split level for the Standard International Trade Classification (SITC). In case of the EU market the analysis would be limited to a 5-digit SITC level, although it would not be possible to determine the exact size of the market but it would definitely provide with solid basis to determine the potential of handloom products in the EU market.



2. THE AMERICAN MARKET

Very similar to textile and apparel products, the USA has a significant position in the global trade of woven textile made-ups. Its imports are around US \$ 1.4 billion worth of products (selected for analysis, list given in Annexure I), the size of its total imports in different made-ups is much bigger than the set of products selected to evaluate the potential of handloom products.

Figure 2.1: USA Imports of Woven Made-ups Including Handloom Products



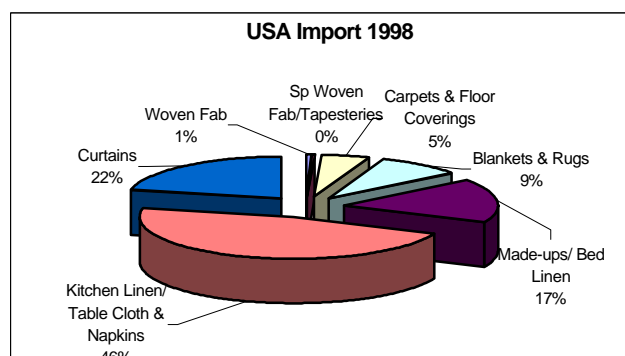
The USA has a decent share of 7% in the global imports of woven textile made-ups and fabrics. The import market for the selected product categories has increased at an annual average growth rate of 12%. The phenomenon characterises the consumer behaviour in the USA. As for all the consumer products, America is considered to be a mass consumption society, this also seems to be true for the products such as table and kitchen linen, bed linen and other furnishing textile articles.

2.1. Product Mix of Imports

The imports in the USA are dominated by the kitchen and table linen that have a 46% share in the group of products and rightly so as this product category represents a great deal of consumable items such as towels, napkins and table cloths. Made-ups and curtains are the other major categories with a share of 17% and 22% respectively.



Figure 2.1.1: Product Split of USA Imports



Products such as woven floor coverings and rugs and also woven fabrics and tapestries have very small share in the total import value. This leads to an important observation that the typical woven handloom products like floor coverings, rugs and tapestries that represent a group with more aesthetic value does not have a reasonable market in the USA. Whereas, products with a mix of functional and aesthetic attributes such as table and bed linen have the lions share in the market, and these products face stiff competition from the power looms in the exporting countries including Pakistan.

Table 2.1.1: USA Product Wise Imports of Woven Textiles and Handloom

US Product Wise Imports of Handloom and Woven Textiles (Value and Quantity 000's)						
	Unit	1994	1995	1996	1997	1998
Blankets and Rugs	Qty No	12,322	14,694	15,858	21,132	30,599
	Value (US \$)	61,524	73,473	76,928	94,293	126,792
Made-ups/ Bed Linen	Qty No	30,019	23,403	29,403	37,597	43,955
	Value (US \$)	148,476	174,329	174,329	200,198	235,941
Kitchen Linen/ Table Cloth & Napkins	Qty No	769,877	800,907	812,146	930,952	1,118,710
	Value (US \$)	421,076	452,491	460,096	542,792	653,739
Curtains and Furnishing Art	Qty No	322,816	351,816	421,831	484,914	585,511
	Value (US \$)	170,319	207,512	196,491	238,312	303,883
Woven Fabrics	Qty(SQM)	11,163	6,622	2,770	3,407	5,146
	Value (US \$)	13,093	9,134	4,538	5,463	7,811
Special Woven Fabrics/Tapestries	Qty(SQM)	158	167	211	163	112
	Value (US \$)	3,969	4,384	4,543	4,200	3,402
Carpets and Floor Coverings	Qty(SQM)	28,792	23,681	20,398	19,812	15,332
	Value (US \$)	80,710	83,177	72,197	79,463	69,590

As given in Table 2.1.1 the thrust of imports in the American market is lead by the table and bed linen and kitchen linen product categories. The latter has grown at an average growth rate of 12% per annum over a period of five years from 1994-98. The imports were US \$ 421 million in 1994 that increased to US \$ 654 million in 1998. Similarly the former category, bed lined and spreads, has grown at an annual average rate of 13%. The product groups representing the handloom woven fabrics, tapestries and floor coverings have performed dismally in the USA market. All these products have shown negative growth trends of 4%, 3% and 3% respectively from 1994 through 1998. This negative growth is not only driven by the value but the volume of imports has also declined tremendously. The scenario represents a shrinking market for handloom products, the performance of handloom products in the American market will be discussed in detailed latter.

2.2. Asian Countries and The American Market

The Asian region has attained the position of a centre of production for cotton and synthetic fibres and fabrics. Similarly in the woven textile made-ups the region dominates the global trade scenario. Even in the case of handlooms, the concentration is much higher in countries like India, China, Pakistan, Bangladesh and Srilanka than any part of the world, although the product range of each country might be different, e.g. in China handlooms are used to produce high-end silk fabric and products, whereas, in Pakistan and India the focus is on cotton and fabrics and made-ups.

Figure 2.2.1: USA Imports of Woven Made-ups from Asia

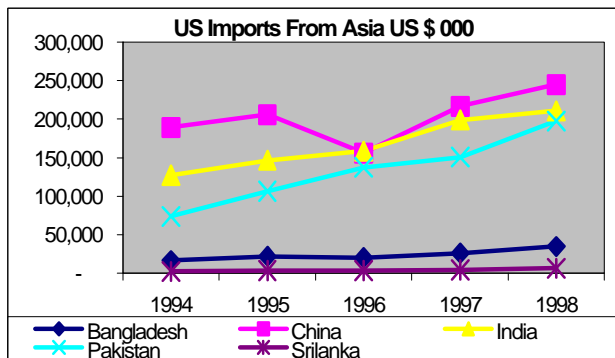
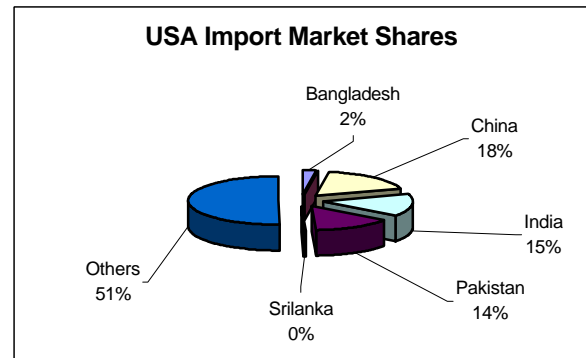


Figure 2.2.2: USA Import Market Shares 1998



To analyse the American market only the above mentioned five countries have been selected, due to the fact that these countries are the major suppliers of textile made-ups (categories selected) and also are competitors in handloom products. The combined exports of selected Asian countries is around US \$ 695 million, which is almost 50% of the total imports of the USA. China, with its giant textile base, is the leading player with a total of US \$ 245 million worth of exports. The Chinese exports have grown at an annual average rate of 9%. The Indian exports have also increased steeply with an average growth rate of 14%, the exports were US \$ 127



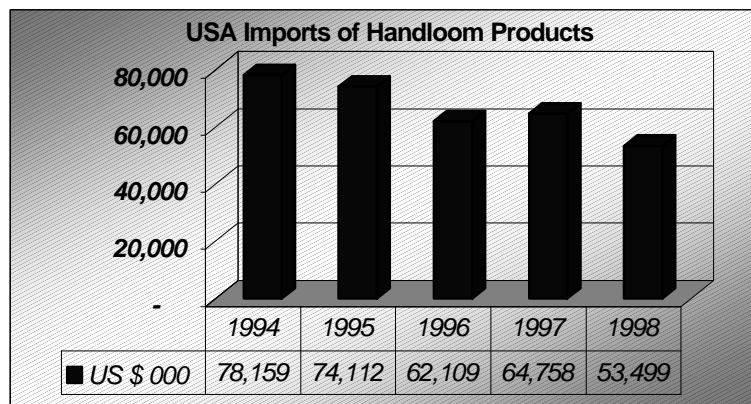
million in 1994, which increased tremendously to US \$ 211 million in 1998. India overall has a 15% market share in the USA.

Pakistan’s performance in the selected sample of products has been very encouraging. The exports from Pakistan experienced an overall increase of US 123 million during a period of five years from 1994-98, with an annual average growth rate of 28%. The growth in Pakistan’s exports is driven by the table and kitchen linen segment, which also includes towels, tablecloths and napkins. The positioning of the products for the American market is accurately planned, as Pakistan has consistently performed to increase its exports in the growth product segment, which is also has the largest share in American imports. A major thing to note is that majority of the products exported from Pakistan under the category are produced on power looms and not on handlooms. This is one reason that Pakistan has been able to increase its share. As in 1994 the exports from Pakistan were less than the Indian exports by more than US \$ 50 million, the difference has narrowed down to the extent that during 1998 Pakistan’s exports were only US \$ 14 million lower than the Indian exports. A major contributing factor of comparatively slow growth of Indian exports is that, to provide protection to the domestic handloom industry, India has banned the production of eleven (11) textile articles on power looms.

2.3. Handloom Products and the USA

The total market of handloom products in the USA is much smaller than similar products selected for analysis. It accounts for only 4% of the total import market of US \$ 1.4 billion. It is very obvious that the demand for handloom products is consistently declining. During 1994 the share of handloom products was 9%, with an import value of US \$ 78 million.

Figure 2.3.1: USA Imports of Handloom Products



2.3.1. Product Composition of Handloom Imports

The limited handloom product market of the USA can be classified into four broad categories. This includes woven floor coverings (other than hand knotted carpets), woven fabrics for



apparel, special woven fabrics and woven tapestries and curtains and other furnishing fabric. The product portfolio is eclipsed by the woven floor covering category, which has a 79% share in the imports of handloom products. This particular category has further strengthened its position from 1994, when it accounted for 78% of the total imports, while the other products including woven fabric and tapestries have lost their market shares, both have declined by 2% and 1% respectively.

This phenomenon further augments the observation made earlier that in products where power looms offer competition due to their high productivity as compared to handlooms the imports have declined. This includes products like woven fabrics and tapestries.

Figure 2.3.1: USA Import of Handloom Products 1994

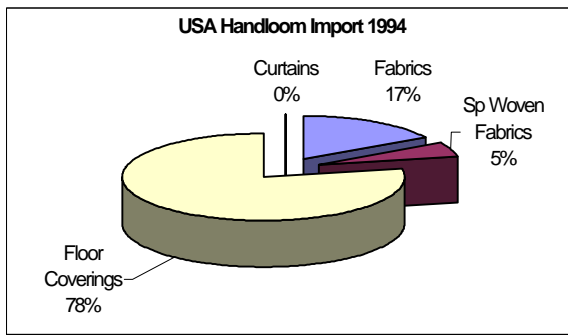
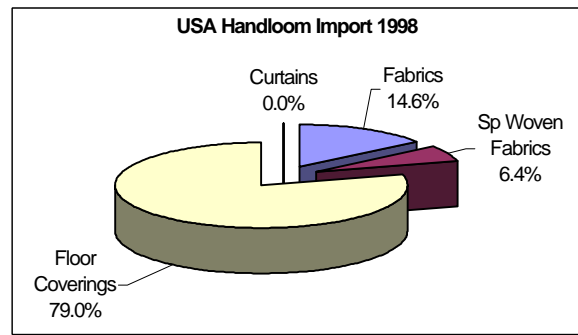


Figure 2.3.2: USA Import of Handloom Products 1998



Overall growth in the imports of handloom products has been negative from 1994 to 1998. The value of imports of the category having the largest share, woven floor coverings, have declined by 31% over this period. Same is the case with other products, the handloom fabric underwent a decrease of 40% over 1994 and the tapestry and special woven fabric, although has declined by a much smaller proportion than other products, but the market for this product category squeezed by 14%. The only handloom product that showed a positive growth is that of handloom curtains, in which the value of imports increased by 67%. The effect of this growth is negligible due to low import volumes. Total imports of handloom curtains are only US \$5,000. The overall market of handloom products can be observed to have declined by 32% in terms of value.



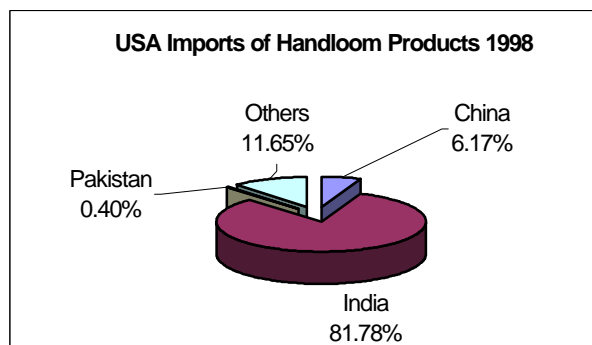
Table 2.3.1: USA Imports of Handloom Products

USA Imports of Handloom Products US \$ 000						
	1994	1995	1996	1997	1998	Growth over 1994
Woven Fabrics	13,093	9,134	4,538	5,463	7,811	-40%
Yearly Growth		-30%	-50%	20%	43%	
Sp Woven Fabric/Tapestry	3,969	4,384	4,543	4,200	3,402	-14%
Yearly Growth		10%	4%	-8%	-19%	
Floor Coverings	61,093	60,591	53,027	55,088	42,280	-31%
Yearly Growth		-1%	-12%	4%	-23%	
Curtains	3	3	1	6	5	67%
Yearly Growth		0%	-67%	500%	-17%	
Total	78,159	74,112	62,109	64,758	53,499	-32%

2.3.2. Asian Countries and The USA Market

Out of a total import market of US \$ 53 million for handloom products in the USA, the Asian countries hold the major share of 88% with the total export value of US \$ 47 million. India, the only country that provides protection to the handloom products, has established its monopoly in the American market with a market share of 82%. China has a market share of 6% and Pakistan is merely present in the American market with a share of only 0.4%. Exports of Pakistan are US \$ 216 thousand, which have reduced by almost 57% during five years from 1994 through 1998.

Figure 2.3.1: Country Wise Imports of USA, Handloom Products



No doubt that countries like Pakistan and China have not been able to penetrate the American market, as far as the handloom products are concerned. The factor that has played an instrumental role is the size of the domestic handloom sector of these countries. India, in order to protect its handloom sector, has banned manufacturing of certain products on power looms. The reason behind this might be the large labour force, which is associated with this profession. On the other hand Pakistan and China have not enforced any such regulation due to which there has been greater emphasis on replacing handlooms with more efficient weaving technologies.



The difference can be evaluated in the overall growth of textile made-ups in the American market, which is discussed above (Asian Countries and American Market section). Both the countries China and Pakistan have 18% and 14% share in the American market and interestingly Pakistan's exports grew at an average annual rate of 28% whereby, the Indian exports grew by only 14% for a of five years from 1994-98.

2.3.3. India and The USA Import Market of Handloom Products

The product portfolio of the Indian exports of handloom articles is driven by the hand woven floor coverings segment, which constitute 83% of its total exports to the USA. Another 17% is contributed by the handloom fabric, whereas the exports of other products include only the special woven fabrics and tapestries which constitute 0.2% of its handloom products exports to the USA. All the products

Both the major components of Indian handloom exports have shown a consistent decline in value terms, the exports of woven fabric which were US \$ 12.8 million during 1994, declined by 41% in 1998 to US \$ 7.5 million. The performance of floor coverings also showed a similar negative growth trend during the period. The exports dropped by almost 34% in the woven floor covering category.

Other countries including Bangladesh and Srilanka do not seem to have a constant presence in the American market. There exists no trend in their exports of handloom products, the value of exports indicates the handloom sectors of these countries have been only catering to occasional orders in the USA market. Product wise performance of major Asian countries is provided in Table 2.3.1.

Considering the small scale of handloom product market in the USA it can be concluded that the consumer's orientation is more towards the functional aspect of products regardless of the technology with which the products are manufactured. It is for this reason that countries like China and Pakistan are offering severe competition to India, which has tried to protect its handloom sector despite its economic disadvantage. Only a small market exists in the USA for products that are manufactured on handlooms, i.e. floor coverings and woven fabrics. The import trends even in these categories suggest that the market for these products is shrinking.



Table 2.3.1: Product Wise Handloom Exports to the USA

Product Wise Exports of Asian Countries to the USA (US \$ 000)					
	1994	1995	1996	1997	1998
China					
Woven Fabric				15	
Special Woven Fabric/Tapestry	168	160	257	289	463
Floor Coverings	2,190	2,359	4,037	4,916	2,838
Curtains					
Total	2,358	2,519	4,294	5,220	3,302
India					
Woven Fabric	12,847	8,831	3,961	5,084	7,522
Special Woven Fabric/Tapestry	98	180	69	53	101
Floor Coverings	54,643	53,929	44,529	45,297	36,130
Curtains					
Total	67,588	62,940	48,559	50,435	43,752
Pakistan					
Woven Fabric					
Special Woven Fabric/Tapestry	4	5	5	3	4
Floor Coverings	496	458	319	316	212
Curtains		1		2	
Total	500	464	324	321	216
Bangladesh					
Woven Fabric			211		
Special Woven Fabric/Tapestry					
Floor Coverings					
Curtains					
Total			211		
Srilanka					
Woven Fabric				1.47	
Special Woven Fabric/Tapestry	0.34				
Floor Coverings					
Curtains					
Total	0.34			1.47	

3. THE EUROPEAN MARKET

The countries in the European Union (EU) collectively constitute the largest market for textile made-ups and articles including bed and table linen, towels, curtains and home furnishing articles, rugs, woven carpets and floor coverings. The detailed data on handloom product imports can be obtained only at a SITC 7-digit split-level, which is not available for the EU market. The potential of handloom products can be assessed from the overall imports of similar merchandise in the EU countries.

Figure 2.3.1: EU Imports of Textile Made-ups



The current size of EU market in terms of textile made-ups, taken for analysis, is around US \$ 6.3 billion. The articles comprising the EU import market are given in Annexure II. The European countries besides importing these textile products, also import between US \$ 2-3 billion worth of blended and cotton fabric each year. To keep the data less complex, imports of fabric are not included. Also handloom fabric, similar to the American market, forms a small percentage of the total handloom products imported by the EU countries. The major exports of most of the Asian countries are of textile made-ups rather than fabric produced on handlooms. An important thing to note here is that only the import market for woven textile made-ups is considered to evaluate the performance and potential of handloom exports.

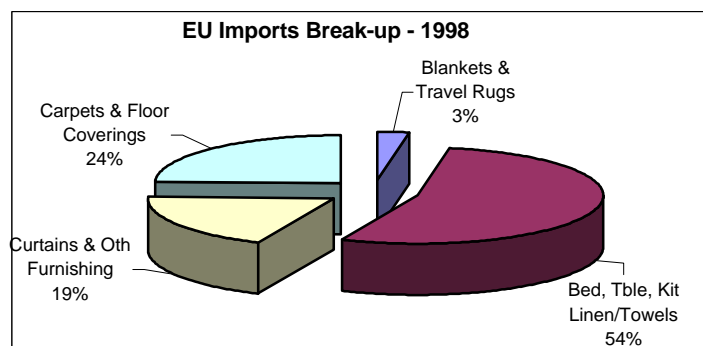
There is considerable growth in the textile made-ups import by the EU countries that constitute almost 60% of the global made-ups market. The imports have grown at an annual average rate of 6% from 1994-98. The pattern of growth is very similar to what the made-ups experienced during the same period in the USA market. As mentioned earlier that no data is available to determine the exact share of handloom products in the EU, but safely it can be assumed that the EU market is almost 3% of the total made-ups and textile imports. In actual value terms the total estimated imports of handloom products would be around US \$ 300 to 400 million.



3.1. Product Mix of Imports

The imports in EU are dominated by the bed, table, kitchen linen and towels that have a 54% share amongst the product categories. Toilet and kitchen linen of cotton constitute the largest import product in this category. The other major categories include carpets and floor coverings and curtains and other furnishing articles with 27% and 17% share respectively.

Figure 3.1.1: EU Imports of Made-ups by Category



Products such as blankets of cotton and synthetic fibres have a very small share in the total imports of EU, but the product segment has grown at an annual average rate of 9%. The largest product segment i.e. bed and table linen and towels show an annual average growth rate of 6%.

Table 3.1.1: EU Category Wise Imports of Made-ups

EU Category Wise Imports of Textile Made-ups (US \$ 000)						
	1994	1995	1996	1997	1998	Growth over 1994
Blankets & Travel Rugs	122,244	126,066	124,829	139,809	172,703	41%
Bed, Table, Kitchen Linen/Towels	2,777,960	3,141,916	3,224,109	3,271,072	3,452,236	24%
Curtains & Other Furnishings	842,257	990,563	1,030,647	1,070,378	1,194,224	42%
Carpets and Floor Coverings	1,355,370	1,517,101	1,578,653	1,971,804	1,563,678	15%

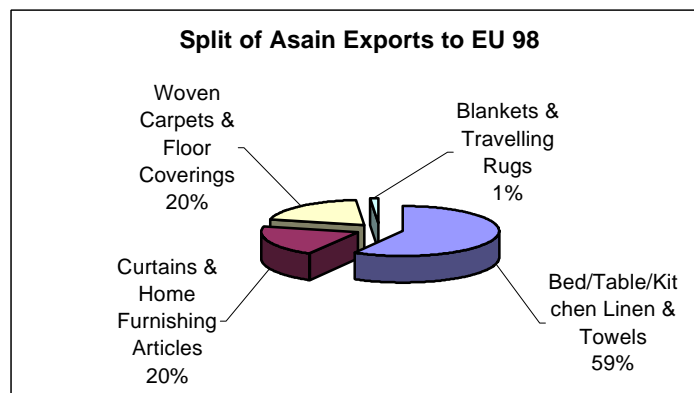
As provided in Table 3.1.1, the largest segment comprising EU imports is the bed, table and kitchen linen category has increased in value terms by almost 24% over 1994. In absolute dollar terms the exports have increased by US \$ 675 million. Although the blankets and travel rug imports have increased by 41% over the period but the volume and value of imports is very small to make a significant impact in the import market. The other product segment that has marked effect on the overall imports of EU is the curtains and other furnishing textile articles. The exports in the product segment have increased by US \$ 352 million from 1994 through 1998. The European market of floor coverings, with a 24% share in the overall imports of

products selected, has increased by only 15% from 1994 to 1998. The absolute increase in value of imports is equal to US \$ 208 million. Across all the products, the EU market has increased by US \$ 1.28 billion, over a period of five years, 1994-98.

3.2. Asian Countries and The EU Market

The Asian region also has a major market share in the bed linen, table and kitchen line and towels product category. Only the exports of five Asian countries including China, India, Pakistan, Bangladesh and Srilanka, to the EU market have been included for analysis. These countries have a 21% share in the European imports, the combined exports of these countries are around US \$ 1.3 billion. The product segment which constitutes almost 59% of the selected Asian countries exports to EU, is the bed linen, table and kitchen linen and the towels category. Followed by the curtains and floor coverings segment, each having 20% share in the Asian exports of textile made-ups. In value terms the selected Asian countries export around US \$ 763 million worth of bed, table and kitchen linen and towels to the EU market.

Figure 3.2.1: Asian Exports to EU, Product Mix

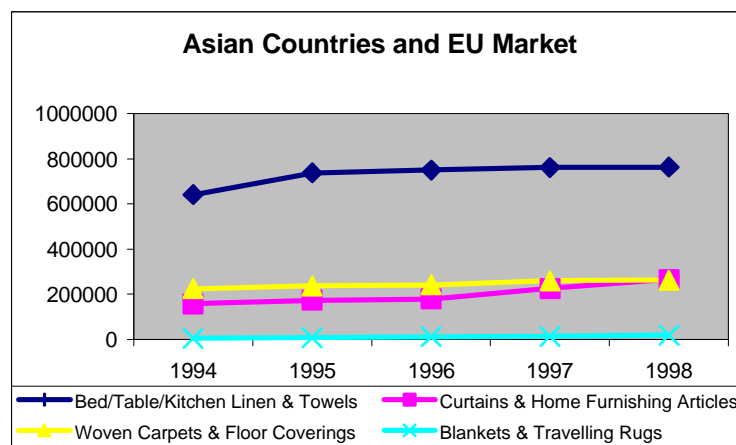


The majority of the products included in the bed, table and kitchen linen and towels segment are manufactured on power looms in China and Pakistan, whereas these are manufactured on handlooms in India. The EU market of these products is surprisingly dominated by Pakistan, which has a 37% share in the total exports of the five Asian countries of similar products to EU. The exports of Pakistan during the year 1998 were US \$ 419 million, in absolute dollar terms the exports have increased by US \$ 103 million in a short span of five years from 1994 when the exports were to the tune of US \$ 316 million.

The Indian kitchen, table and bed linen, and towels exports have a decent share of 34% in the EU market, with the exports of US \$ 262 million, although the Indian exports have also increased by US \$ 60 million but still the exports are lower than that of Pakistan. China, the third largest share holder in the EU market with a share of 25% in the total imports of bed, table, kitchen linen and towels by the EU countries is somehow observed to be pulling out of the EU market. China exported US \$ 227 million worth of bed, table, kitchen linen and towels to the

European countries in 1994, but the value of exports have actually dropped by 15%, from 1994 to 1998. The exports of China declined by US\$ 33 million during the said period.

Figure 3.2.2: Product Mix of Asian Countries Exports to EU



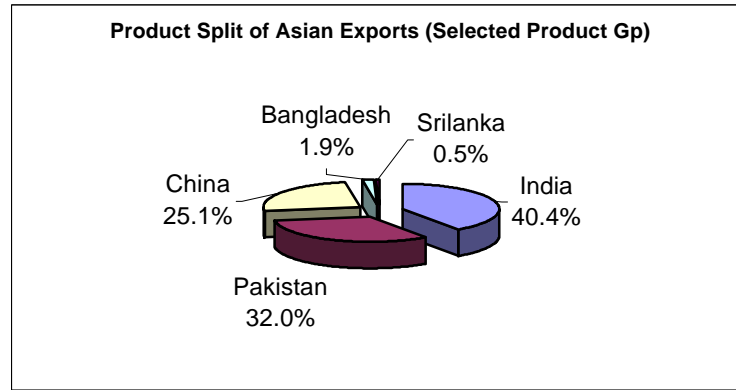
3.3. Performance of Asian Countries in the EU

The Figure 3.3.1 shows that amongst the selected Asian countries, India has the largest share of 40% in the EU market followed by Pakistan with a 32% share and China having 25% share of the total exports. The market share of other countries including Bangladesh and Srilanka is negligible. Bangladesh has repositioned itself in the EU market as an exporter of textile garments, rather than textile made-ups, still the exports of made-ups have shown positive growth trends.

The total Indian exports in the EU market for the selected set of products have increased at an annual average rate of 10%. The exports were US \$ 362 million in 1994, which increased to US \$ 529 million in 1998. The overall growth rate of Pakistan for similar products in the EU market has been 7%. The exports increased from US \$ 316 million in 1994 to US \$ 419 million in 1998. Although the exports of Indian products have grown at a faster rate but Pakistan has a dominating position in the major product category i.e. bed, table and kitchen linen and towels.

The high growth segment for the Indian exports is that of the woven carpets and floor coverings in which the Indian exports are almost US \$ 57 million more than that of Pakistan. The Indian exports in the category have increased by 19% from 1994 to 1998 from US \$ 116 million to US \$ 137 million. The exports of floor coverings from Pakistan are currently at US \$ 79 million. The other growth segment in the Indian exports is the curtains and furnishing fabric category, the value of exports in this product segment increased by 180% over five years from 1994-98. This product segment constitutes only 14% of Pakistan's export to EU, the exports of this segment have grown during the same period but the impact on overall exports is minimal due to low volumes of exports. The increase in the exports was 35% from 1994 through 1998.

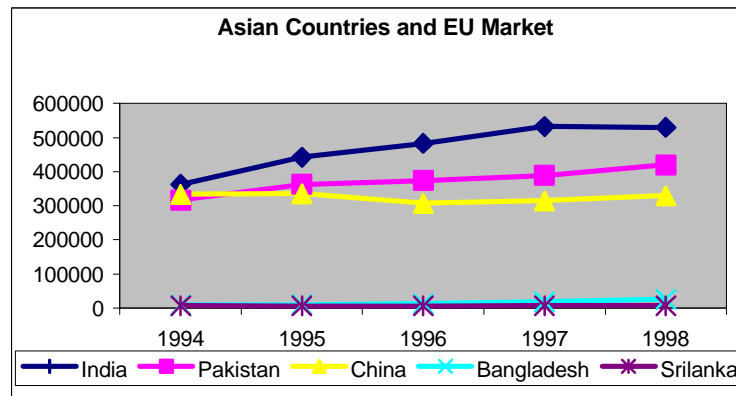
Figure 3.3.1: Product Split of Asian Exports 1998



Amongst the selected Asian countries, which are the leading exporters to EU, India enjoys the leading position, which exported US \$ 529 million worth of textile made-ups (selected set of products) to the EU market. The close competitor is its neighbouring country Pakistan with exports of US \$ 419 million. The products exported by India are mainly manufactured on handlooms and are placed in the similar market segment as the products exported by Pakistan. Contrary to the Indian textile sector, the growth in the exports of Pakistan is lead by the power loom sector, which is evident from the highest market share of Pakistan in the bed, table and kitchen linen and towel exports.

China that is the market leader amongst the Asian countries in the USA is placed at the third position in the EU market. The export growth to the EU market has been stagnant for the last five years, from 1994-98, in fact the annual average growth during the period is -0.2%. The bed, table and kitchen linen and towels segment and the woven floor covering product segment have the lion’s share of 83% in the overall export portfolio of China, to the EU countries. The exports in the product segment have declined at an annual average rate of -4%. The exports of bed, table, kitchen linen and towels segment reduced from US \$ 227 million in 1994 to US \$ 194 million in 1998.

Figure 3.3.2: Export Trends of Asian Countries in the EU Market



Bangladesh, although a very small player with only 2% share in the exports of selected textile products, has experienced tremendous growth during a five year period from 1994 through 1998. The exports have grown at an annual average rate of 33%. In actual value terms the exports were as low as US \$ 8 million in 1994 which increased to US \$ 25 million in 1998. The bed, table and kitchen linen product segment drives the thrust of such a phenomenal growth in the EU market which constitutes almost 88% of the total exports by Bangladesh in the selected products. Bangladesh also has an edge over other Asian countries in the EU market through its Generalised System of Preferences (GSP) status granted by the EU. The products benefit by being competitive on the basis of import tariff exemption in the EU markets. The Table 3.3.1 shows country and product wise export performance in the EU market.

Generally the imports of the textile made-ups, taken for analysis, clearly identify that even the EU market of handloom products is very limited. Only Indian exports comprise the handloom products. The kind of products exported by India are not placed in the premium product segment, rather face strict competition by products exported from other Asian countries including Pakistan, China and Bangladesh. The post MFA scenario will further pressurise the handloom sector in India through enhanced domestic and regional competition.



Table 3.3.1: The European Union and Exports of Textile Made-ups by Asia

EU Market and The Exports of Selected Asian Countries (US \$ 000)						
	1994	1995	1996	1997	1998	Growth over 1994
India						
Bed/Table/Kitchen Linen & Towels	200,374	258,848	276,352	294,603	262,154	31%
Curtains & Home Furnishing Articles	43,917	51,969	59,673	92,262	124,565	184%
Woven Carpets & Floor Coverings	115,616	128,283	141,958	139,542	136,643	18%
Blankets & Travelling Rugs	2,317	3,074	5,009	5,535	5,980	158%
Total	362,224	442,174	482,992	531,942	529,342	46%
Pakistan						
Bed/Table/Kitchen Linen & Towels	204,157	254,817	267,568	258,414	281,152	38%
Curtains & Home Furnishing Articles	42,999	41,076	43,001	53,687	58,173	35%
Woven Carpets & Floor Coverings	68,853	66,326	62,564	76,470	79,754	16%
Blankets & Travelling Rugs	144	317	116	363	363	152%
Total	316,153	362,536	373,249	388,934	419,442	33%
China						
Bed/Table/Kitchen Linen & Towels	226,674	213,373	191,179	190,046	194,289	-14%
Curtains & Home Furnishing Articles	68,859	78,316	74,757	76,927	78,537	14%
Woven Carpets & Floor Coverings	35,801	39,904	34,744	40,888	44,567	24%
Blankets & Travelling Rugs	2,283	3,822	6,264	6,361	12,006	426%
Total	333,617	335,415	306,944	314,222	329,399	-1%
Bangladesh						
Bed/Table/Kitchen Linen & Towels	6,040	7,661	11,689	16,189	22,075	265%
Curtains & Home Furnishing Articles	90	157	285	566	2,522	2702%
Woven Carpets & Floor Coverings	2,003	1,146	442	1,142	380	-81%
Total	8,133	8,964	12,416	17,897	24,977	207%
Srilanka						
Bed/Table/Kitchen Linen & Towels	4,200	3,291	3,103	2,533	3,730	-11%
Curtains & Home Furnishing Articles	1,216	1,374	1,496	1,964	1,608	32%
Woven Carpets & Floor Coverings	1,159	1,374	1,496	1,949	1,608	39%
Total	6,575	6,039	6,095	6,446	6,946	6%
Total Exports to EU	1,026,702	1,155,128	1,181,696	1,259,441	1,310,106	28%



4. HANDLOOM INDUSTRY IN INDIA

The handloom sector of India is considered to be the largest cottage scale industry in the world. Even in the Indian economy the handloom industry is the second largest area of economic activity, after agriculture. The estimated number of handlooms in India is between 1.5 million to 1.8 million that produces a wide range of fabric from natural as well as synthetic and artificial fibres. The enormity of the sector can be gauged from the fact that out of the total production of fabric in India, handloom contributes almost 20%. This sector produces more than 7 billion square meters of fabric each year. The sector provides employment to more than 6.5 million individuals. Besides organised units a vast majority operates in the informal sector at a cottage industry scale.

The sector not only caters to the domestic fabric requirements but also is a major source of foreign exchange for the Indian economy. However, the technological development in the weaving sector also had its toll on the handloom sector of India. Towards the end of sixties mushrooming of powerlooms posed a threat to the handloom industry. Decentralised powerloom units provided tough competition through imitation of handloom designs and production of fine and low cost fabric. The low operating cost and high productivity of powerlooms resulted in enhanced fabric production by this sector, which currently constitutes 58% of the total fabric production in India. The Table 3.3.2 provides break-up of fabric production on a sectoral basis. It is evident that the fabric production of the powerloom sector is increasing at an annual average rate of 10% whereas, in the handloom sector the growth is almost insignificant.

Table 3.3.2: Sectoral Fabric Production Split in India

Sectoral Break-up of Fabric Production in India (million square meters)			
	1995-96	1996-97	1997-98
Mill Sector	2,019	1,957	1,948
Handloom Sector	7,202	7,546	7,603
Powerloom Sector	17,201	19,352	20,951
Hosiery Sector	5,038	5,533	6,394
Total	31,460	34,388	36,896

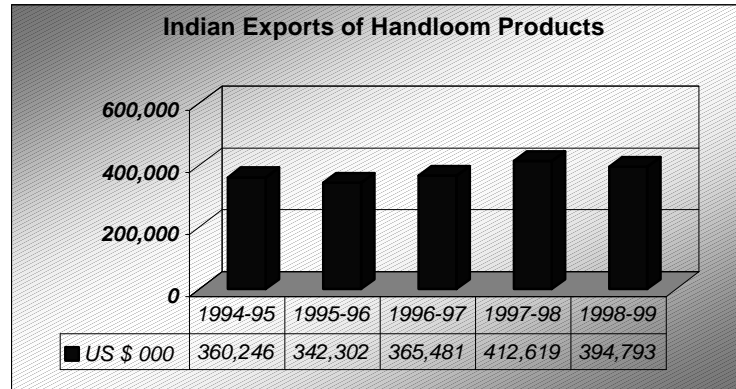
4.1. Export Performance of Indian Handloom Products

The handloom sector of India is a vital component of its textile exports. The sector comprises more than 3% to total foreign exchange earnings of the textile industry. In value terms, the handloom sector exports around US \$ 400 million worth of textile fabrics and made-ups each year. The exports have grown at an annual average rate of 3% over a period of five years from 1994-95 through 1998-99. The value of exports has increased by US \$ 35 million over the period, which translate into an overall increase of 10%. The export growth cannot be considered extra ordinary when compared to demand increase in the international market of textile mad-ups



both in the USA and EU. Although no detailed data on the imports of handloom products by EU is available, but most of the products exported by India are similar to textile made-ups exported by other countries including Pakistan and China and in both these countries such products are produced on power looms.

Figure 4.1.1: Indian Exports of Handloom Products



4.2. Product Split of Exports

The product categories comprising the Indian exports of handloom include woven floor coverings, textile mad-ups, bed and table linen and dishcloth. These are broad categories each representing a wide range of textile products. There is a noticeable change in the product profile of exports during a period of five years from 1994-95 to 1998-99. The exports of floor coverings had the lions share of 46% in the overall exports of handloom products, which has been reduced to 28% in the short span of five years. The decline in exports is in accordance with the import trend of floor coverings in both the EU and the American markets.

Figure 4.2.1: Indian Handloom Exports

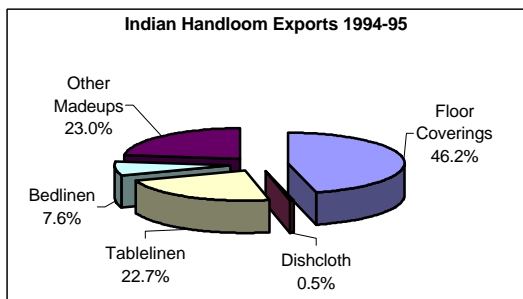
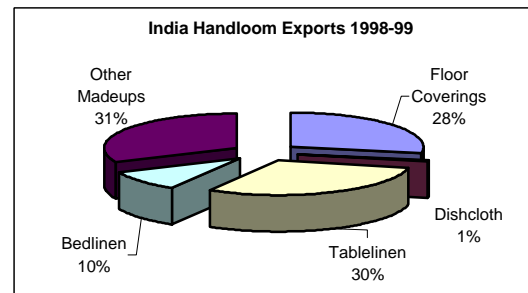


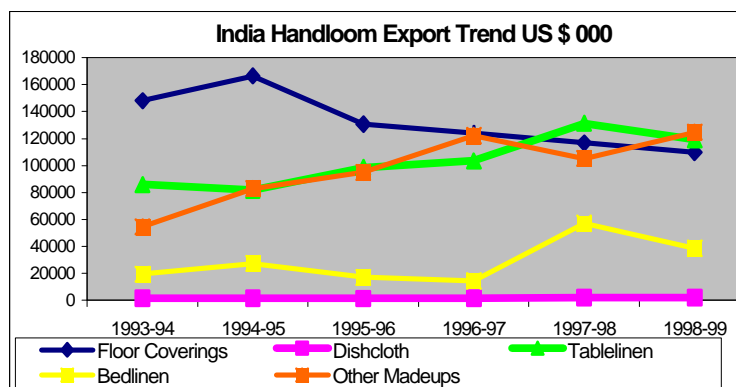
Figure 4.2.2: Indian Handloom Exports



Currently table linen and the other textile made-ups contribute 60% to the total handloom export earnings. In addition to textile mad-ups, India also exports about US \$ 5 million worth of fabric. The value of Indian handloom fabric exports have declined by almost 50% over a period of five years. Another product category which is not shown includes the exports of towels, although the sector is very small in terms of value of exports, as the total exports of handloom towels is slightly above US \$ 5 million, large volumes of towels are produced in India on handlooms, which mostly cater to the local demand.



Figure 4.2.3: Indian Handloom Export Trend



The highest growth segment in the Indian handloom products exports is the bed linen, which grew at an annual average rate of 53%. The quantum leap in the exports of the segment can be seen in the year 1997-98, when the exports of bed linen increased by almost 300%. The floor covering segment, which constituted largest product category of handloom exports showed negative growth, the rate of growth was -10% for five years from 1994-95 to 1998-99. The table linen and made-ups product categories performed consistently in the international market with an annual average growth of 11% and 12% respectively. These two segments can also be categorised as the future growth segments for the Indian handloom products which are likely to lead the thrust of exports from India.

An interesting aspect of the growth in handloom made-ups is that in categories like bed linen and other made-ups the growth is driven by the increase in volumes. The unit price realisation for bed linen was US \$ 5.89/kg in 1994-95 which dropped to US \$ 4.56\$/kg in 1998-99. Similarly the unit prices for made-ups dropped from US \$ 6.66/kg to US \$ 4.96/kg. In case of table linen the growth has come from both increased volumes as well as increased unit prices. Unlike the other two categories the unit prices for table linen increased from US \$5.74/kg in 1994-95 to US \$ 5.90/kg in 1998-99. Category wise growth trends for Indian handloom exports are given in Table 4.2.1.

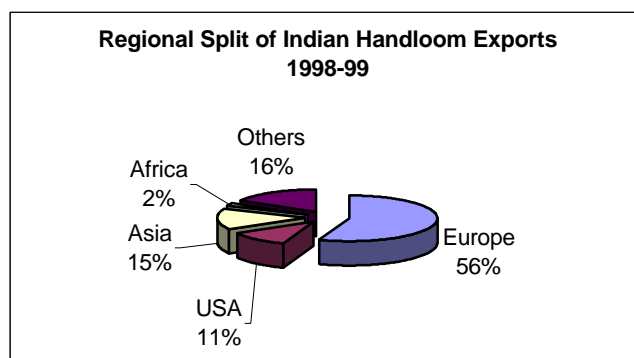
Table 4.2.1: Exports of Indian Handloom Made-ups

Exports of Indian Handloom Made-ups (US \$ 000 and Quantity 000 KG)							
		1994-95	1995-96	1996-97	1997-98	1998-99	Growth over 1994-95
Floor Coverings	Qty	47,159	37,854	38,154	37,690	38,572	-18%
	Value	166,317	130,745	124,022	116,799	109,880	-34%
Table Linen	Qty	14,263	17,424	20,264	22,404	20,220	42%
	Value	81,825	98,591	103,379	131,213	119,386	46%
Bed Linen	Qty	4,667	2,893	2,630	6,224	8,249	77%
	Value	27,489	16,915	14,443	57,265	38,569	40%
Other Made-ups	Qty	12,449	14,256	19,222	18,272	25,160	102%
	Value	82,891	94,816	121,935	105,208	124,721	50%
Dishcloth	Qty	332	234	247	479	462	39%
	Value	1,724	1,234	1,702	2,134	2,236	30%
Towels	Qty	3,753	3,397	4,997	3,135	3,202	-15%

4.3. Direction of Handloom Exports

About 56% of the Indian handloom exports are directed towards the European countries. The Europe being the largest importer of textile made-ups is also the biggest buyer of handloom products. The unit prices of the products show that the products are not sold in the international market as premium products rather the prices are competitive with other exporting countries including China and Pakistan e.g. the average unit price of bed linen exported from Pakistan is US \$ 6.38/kg, and that of the Indian bed linen is US \$ 4.56/kg. The unit price comparison clearly depict that the Indian handloom products are not perceived as high quality hand made products in the international markets.

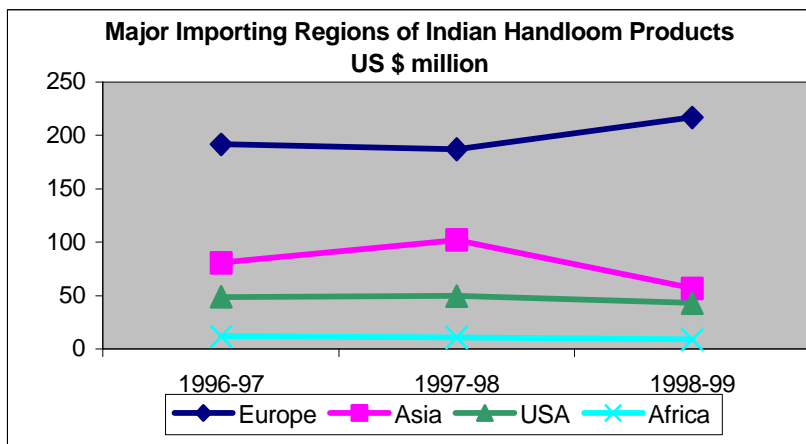
Figure 4.3.1: Regional Split of Indian Handloom Exports



The other important Indian markets include the USA with 11% share and Asia with 15% share in the exports. Majority of the Asian market is composed of Middle Eastern countries from where most of the products are re-exported to other countries. The African countries although do not import huge volumes of handloom products from India but exports to Africa enable the textile

sector earn additional US \$ 10 million. The African market again signifies that the Indian handloom made-ups have not been able to establish their niche, as the buying power of African region is the lowest in the world and it is not the market for premium price high quality products.

Figure 4.3.2: Region Wise Export Trends of Indian Handloom Products



Both the Asian market and the American market for Indian handloom products show a negative growth trend, nothing concrete can be said about the position of the Asian market by analysing a data series based on three years but the USA market for Indian handloom products is contracting which has been mentioned in the section on American market.

4.4. Handloom Sector in India : Focus of Development

A large portion of the Indian handloom products fall in the same segments of textile made-ups as that of other Asian countries including China and Pakistan. The unit price comparison of products in international markets also reveal that the products do not have a niche, where the products are likely to be positioned and priced as hand made products. There is definitely a market segment for hand made products but that market is too small to be targeted as a major export market at the macro level, on the other hand on micro level (firm level) it makes a lot of sense to position your products accordingly.

4.4.1. Importance of Handloom Sector in India

In a country with a population of 900 million individuals and a great proportion of it surviving below poverty levels, with rising unemployment in the economy, a sector that provides the means of living to more than 6.5 million people is of great importance. It is for this reason that the Indian government assigns top priority for the development of the handloom industry. The Government of India has provided special protection to the sector by restricting the production of eleven (11) textile products on power looms, so that the sector is not wiped out by the growing power loom sector. The list of articles which are banned by the Government for production on power looms is given in Table 4.4.1. It is worth mentioning that the negative product list includes almost all the products which are the major exports of power loom sector of Pakistan and China.

4.4.2. Handloom Reservation Act and its Enforcement

Handloom Act shields handloom weavers against powerloom and textile mill operators by reserving certain textile articles (presently eleven in number) for exclusive production by handloom. The list of these articles is given below:

Table 4.4.1: Products Reserved for Production of Handlooms

Products Reserved for Production of Handlooms Handloom Reservation Act 1985		
Sno.	Article	Range reserved for production by Handlooms
1	Saree	<p>(a) A Saree is a fabric made out of cotton or silk or in any combination thereof irrespective of count of yarn and dimensions, which is commonly known by that name and is characterized by the following :</p> <p>(i) Has extra warp and/or extra weft design in the border and/or heading and/or body including buttas containing any coloured or grey or bleached yarn or zari or any other metallic/ metallised yarn or in combination thereof ;</p> <p style="text-align: center;">and/or</p> <p>(ii) has a solid coloured woven border.</p> <p>(b) Tie and dye saree, warp-wise and/or weft-wise made out of cotton or silk or art silk or in any combination thereof irrespective of count of yarn and dimensions with or without extra weft or extra weft solid woven border.</p> <p>NOTE</p> <p>(i) Nothing in this direction is applicable to Sarees made out of 100% synthetic fibre/yarn i.e. Polyester, Nylon etc. or in any combination thereof.</p> <p>(ii) Nothing in this direction is applicable to sarees made in blends or union with more than 45% by weight of man-made fibre/yarn (including viscose rayon) in combination with any natural or man-made fibre/yarn.</p> <p>(iii) Nothing in this direction is applicable to crepe, chiffon, chinon, georgettes and cotton voile sarees</p> <p>(iv) Nothing in this direction shall apply to grey/bleached Silk Sarees having a border in extra warp design.</p>
2	Dhoti	<p>Dhoti is a fabric made out of cotton or silk or in any combination thereof woven with extra warp and/or extra weft design using more than 16 dents inclusive of selvedge in the border (including solid coloured woven border) and/or extra weft heading irrespective of count and dimensions, which are commonly known by that name</p> <p>NOTE</p> <p>(i) Nothing in this direction is applicable to Dhoties made out of 100% synthetic fibre/yarn i.e. Polyester, Nylon etc. or in any combination thereof ;</p> <p>(ii) Nothing in this direction is applicable to Dhoties made in blends or union with more than 45% by weight of man-made fibre/yarn (including</p>

		viscose rayon) in combination with any natural or man-made fibre/yarn.
3	Towel, Gamcha & Angavastram	A towel is a fabric woven in plain, mat, twill, honey, comb, huckaback or a combination of these weaves with border or heading which is also jointly characterized by the following : (i) Is made of cotton or blends of cotton with any other fibre; (ii) Are made in different dimensions; (iii) May be white or coloured; and (iv) May contain decorative design when produced on jacquard; (v) Towels with mat weave is commonly known as Erazha Thorthu in Kerala and Erazha Thundu In Tamil Nadu and also includes gamcha & Angavastram.
4	Lungi	Lungi is fabric made out of cotton or art silk or in any combination thereof having a width of 110 cms. Or above and 64 ends per inch and above and woven in check and/or stripe design using coloured yarn to form check and/or stripe pattern.
5	Khes, Bedsheet, Bedcover, Counterpane, Furnishing, (including tapestry, upholstery)	Khes, bedsheet, bedcover, counterpane, furnishing(including tapestry, upholstery) and by whatever name they may be called in different parts of country, including double cloth and tie & dye, made out of cotton or art silk or in any combination thereof, woven with design pattern on multi-treadle loom and/or with dobby and/or jacquards up to 200 hooks in case of pure cotton warp and up to 400 hooks in case of combination of cotton & art silk warp, irrespective of count and dimensions. NOTE Nothing in this direction is applicable to plain sheeting.
6	Jamakkalam Durry or Durret	Jamakkalam Durry or Durret commonly known by that name made out of cotton or art silk or wool or jute or in any combination thereof using coarse count of single yarn or plies of resultant count having up to 24 ends/inch, woven with plain weave or twill weave or in combination of both twill and plain weave in any dimension.
7	Dress Material	Dress Material including Mashru cloth and yarn tie & die cloth, made out of cotton or silk (including spun silk) or art silk or in any combination thereof woven with extra weft design in the border and/or body irrespective of count and dimensions. This also includes Telia Rumal, Real Madras Handkerchief which are commonly known by that name.
8	Barrack Blankets, Kambal or Kamblies	Barrack blanket is a thick fabric made of woollen yarn of any count and any colour having fibrous surface produced by milling and raising which is also jointly characterized by the following : (i) Woolen blankets made from wool and woollen yarn or in any combination with other fibres; (ii) It is produced in any size and weave; (iii) Nothing in this direction shall apply to Barrack Blankets and Kambal or Kamblies made out of shoddy woollen yarn;



		(iv) Whereas Kambal or Kamblies would be defined as a fabric made of wool and/or cotton or in any combination thereof woven in plain or check design.
9	Shawl, Loi, Muffler, Pankhi etc.	<p>Shawl is a piece of cloth woven from worsted or woollen or cashmilon or Pashmina or any other fibre and/or blends thereof which is used by ladies or gents for covering their body/worn over the shoulders without any tailoring process which is also jointly characterized by the following:</p> <p>(i) Woven with design with or without extra weft using any fibre; (ii) Using any type of woollen yarn, worsted yarn or blended yarn or in combination thereof; (iii) it is woven with any count of yarn; (iv) it is woven in any length, width and weight; and (v) is commonly known by that name.</p> <p>The term shawl also includes, Loi, Pankhi as well as mufflers. It will also include traditional shawls like Kullu, Kinnauri, Kani, Pashmina, Dhori, Lirancha (Tibetan), Scarf etc.</p>
10	Woollen Tweed	<p>It is a piece of fabric woven by 100% pure woollen yarn for making coats, jackets and dress materials and is also jointly characterized by the following :</p> <p>(i) It is produced in check or stripe design irrespective of dimensions; and (ii) It is produced in 3 / 1 twill weave.</p>
11	Chaddar, Mekhala/ Phanek	<p>It is used for covering lower and/or upper part of the body and is manufactured from cotton or silk or art silk or in any combination thereof woven in plain/will weave with check or stripe design irrespective of count and dimensions and is characterized by a border and/or cross border with extra warp and/or extra weft design.</p> <p>NOTE The direction above also includes :</p> <p>(i) Puan of Mizoram. (ii) Dhara, Jainsem, Dakmanda, Daksari of Meghalaya. (iii) Skirts and Odhana fabrics of Nagaland & Arunachal Pradesh. (iv) Riha and Pachara of Tripura. (v) Pawde (set)/Dhawani of Southern State. (vi) Dakhona, Danka, Khamlet, Phanak of Assam.</p>

To ensure the effective implementation of the Act, the progress is monitored by different implementing agencies. These Government agencies strictly monitor the power loom and mill sector and impose penalties in case of a breach in law. The results of the action taken by the Government of India are given in Table 4.4.2.



Table 4.4.2: Action Taken by the Indian Govt to Protect Handlooms

		1998-99	1999-2000 (up to Dec. 1999)
1	No. of powerlooms inspected	115758	100137
2	No. of FIRs lodged	33	12
3	No. of convictions	5	9

A fund of Rs. 59.54 lakh was released during 1998-99 and during 1999-2000 a sum of Rs. 69.69 lakh (upto January 2000) has been released for this purpose. Total amounts of funds are being released by central government.

4.5. Promotional and Developmental Programs for Handloom Sector in India

4.5.1. Handloom Export Promotion Council (HEPC)

The HEPC is the apex body established by the Government of India to promote Indian handloom products. The role of the council is very similar to that of the Export Promotion Bureau (EPB) in Pakistan, with the only difference that HEPC is exclusively for handloom products whereas, EPB has the task of marketing all the products, across sectors. The council represents the Indian handloom industry and participates in international as well as local events in order to promote the handloom textiles.

Besides this the Government of India has established a network of agencies and organisations for sustainable development of the Handloom industry. These agencies are involved in numerous programmes for the purpose.

- a). Employment generation programs
- b). Modernization and upgradation of technology
- c). Input support
- d). Marketing support
- e). Publicity
- f). Infrastructural support
- g). Welfare Measures
- h). Composite growth oriented package
- i). Development of Exportable Products
- j). Research & Development

All the schemes are weaver oriented. The objectives are to enhance productivity, income and socio-economic status of weavers by upgrading their skills and providing essential inputs. Detail of some programs is given below.



4.5.2. Input Support

Handloom sector is largely dependent on the organized mill sector for supply of its principal raw material, Yarn. The bulk of yarn is used in the form of hanks. To ensure regular supply of yarn to the handloom sector at reasonable prices, following schemes are in progress.

- Hank Yarn Obligation Scheme
- Loan Assistance to the National Cooperative Development Corporation(NCDC)

The objective of the loan assistance scheme is to provide loans for setting up of new / expansion / modernization of Weaver's Cooperative Spinning Mills.

4.5.3. Mill Gate Price Scheme

The scheme was introduced in the year 1992-93 with an objective to supply yarn at Mill Gate Price to the handloom weavers through National Handloom Development Corporation (NHDC). Under the scheme, till the year 1994-95 the rate of reimbursement to the NHDC was @ 2% of the value of the yarn supplied, which has been enhanced from 1995-96 @ 3.5% and from 1997-98 onward @ 4%.

4.5.4. Training to Handloom Personnel

Training in modern management techniques of production, marketing, accounting cost analysis, etc. is an essential input in the handloom development program. There is also a need for personnel to be trained in design development and market trends. Various training programs to increase the know how of handloom personnel at different levels through are in progress. Various training institutes are active in this regard. The detail of some of them is as under:

- National Council for Cooperative Training (NCCT)
- National Handloom Development Corporation (NHDC)
- National Cooperative Union of India (NCUI)
- Petrofil Cooperative Ltd. etc.

During 1998-99, Rs. 35.08 lakhs and during 1999-2000(upto Dec., 99) Rs. 27.12 lakhs has been released to these institutions.

4.5.5. Weaver's Service Centers / Indian Institutes of Handloom Technology

Weaver's Service Centers and Indian Institutes of Handloom Technology constitute Research and Development Wings for handlooms. 24 Weaver's Service Centers and 4 Indian Institutes of Handloom Technology have considerably strengthened the handloom industry by providing technically trained manpower, development of new designs, improvement in weaving and processing techniques, upgradation of skill etc.



The Decentralized Training Program was introduced in 1987 with an objective to generate gainful employment by upgrading the skills to enhance the productivity and income of weavers. Under this program, assistance is provided towards the cost of material, looms, accessories, equipment, and stipend to the trainees and honorarium to the Master Trainer. The implementation of the Scheme is made through the Weavers' Service Center in Coordination with the State Government.

4.5.6. Publicity and Exhibition

To provide marketing support to handloom agencies and the individual weavers, National Handloom Expos, District Level Events, Craft Melas, etc. are organized in different parts of the country. For this purpose, financial support is provided to the implementing agency towards infrastructure, publicity, etc. During the year 1999-2000, a budgetary provision of Rs. 4.50 crores has been made for publicizing the development activities of the handloom sector and facilitate marketing of handloom products through fairs and exhibitions. During the year 1998-99, 11 National Handloom Expos and 4 Special Expos have been organized in different parts of the country.

4.5.7. Scheme for Handloom Export Development

In order to give substantial impetus to the export of handloom fabrics, made-ups and other handloom items from the country, a scheme for development of exportable products and their marketing was introduced during 1996-97. Under this scheme, the assistance is available for developing exportable products, building up of production capability for export and thereafter for marketing it. Since the inception of the scheme in October, 1996, year-wise releases made are as under:

Table 4.5.1: Year Wise Release Under Handloom Export Development Scheme

Handloom Export Development Scheme (Rs in Lakh)	
1996-97	250
1997-98	417
1998-99	335
1999-2000	400 (provisional)

4.5.8. Project Package Scheme

Project package scheme was introduced in 1991-92. This scheme aims to provide necessary support in a comprehensive manner to mitigate the pre / on / post loom problems of the handloom weavers.

Besides the weavers in general, those belonging to the Scheduled Castes / Scheduled Tribes / Minorities / Women / People below poverty line are given special attention under the Scheme.



Funding between the Central and the State Governments / Implementing Agencies is on a cost sharing basis. While the commercial components of the project consist of 50% loan and 50% subsidy component, the non-commercial components are funded on 100% grant basis, equally shared by the Central and State Government / Implementing Agencies.

During 1997-98, 769 projects covering 64,989 beneficiaries with an outlay of Rs. 39.43 crores were sanctioned to various State Governments. During 1998-99, 938 projects covering about 78,320 beneficiaries and central assistance to the tune of Rs.37.18 crores was sanctioned to various state governments.

4.5.9. Handloom Development Centers / Quality Dyeing Units Scheme (HDC/QDU)

The scheme of Handloom Development Centers (HDC) and Quality Dyeing Units (QDU) is under implementation since the year 1993-94. It was envisaged to set up 3000 handloom development centers and 500 quality dyeing units under this scheme.

The aim of setting up of HDCs and QDUs was to make necessary arrangements for procurement of hank yarn, preparing production plans keeping in view the market demand and setup marketing outlets. During the year 1997-98, 260 HDCs and 78 QDUs were sanctioned to various State Governments involving central grant assistance to the tune of Rs. 9.69 crores.

4.5.10. Workshed-cum-Housing Scheme

This scheme was initiated in 1985-86. The scheme is implemented primarily with a view to provide suitable work place to weavers and thereby achieve better productivity. Details of financing amounts available under the scheme are as under:

Table 4.5.2 Availability of Funds Under Workshed cum Housing Scheme

Financing Under Workshed cum Housing Scheme	
Component	Amount Rs
Rural Workshed	7,000
Workshed cum Houses	18,000
Urban Workshed	10,000
Urban Workshed cum Houses	20,000

During the year 1998-99 a sum of Rs. 1259.00 lakhs was released for the construction of 14063 workshed/workshed-cum-houses. For current financial year 1999-2000, a sum of Rs. 1150.00 lakhs earmarked for the scheme has been released.



4.5.11. Welfare Package Schemes

A provision of Rs. 700 lakhs has been made during 1999-2000 for welfare scheme i.e. Thrift Fund, Group Insurance and Health Package Scheme.

4.5.12. Thrift Fund Scheme for Handloom Weavers

The scheme envisages the creation of a fund in the nature of a provident fund involving contribution from the members @ 6% of wages earned by them and a contribution of 3% of the wages by the Central and State Government, totalling 6%. During the financial year 1999-2000, a sum of Rs. 348.98 lakhs has been released to the State Governments under this scheme.

4.5.13. Group Insurance Scheme

Group Insurance Scheme for Handloom Weavers was started in 1992-93. The objective of this scheme is to help the weaver to meet his socio-economic obligation towards his family and to act as a support system against the uncertainty of his working capacity in old age. Under the scheme a weaver is provided an insurance coverage of Rs. 10,000/- for an annual premium @ Rs. 120/-. The premium is shared equally among the beneficiary, Central Government and State Government. For the year 1998-99, Rs. 58.86 lakhs were released to the State Governments to cover 1,47,637 weavers.

4.5.14. New Insurance Scheme for Handloom Weavers

The new insurance scheme provides enhanced coverage against various types of risk at the premium Rs. 120/-. The share of central government is Rs.60/- per annum and consequently the financial burden on handloom weavers towards payment of premium is Rs.20/- per annum. During 1999-2000 provision of Rs.50.00 lakhs has been budgeted under the New Insurance Scheme for Handloom Weavers.

4.5.15. Health Package Scheme

This scheme was introduced in the year 1992-93. Under this scheme weavers are provided financial assistance for the treatment of diseases like asthma, TB, inflammation of the respiratory system, cost of testing of eyes and spectacles, supply of drinking water, maternity benefits to women weavers, payment of additional compensation of permanent measures of family planning and infrastructure for primary health care. During the financial year 1999-2000, a sum of Rs. 300.00 lakhs has been earmarked for the Health Package Scheme.

4.5.16. Research & Development / Market Surveys & Studies

The main objective of these projects are to assist weavers through the supply of input support, marketing of their products etc. to improve their living and working conditions. Some projects



have been sanctioned to reputed research institutes to elicit a feedback on economic, social, aesthetic, technical and promotional aspects of the handloom sector. For the current financial year (1999-2000) a budget provision of Rs.40.00 lakhs has been made for R&D Projects.

4.5.17. Market Development Assistance Scheme

This scheme was introduced in 1989-90. The Market Development Assistance to the state organizations is shared equally by the respective State Governments and Central Government, whereas the assistance to the National Handloom Organizations is borne entirely by the Central Government. The more emphasis in this scheme is towards strengthening the Infrastructural base while the less is towards rebate/discount. The release made under this Scheme during 1999-2000 is Rs.1026.17 lakhs.

4.5.18. All India Handloom Fabrics Marketing Cooperative Society

The All India Handloom Fabrics Marketing Cooperative Society Ltd., is a national level cooperative society. The procurement of handloom products from all over the country and the promotion and marketing of handloom fabrics, both within the country and abroad are its main activities. Towards these objectives, the Fabrics Society has set up 25 retail outlets. The Society has its Export Houses at New Delhi, Salem and Chennai. Also, the Society has showrooms at Singapore and Mauritius for giving an impetus to marketing of Indian handlooms in foreign markets. The sales turnover of Rs.54.19 crores was achieved during 1998-99. During the year 1999-2000, the target is Rs. 60.20 crores.



5. BANGLADESH AND HANDLOOMS

Bangladesh, the most densely populated country in the world, once had around half a million looms but currently only 40% of the total looms installed are utilised. Even the capacity utilisation of the operational looms is not 100%. The handloom sector in Bangladesh used to produce fabric to meet the local demand of low-end fabric.

It was important to mention Bangladesh because in 1994 the famous Grameen Bank started a project 'Grameen Uddog' to market locally produced fabric on handlooms in the international markets.

5.1. Grameen Uddog

The Grameen Uddog is a not for profit organisation which facilitates the local weavers of the handloom sector by providing in-kind credit to weavers by giving them quality, custom dyed cotton yarn when orders for export are obtained by the head office.

The organisation also provides quality control, product development and marketing services to the weavers. So far over twenty five million yards of fabric has been produced under the project for exports. The European Union is the chief market of fabric produced in Bangladesh due to its GSP (Generalised System of Preferences) status in the EU market.

5.2. Grameen Check

The organisation has also taken the initiative in developing the local brand name for the international markets called the 'Grameen Check'. The chequered fabric is produced from dyed cotton yarn and is similar to 'Madras fabric' being produced by the Indian handloom sector.

5.3. Grameen Foundation USA

In order to broaden the market base of the handloom fabric the Grameen bank has also established Grameen Foundation, USA with the prime objective to develop the American market for fabric produced by the Grameen Uddog. Key areas of its operation are:

5.3.1. Product Development of Textiles and Finished Goods

The Grameen Foundation USA plans to target the American market with three textile products:

- Current fabric produced by Grameen Uddog called the Grameen Check
- A new line of non-check textiles for the up-market fashion and home furnishing business
- Finished products of Grameen textiles marketed through direct mail, internet and fair trade distribution channels



5.3.2. Business and Sales Management

This involves the introduction of appropriate technology to enhance the capability of the organisation to produce, manage and globally market a wide range of products. The focus would be to use modern techniques including B2B-Commerce.

5.3.3. Marketing and Promotion

The Foundation also plans to enhance textiles trade, of handloom products, through creating business and financial plans to implement innovative marketing techniques so as develop the product image and increase sales

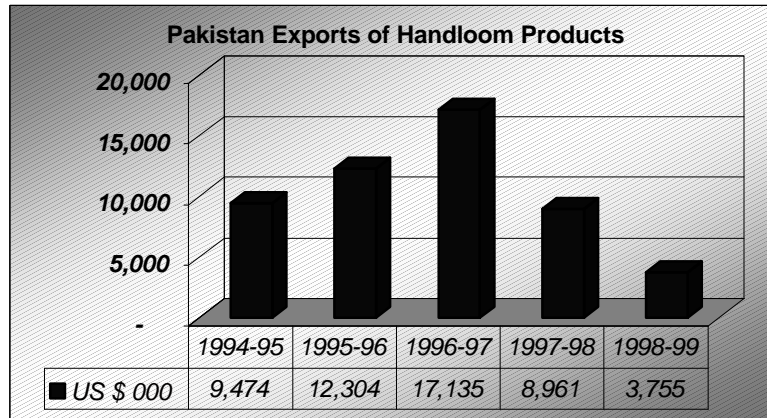
5.3.4. Corporate Partnerships

An important objective of the Grameen Foundation USA, is to establish joint ventures with businesses that constitute the major market for the handloom products with the principle motive of integrating the weavers of Bangladesh in the global economy.

6. PAKISTAN AND HANDLOOM EXPORTS

Pakistan is one of those Asian countries where fabric and made-ups manufacturing is still done on handlooms, although this particular textile sector is also going through a natural phase of technological evolution, the reason of which will be discussed in the latter sections of the report.

Figure 6.1: Pakistan’s Exports of Handloom Products



The total exports of handloom products including fabric, bed and table linen and woven floor coverings were US \$ 3.75 million in the year 1998-99. The exports have decreased by US \$ 5.71 million over 1994-95. The average growth for a period of five years from 1994-95 through 1998-99 has been -9%). Only in one year, 1998-99, the exports declined by 58%.The export performance of the handloom sector indicates one thing that most of the exports come from occasional orders that are serviced on a one-time basis and there are no repeated orders for one particular product category. Looking at it from another perspective, the process of handloom manufacturing due to its low productivity is ideal to cater to small export orders and the industry is geared up to respond quickly to global demand.

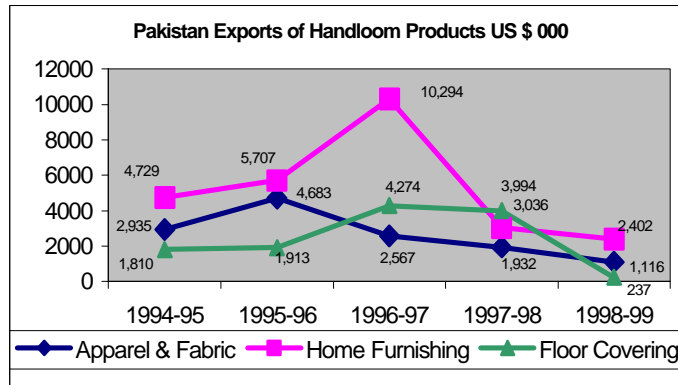
Another important factor that might have played it a significant role is that the exports of handloom products are exempt from quota restrictions in the USA and EU markets and to avoid quota barriers the exporters of similar products, manufactured on power looms, misreport their exports as handloom products. The argument can be considered to have some weight, as the genuine handloom manufacturers also believe that there are hardly any exports of handloom products from Pakistan.

6.1. Product Segments of Exports

Due to the fact that small volumes of handloom textile products are exported from Pakistan, the products have been consolidated into three main product categories namely, apparel fabric, home furnishing articles and floor coverings.

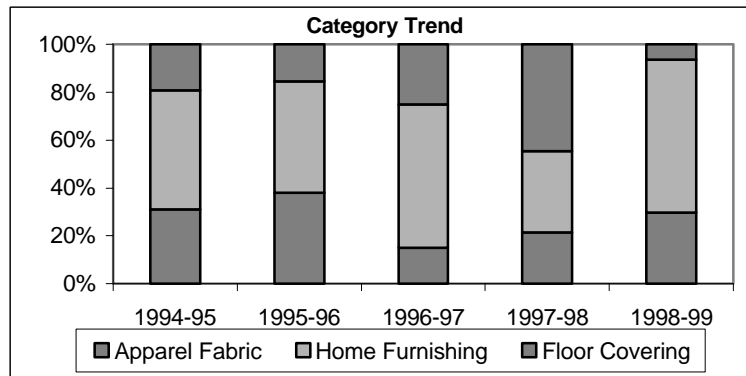


Figure 6.1.1: Product Wise Pakistan’s Exports of Handloom Products



It becomes almost impossible to identify any particular trend in the exports of handloom products from Pakistan. One thing is obvious that exports of the entire product range are consistently decreasing. Home furnishing articles is by far the largest category, which includes exports of table and bed linen and products like upholstery fabric and curtains. The annual average growth rates are slightly deceptive in the exports of handloom products, only the apparel fabric category registered a annual average negative growth of 13%, home furnishing articles and floor coverings are calculated to have grown at a positive annual average rate of 2% and 7% respectively, during 1994-95 to 1998-99. The reason for this is that during 1996-97, the exports of handloom products increased within the range of 80% to 125%. The increase in value of exports is also observed in other textile products. One factor is the high cotton prices during 1996-97, the prices experienced a five-year high during the year.

Figure 6.1.2: Category Wise Export Trend of Pakistan Handloom Products



Observing the share of various handloom products in the exports, it becomes very clear that the data in the product categories is not reported correctly. The share of all the products varies to a great extent in a short span of five years. No product category is able to maintain its share in the overall product portfolio. Surprisingly the export of one product group, home furnishing articles had the highest share of 60% in the total exports during 1996-97 which dropped to 34% during the next year 1997-98. Similarly the share of woven floor covering reduced from 44% in 1997-98 to as low as 6% in 1998-99. Such high volatility in the exports only indicates false data reporting



to circumvent the quota restrictions by other sectors such as power looms. The other factor could be the demand pattern in the international markets, where Pakistan has a small share and due to process flexibility a limited number of exporters simply meet the buyers requirements through diverse range of products.

6.2. Product Performance of Exports

6.2.1. Apparel Fabric

The apparel fabric category has a total exports value of US \$ 1.116 million. The category includes varied fabrics which are used to produce garments and other apparel articles. The exports in the category are dominated by three products including cotton voils and lawns which have the lions of 61%, the other two categories cotton sarees and cotton cloth have a share of 14% and 23% respectively. Cotton voils and lawn being the largest product has played the major role in the overall decrease in exports of handloom products. The exports of cotton voils declined by almost 62% in value terms, over a period of five years.

Table 6.2.1: Detailed Break-up of Pakistan's Handloom Exports

Pakistan Exports of Handloom Products (US \$ 000, Quantity SQM 000)							
SITC	COMMODITY	Units	1994-95	1995-96	1996-97	1997-98	1998-99
6522105	Cotton Shirting Unbleached	Value	939	189	285	30	
		Qty	1,023	197	198	36	
6522112	Dhotis unbleached	Value	1	52		91	
		Qty	2	102		111	
6522114	Cotton Sarees Unbleached	Value	110	79	509	217	154
		Qty	125	101	389	192	168
6522116	Cotton Lungis Unbleached	Value		134			
		Qty		116			
6522129	Cotton Cloth, Unbleached	Value	102	2,068	316	150	258
		Qty	164	2,544	356	137	306
6523111	Cotton Shirting Bleached	Value					16
		Qty					26
6523117	Cotton Voils and Lawn	Value	1,782	1,387	1,155	1,320	686
		Qty	2,246	1,605	1,331	1,347	1,100
6523139	Cotton Cloth Bleached	Value		722	297	124	1
		Qty	0	1,135	434	132	2
6524103	Cotton Drill and Jean	Value			4		
		Qty			2		
6541303	Handloom Cloth of Silk	Value		53	0.23		
		Qty		43	0.20		
Total		Value	2,935	4,683	2,567	1,932	1,116
		Qty	3,560	5,841	2,710	1,955	1,601

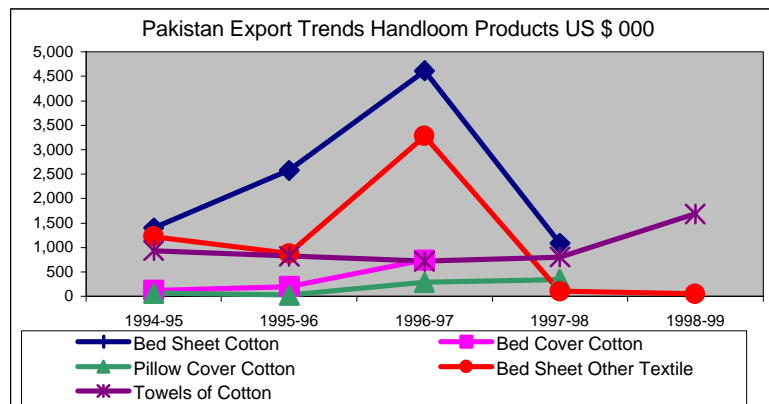
Some of the major products including cotton shirting fabric has almost disappeared from the exports of handloom articles in 1998-99. This category used to contribute more than 30% in the export earnings of apparel handloom fabric. The reason behind the disappearance is stiff

competition offered to the handloom sector by the power looms, which has a greater fabric productivity and is more cost effective. Table 6.2.1 reviews the five year performance of handloom apparel fabric both in terms of value and volumes.

6.2.2. Home Furnishing Articles

This group includes the whole handloom product range of bed linen, bed covers, table linen, towels and furnishing articles including tapestries and curtains. In this segment except for the handloom towels, whose exports have increased by 80% over a five year period, all the product categories have shown dismal export performance. The textile made-ups that have a major share in the exports, within the category, include bed sheets of cotton and other textiles and towels.

Figure 6.2.1: Product Break-up of Home Furnishing Articles



The exports of major products is shown in Figure 6.2.1, one thing is interesting that two key handloom textile made-ups are no more a part of the export product portfolio. Firstly, the cotton bed sheet that after being the highest export earner for the last four years (1994-95 through 1997-98) has suddenly disappeared from exports during 1998-99. Secondly the cotton bed cover, which contributed almost 7% to the total exports of home furnishing articles, is no longer exported from Pakistan.

The cotton towels, high growth segment from the point of view of the textile mad-ups exports from Pakistan, are also observed to be the major share holder in the exports of handloom products. Cotton towels constituted 70% of the home furnishing handloom articles exports during 1998-99. Nothing concrete can said about the growth in handloom towel exports. There are a few towel handlooms operating in the country but considering the product, it is not commercially viable to produce towels on handlooms. The industry segment that uses power looms drives the growth in towel exports from Pakistan. The production of towels on handlooms is viable only if the product gets a premium on the average unit price, which is not the case here. The average price of towels exported from Pakistan is 4.71 \$/kg, whereas the average unit price of handloom towels is around 3.59 \$/kg. It appears that the handloom towel exports



are also being reported incorrectly to avoid quota restrictions. Given the industry as well as the cost structure, towel production on handlooms does not seem to be a viable option. This will be discussed in detail latter, while evaluating the performance of a handloom with power loom.

The other product segments including bed linen, curtains and woven tapestries that are likely to fetch higher unit prices in the international markets, show a negative growth trend. Detailed break-up of home furnishing handloom textiles, for a period of five years can be observed in the Table 6.2.2.

Table 6.2.2 Pakistan Exports of Home Furnishing Articles

Pakistan Exports of Handloom Home Furnishing Articles (Value US \$ 000, Quantity 000)						
		1994-95	1995-96	1996-97	1997-98	1998-99
Bedsheet cotton	Value	1,404	2,580	4,613	1,085	
	KG	255	457	838	211	
Bedcover Cotton	Value	122	201	746		
	KG	24	27	122		
Fitsheet cotton	Value	92	124		31	
	KG	5	23		10	
Pillow Cover Cotton	Value	65	27	285	349	
	KG	10	4	40	60	
Bedsheet Other Textiles	Value	1,227	880	3,280	102	51
	KG	190	143	612	13	10
Bedcover Other Textiles	Value	24		32		57
	KG	8		6		10
Fiitsheet Other Textiles	Value	17	368			62
	KG	3	59			11
Pillcover Other Textiles	Value		66	5	95	42
	KG		23	0.41	25	6
Khes Other Textiles	Value	65	154	47	27	
	KG	16	14	6	6	
Table Covers of Cotton	Value	35	3	382	122	232
	KG	8	0.13	77	34	43
Table linen of Cotton	Value					1
	KG					0.09
Towels of Cotton	Value	937	825	720	808	1,688
	KG	204	188	154	216	470
Toilet & Kitchen Linen of Cotton	Value		0.36		29	156
	KG		0.14		0.04	38
Curtains of Cotton	Value	346	59			8
	DOZ	30	2			0.11
Curtains of Synthetic Fibre	Value	132	20	115	110	33
	DOZ	2	3	1	2	1
Tapestries Hand Woven	Value				21	72
	SQM				11	52
Khes Other Textiles	Value	263	400	69	256	
	KG	47	43	8	24	
Total	Value	4,729	5,707	10,294	3,036	2,402

6.2.3. Floor Coverings

The floor coverings product group which includes the woven rugs, hand woven carpets and durees, is the most vital product group in the context of hand loom products. The articles in the category have a niche in the international market and also certain products, due to technological barriers, cannot be produced on power looms. This gives a unique position to the floor coverings segment. The hand woven rugs within the segment constitute major portion of exports. Their share has remained between the range of 40% to 70% from 1994-95 through 1997-98. Again in this category the data presents a decrease of 93% in 1998-99 over the exports of 1994-95. The total exports of floor coverings also declined by almost a similar proportion during the above-mentioned period. Both the product wise volume and value of exports is given in Table 6.2.3.

The export trends of handloom products clearly bring out one thing that the sector in Pakistan is comprised of small cottage units, with the exception of a few organised players and commercial exporters. The export demand is generated by these organised players or commercial exporters which, cater to international demand on the basis of orders received. Had there been any manufacturers directly involved in exports, the exports volume and value must have shown a consistent trend or more equitable product distribution of Pakistan's handloom products.

Table 6.2.3: Pakistan's Export Break-up of Woven Floor Coverings

Pakistan Exports of Handloom Woven Floor Coverings (Value US \$ 000, Quantity 000)						
		1994-95	1995-96	1996-97	1997-98	1998-99
Kelim and Similar Hand Woven Rugs	Value	685	915	3,112	2,688	51
	SQM	35	50	178	158	20
Other Textile Floor Coverings	Value		39	10		17
	SQM		1	2		4
Carpet Woven of Man Made Textiles	Value	64	52	0	54	121
	SQM	9	4	0	5	49
Woven Carpets of Other Textile Materials	Value			97	104	48
	SQM			11	12	8
Rugs of cotton	Value	406	213	322	527	
	SQM	104	34	64	99	
Durees	Value	655	693	732	621	
	SQM	144	143	160	134	
Total	Value	1,810	1,913	4,274	3,994	237

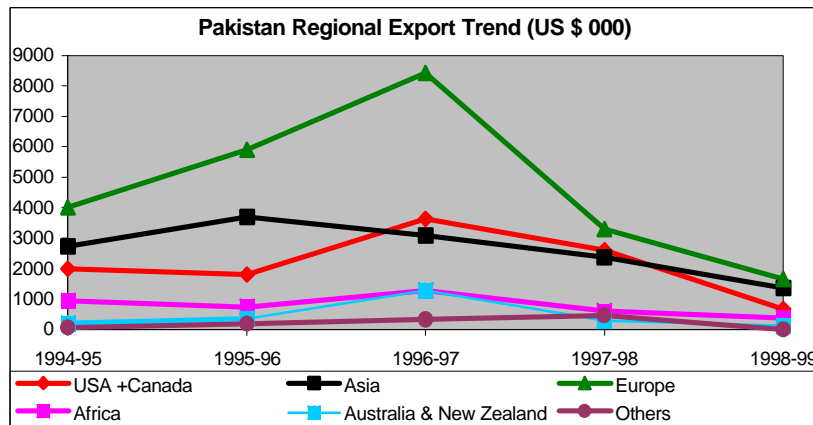
6.3. Export Market of Handloom Products

The European Union (EU) is the major importer of Pakistani handloom products. In fact the value of exports is too small to assess the country wise export performance, that is why only a regional split is presented in the section. The exports to all the countries have one thing in



common, the exports depict a negative growth. The pattern of exports is very erratic, for instance, the exports experienced a sharp increase during 1996-97. It can be observed in almost all the regional markets. The European market increased by almost 43% over the previous year, in actual value terms the exports to Europe increased by US \$ 2.5 million in one year. The American market increased by almost 100% during this year, in absolute value terms the exports increased by US \$ 1.8 million. The reason for this phenomenal increase has been discussed above. The very next year i.e. 1997-98 the exports to both Europe and the USA took a nosedive, the percentage decrease in value was 61% and 29% respectively, in the two markets.

Figure 6.3.1: Pakistan Regional Exports of Handloom Products



Given the structure of the handloom industry in Pakistan and the low value of the exports from the sector it becomes almost impossible to provide solid input on the performance of the industry. The volatility in exports, in terms of export destination as well as the volume and value of exports inhibits the analysis of the existing market mix and provide concrete solutions on an optimum market and product mix.

One thing can be concluded here that the American market for handlooms is very small and also passing through a phase of contraction. This is evident in Pakistan’s dwindling exports to the region. The exports to the USA have declined in value terms by 74% over a period of five years from 1994-95 through 1998-99. The exports were at the level of US \$ 1.99 million in 1994-95, which were reduced by US 1.47 million in five years.

Besides the USA, exports to European countries also followed a similar pattern, in five years the exports to the region declined by almost 60%, which is exactly inline with the overall decrease in exports of handloom products. In value terms the exports to the European countries have undergone a decrease of US \$ 2.4 million. Region-wise export performance of handloom products can be observed in Table 6.3.1. The discrepancy in total exports is due to the fact that the exports to ‘Other’ regions category, which accounts for a very small proportion of total exports is not included.



Table 6.3.1: Growth Pattern of Regional Handloom Exports

Pakistan Regional Exports of Handloom Products (US \$ 000)						
	1994-95	1995-96	1996-97	1997-98	1998-99	Growth over 1994-95
USA +Canada	1,989	1,816	3,632	2,593	513	-74%
		-9%	100%	-29%	-80%	
Asia	2,230	3,294	2,441	2,087	1,066	-52%
		48%	-26%	-14%	-49%	
Europe	4,008	5,917	8,440	3,298	1,649	-59%
		48%	43%	-61%	-50%	
Africa	940	746	1,269	600	380	-60%
		-21%	70%	-53%	-37%	
Australia & New Zealand	198	340	1,281	291	106	-46%
		71%	277%	-77%	-63%	
Total	9,365	12,112	17,062	8,870	3,714	-60%
		29%	41%	-48%	-58%	

6.3.1. Changes in Market Mix

There seems to be no major change in the regional market mix of Pakistan’s handloom products. European countries constituted the major market for handloom products in 1994-95 with a share of 43%, despite the decline in the total exports and the exports to the European countries, the market share of European countries is almost unchanged during 1998-99. The major change can be observed in the market share of the USA, which has reduced from 21% in 1994-95 to 14% during 1998-99. The reason behind a significant change in market share of the USA is the negative growth of 74% over the span of five years. The exports to Asian countries, although declined in absolute value terms during the period (1994-95 to 1998-99), the rate of decrease was much lower than the European countries and the USA, which effectively increased the market share in handloom exports from 21% to 29%.

Figure 6.3.2: Market Split 1994-95

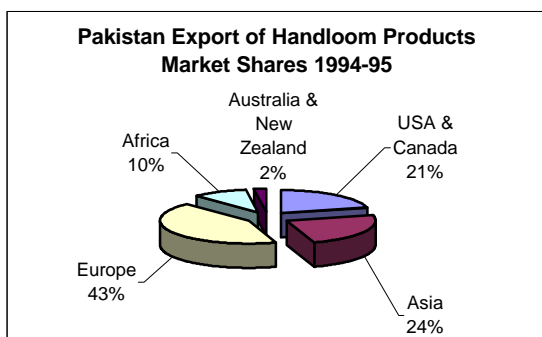
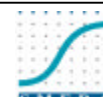
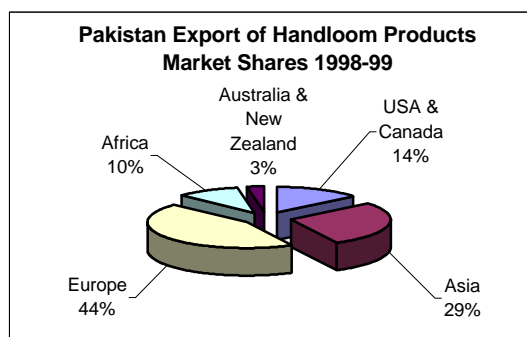


Figure 6.3.3 Market Split 1998-99



6.4. Pakistan Handloom Industry Structure

The foundations of the handloom industry in Pakistan were laid five thousand years ago. The people of Mohenjodaro were familiar with the techniques of growing cotton and converting the innocuous fluff into cloth. Excavations from Harappa revealed a scrap of coarse madder dyed cloth. Ancient Sind deserts unearthed terracotta spindles whorls which strongly indicate that the early inhabitants of Indus valley knew how to spin and weave.

The art of weaving and spinning has since then passed on from generation to generation. While the men worked in fields, growing grain to feed the population, women folk and the children used to spin yarn and weave fabric on the simplest of handlooms. Handlooms were the only source to provide clothing for the masses for quite some time in the Asian countries. With technological developments the process of weaving improved through higher productivity of fabric, enhanced capability of the machines to handle complex fabric constructions and low human capital requirement.

6.4.1. Existing State of Handlooms in Pakistan.

The integrated mill sector was the first one to install power looms for large scale weaving. With the enforcement of labour laws in early seventies the production of fabric moved out of the giant integrated textile units to small and medium sized weaving facilities having a set of four or more power looms. The power loom sector since then dominates the production of fabric in the country, which accounts for almost two-third of the total fabric production. The massive growth of power looms replaced handlooms from Pakistan at a rapid pace. It is estimated at the time of independence there were around two hundred and fifty thousand (250,000) handlooms the number of which have come down to only fifty thousand, out of which only 50% are operational.

6.4.2. Geographical Concentration of Handlooms

With the exception of a few units in the organised sector, having 50 to 300 handlooms, most of the handlooms are installed in the informal sector. The size of these units vary from one loom to 20 looms. The household production of fabric in the rural areas is limited to 2 to 3 looms.

6.4.2.1. Punjab

The province of Punjab, being the largest producer of cotton in the country, has the highest number of handlooms. According to estimates it accounts for more than 60% of the total number of handlooms installed. The major production centres within the province include Multan, Faisalabad, Gujranwala, Kasur and Jhang. Basic fibre used for production of fabric and made-ups is cotton. A small proportion of fabric is produced using blended and pure synthetic yarns. The province has a well diversified product portfolio which is composed of apparel fabric for lungis, khadar (coarse cotton cloth), bed covers and bed sheets, cushion and pillow covers,



table cloth and kitchen linen, towels, khes and blankets curtains, rugs and other floor coverings including durrees, , etc.

A break-up of city wise installed looms in the province is provided in Table 6.4.1. According to estimates the total number of looms in the Punjab is 30,700, out of which more than 50% are out of operation and each year the working number of looms is decreased by a certain proportion, reason for this is high cost of labour and cost effective production on power looms.

Table 6.4.1: Handlooms in Punjab

Centres of Handloom Production in Punjab			
City	Installed Looms	City	Installed Looms
Multan	3500	Hafizabad	1500
Faisalabad	3000	Bahawalpur	1000
Gujranwala	2500	Tulamba	1000
Kasur	2500	Lahore	500
Jhang	2500	Khanewal	500
Ghakhar Mandi	2500	Kamalia	500
Muzaffar Garh	2000	Jahanian Mandi	500
Makhdoom Pur	2000	Thata Pavilian	200
Pahoranan			
Toba Tek Singh	1500	Other	1500
Gojra	1500		
Total			30,700

6.4.2.2. Sindh

The province of Sindh is the second largest production centre in the country for handloom products. A total of 12,000 looms are estimated to be installed in the region. Less than 50% of the total looms installed, are in working condition. The major cluster in the province is Karachi that accounts for 42% of the installed loom population in the province. Areas including Orangi town, New Karachi, Sher Shah, Benarus Colony and Behar Colony have small set-ups of handlooms, which mostly cater to the domestic consumption of fabric. The people associated with weaving profession comprise migrated families from India and Bangladesh during the sixties. The Benarasi weavers are considered to be highly skilled human resource in handloom weaving. Karachi cluster is slightly advanced than other regional cluster for the fact that production of fabric has a large proportion of medium and fine quality fabric in it. Some of the weavers also use blended, synthetic and silk yarns. The products include fabric for lungis, sarees, khaddar (coarse cotton cloth) and woven floor coverings, the production of which is concentrated in the rural areas.

Table 6.4.2 Handlooms in Sindh

Centres of Handloom Production in Sindh			
City	Installed Looms	City	Installed Looms
Karachi	5000	Halla	1500
Hyderabad	1500	Shikarpur	500
Gumbat	1500	Other	500
Thata	1500		
Total			12,000

6.4.2.3. North-West Frontier Province (NWFP)

The NWFP has a unique position in handloom fabric production as the manufacturing is dominated by woollen yarn. Hi-end products including Kashmiri Shawls woven in twill tapestry technique having multiple weft threads, and a number of pieces are an example of complex weaving. Other products include Patti (narrow woollen fabric for coats and waste coats), khaddar fabric, and woollen floor coverings. The handloom industry consists of household set-ups having two to three looms. The total number of looms installed in the province is estimated to be around 5,800. The major clusters include Islampur in Swat and Charsada, which also constitute 50% of the total number of looms installed in the province.

Table 6.4.3 Handlooms in NWFP

Centres of Handloom Production in NWFP			
City	Installed Looms	City	Installed Looms
Islampur	2000	Utmanzai	400
Charsada	800	Rajjar	400
Bannu	600	Sheikhabad	200
Badeen	600	Tungi	200
Chopral	400	Other	200
Total			5,800

The figures on the existing number of looms were obtained from the All Pakistan Handloom and Traditional Textiles Manufacturers and Exporters Association. The number of looms provided by the Association is exaggerated to the extent which can be determined from the fact that the Small Industries Development Board (SIDB, NWFP) also conducted a survey of handlooms in three areas of NWFP including Matta Mughal Khel, Utmanzai and Rajjar, and Manga Dargai, in 1995 and the number of operational looms in these is much less than provided by the Association. The difference can be observed in Table 6.4.4. Similarly the number of installed looms in all the provinces have been inflated by the Industry Association.



Table 6.4.4: Handloom Survey NWFP

Handlooms in NWFP, Survey Conducted by SIDB in Four Villages			
Village	No of working Looms	No of Idle Looms	Total No of Looms
Matta Mughal	99	88	187
Rajjar	44	1	45
Utamanzai	26	4	30
Manga Dargai	6	6	12
Rustam			
Sherpao	3	1	4
Total	178	100	278

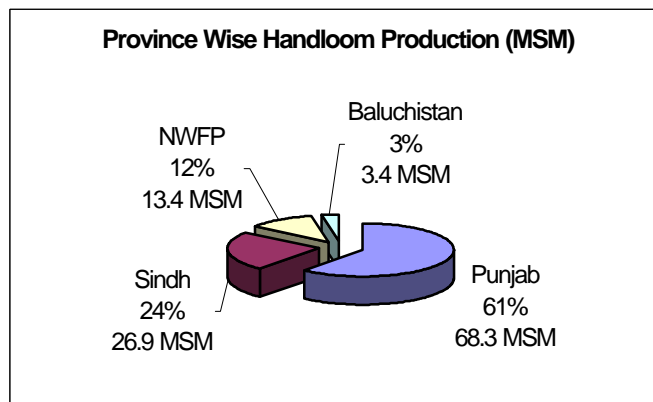
6.4.2.4. Baluchistan

The province of Baluchistan has an estimated installed number of 1500 handlooms. The production in the province, similar to NWFP, is based on wool. The product range includes patti fabric, woollen shawls and hand woven floor coverings and rugs.

6.4.3. Handloom Production

The total handloom production in Pakistan is estimated to be around 112 million square meters (MSM), this includes all type of products. When compared with only the total production of fabric in Pakistan, handlooms constitute merely 2.5%. The province of Punjab is the largest producer of handloom products, its production is 68 MSM and constitutes 61% to the total production. Sindh produces another 24%, its estimated total production is 27 MSM. The Baluchistan and NWFP provinces have a 3% and 12% share in the domestic handloom production.

Figure 6.4.1: Provincial Break-up of Handloom Production in Pakistan



6.4.4. The Production process

The basic principle of weaving is similar regardless of the weaving technology employed. The only vibrant feature of the handlooms is that mostly fabric is produced through dyed yarns, whereas in power looms and shuttle-less looms, grey fabric is produced which is dyed or printed after weaving. It is not that the technologically advanced looms lack the capability of producing fabric from dyed yarns, but to cater to huge volumes of domestic as well as international markets the focus of production is on grey fabric, which can be dyed and printed according to the buyers or end-users need.

6.4.4.1. Process Flow

Before the development of spinning industry, the cotton yarn was also spun on spinning wheels (charkha), this is not the practice anymore. The desired quality of yarn is purchased from spinning mills which is further processed before weaving. In case of woollen yarns, typically used by the handloom clusters of NWFP, wool obtained from sheep and goats is usually spun using the old techniques.

Mostly yarn is dyed before weaving, yarn for handloom production is dyed in hank form. If the desired quality of yarn is not available in hanks, the yarn is first converted to hanks and then dyed. Nowadays the industry uses VAT dyes in order to keep the process simple and cost effective. The water is heated to 60° centigrade the dyes are added to it and the yarn is soaked in the water at this temperature to ensure maximum colour fastness and consistency. Afterwards the yarn is dried in open air. Dyeing is a critical process for weaving on handlooms. It is important to mention one thing here that the process is carried out through locally developed tanks that are usually heated with natural gas or fire wood. Very few local dyeing units use steam to maintain the temperature through out the process. Similar to developments in other textile sub-sectors, the process of yarn dyeing has also developed to a great extent. In developed countries cone-dyeing machines are used to achieve good quality of dyed yarn.

The winding of hank yarn is done on spools on winding machines before warping, after which the yarn is taken to the warping section where warp beams are prepared for the looms.

6.4.5. Weaving Technology

The warp beams are installed on the handlooms for fabric weaving. The industry in Pakistan uses three types of handlooms. Different types of fabrics can be produced on these looms, for simple plain weave, ordinary handlooms are used but to produce tapestries and intricate fabric patterns and designs, jacquard looms are used. The most commonly used looms are:

- Pit Looms
- Upright Looms (Amritsari Looms)
- Flat Weaving Looms



The first two types of looms are widely used to produce apparel fabrics, and most of the textile made-ups. Both the looms are similar with the only difference in loom installation. In case of pit looms, the loom is installed at the ground level and the driving paddles of the loom are placed in a pit which is three to four feet deep, whereas the upright loom is not installed in a pit and the paddles are a part of the wooden structure of the loom.

The third category of loom, flat weaving loom is different from the first two types in the sense that warp beams are not used in it and the warp threads are clamped to the ground with a metallic hook. The weft is inserted manually either through a shuttle or simply rolled. Strings drive the weft insertion mechanism in case of pit and upright looms. The flat looms are used in the production of woven floor coverings including woven carpets and rugs.

6.5. Productivity and Efficiency of Handlooms

The productivity of handlooms is the lowest in comparison with other weaving technologies. The productivity factor has played an instrumental role in the shift of fabric production from handlooms to power looms. On average, handloom produces 8-10 meters of fabric in one day (8-hour shift) and one weaver is required to operate a loom. In terms of square meters the production is around 12.8 square meters per day (8-hours shift). The production of fabric on power looms is almost three times that of a handloom and instead of one weaver handling one machine, one weaver is required to manage four power looms.

6.5.1. Production and Cost Comparison with Power Looms

To compare the productivity and efficiency of handlooms and power looms, similar fabric is assumed to be produced on the two types of looms. The construction of the fabric is 20x20/60x60. The width of the fabric is 63 inches. The type of yarn used is 100% cotton and both the weft and warp yarns are dyed. Yarn dyeing, sizing and warping costs are similar for the two types of technology. The labour cost in case of power looms include the cost of one weaver and one fitter, which are distributed equally on four power looms. In handlooms labour cost include the cost of one weaver.

It can be seen in the Table 6.5.1, that the on the basis 100% efficiency a power loom produces 60% more fabric than the handloom on a 8-hour shift. The speed of a power loom is approximately 120 picks per minute and that of a handloom is only 50 picks per minute, which really makes the difference between the two technologies. The difference of speed is further enhanced when jacquard fabric is woven, the speed of a handloom drops down to 25 to 30 picks per minute.



Table 6.5.1: Production Calculations for Hand and Power Looms

Production Calculations and Comparison for Power and Handloom		
	Power Loom 63"	Handloom 63"
Speed (Picks/Minute)	120	50
Warp Count	20	20
Weft Count	20	20
Ends per inch	60	60
Picks per inch	60	60
Width	63	63
Number of widths woven	1	1
Production (inches/minute) (100%)	2.00	0.83
Production (meters/day) (100%)	73	30
Production (meters/8-hour shift)	24.38	10.16

The production efficiency in power looms is 85%, the reason for selecting this level of efficiency is to account for the production loss due to the manual shuttle replacement, which can only be avoided in fully automatic machines. Similarly the production efficiency in handlooms is 75%. The actual fabric production in eight hours at this level of efficiency for power looms is 21 meters, which is only 8 meters in case of a handloom, 62% less than the power loom.

Table 6.5.2: Efficiency of Hand and Power Looms

Efficiency of Power and Handloom		
	Power Loom 63"	Handloom 63"
Production efficiency	85%	75%
Actual Production per machine (meters/day, Three Shifts per Day)	62	23
Production (meters/8-hour shift)	21	8
Production/machine (meters/month)	1,865	686
(Production/machine, meters/year)(350 days)	21,763	8,001
Based on a single shift (production/month)	622	229

It has been stressed through out that the major reason for retrogressive growth of the handlooms sector is caused by the power loom industry which can produce finer and cheaper cloth. The reason, which facilitated the high growth and shift of fabric production towards power looms, comes out clearly in the operational cost comparison of hand and power looms. The total cost of fabric produced on handlooms is 37% higher than for similar fabric produced on power looms. The factor which creates such a high degree of distortion in the cost structure of handloom fabric is the labour component that constitutes almost 40% of the cost. Whereas, for power looms labour component is only 9% of the total cost. In real terms the labour cost per meter in power looms is less than the amount calculated, because of the fact that the comparison is done on the basis of 8-hour shift and the industry norm is that of a 12-hour shift,



which further brings down the labour component in power looms. The operational cost comparison of hand and power loom is provided in **Table 6.5.3**.

Table 6.5.3: Operational Cost Comparison of Hand and Power Looms

Operational Cost Per Meter (Rs/meter)				
	Power	Handloom	Power (%age of Total Cost)	Handloom (%age of Total Cost)
Yarn	19.17	19.17	47.55%	34.63%
Yarn Dyeing	12.92	12.92	32.05%	23.34%
Sizing/Warping	0.89	0.89	2.22%	1.61%
Labor	3.70	21.87	9.17%	39.51%
Power	2.60		6.44%	0.00%
Maintenance	0.54		1.33%	0.00%
Overheads	0.5	0.5	1.24%	0.90%
TOTAL COST	40.32	55.35		

The simple analysis of cost and efficiency reveals that the commercial operation of handlooms is viable only if the manufacturer is able to effectively market his product as a distinct product, different than power loom and charge a premium on the average market price. The other condition in which the production of handlooms can be considered viable, is the manufacturing on a very small scale, ideally household level where two to three looms are operated by one family and the labour cost is basically the contribution margin of the family.

6.6. Human Resource for the Industry

The total number of persons employed by the handloom industry is between 50,000 to 75,000. The number of weavers is around 25,000 the rest of the labour force is employed in the weaving back process such as warping, winding and dyeing. Due to low technology levels, the labour is trained on the job through 'Ustaad-Shagird' system, weaving and dyeing masters train the young apprentices. In the cottage industry the art of weaving is transferred from generation to generation, without any formal structured training.

6.6.1. Handloom Training Institute

There is no organised training programme for the handloom industry. The Government of Pakistan established the Handloom and Home Textile Technology Institute in 1996 at Multan. The institute offers 3-years diploma programme in textile engineering and certificate courses in spinning, processing and weaving technologies. The facilities in the institute are still not complete, for training of students there is no equipment available, the practical training to the students is provided on ad-hoc arrangements with the textile industry of Multan.

It would premature to comment on the performance of the institute but one thing can be said firmly that the institute might provide human resource to the large-scale textile manufacturing

facilities including spinning and weaving mills. The training programmes are not likely to add value to the human resource of the handloom sector, majority of which operates at a cottage industry level. In order to promote the handloom products from Pakistan focus should be laid on designing and aesthetic aspect of the products as well as effective marketing, where the sector lacks availability of skill.

6.7. Distribution Channel

Due to the fragmented nature of the handloom sector and inability of individual entrepreneurs to market their products the middleman bridges the gap between manufacturer and the markets. In case of domestic markets the designs and product specifications are provided either by the retailer or the middleman to the manufacturer. The middleman is able to effectively negotiate his terms with the actual handloom weaver due to the competition offered by other small household weaving units.

In case of exports the commercial exporter plays the role of a middleman, the designs are provided by the buyers, manufacturing is out-sourced to small scale producers by the exporter. This is a major contributing factor in the erratic trend of exports of handloom products from Pakistan. With the exception of very few manufacturers, only the commercial exporters or the middleman supplies the handloom products in the international markets. The commercial exporters usually have a well-diversified textile product portfolio and the exports are not limited to handloom products alone.



7. CONCLUSION AND RECOMMENDATIONS

7.1. Market for handloom Products

The analysis of the global import market for handloom products clearly indicates that there are very few products that have a niche as hand woven products. A major portion of products made on handlooms including fabric, bed and kitchen linen, etc has to compete with similar products manufactured through other weaving technologies.

7.2. Post MFA Scenario and the Handloom Industry

The exports of most of the handloom products from developing countries are free from quota restrictions imposed by the USA, EU and Canada. According to the scheduled time frame the MFA will cease to exist on December 31st, 2004. After which the handloom products will face competition from similar products manufactured by the power looms. This is especially true for the Indian handloom sector that is operating under heavy protection, the MFA phase out will make it vulnerable to foreign competition in product categories which can be replicated on other weaving technologies in a cost effective manner.

7.3. Handloom Product Viability

A simple comparison, drawn in the section on Pakistan, between the operational costs of the hand and power looms reveal that due to high labour component the production is viable only if the product is placed at a premium than average market price. The other important thing that comes out is the viability of handlooms as a cottage industry. At this level the production can be considered as profitable because the weavers are self-employed and consider the labour wage component as the contribution margin.

7.4. The Case of 'KHAADI'

The word Khaadi means cotton fabric woven on a handloom. A young graduate, Shamoan Sultan, of the Indus Valley School of Architecture and Textiles started producing handloom fabric by installing 80 looms at SITE industrial area in Karachi. Considering his academic background he had the edge of having the technical knowlegde of fibres, fabrics and dyes. Initially his plan was to supply fabric to retailers. Realising that it would not be possible to compete with power looms he opened his own outlet with the name of Khaadi. According to him "I was not getting the satisfaction and the appreciation for art" by supplying fabric. He positioned the product through effective marketing as exclusive hand made fabric and the retail outlet enabled him attract up-market clients that were willing to pay a premium price for the product. It has only been two years, since his facility has been in operation. The cotton fabric dominates his production portfolio but he is also manufacturing high-end pure silk fabric on handlooms. The existing split of cotton and silk is 75% and 25% respectively.



It would be very difficult to replicate the Khaadi model on a macro level for the handloom sector of Pakistan. The reason for giving details on Khaadi was to prove that the survival of the handloom products depends upon marketing. The only way to profitably run a commercial unit of handlooms is to market the products as hand made exclusive products.

To promote handloom products a rigorous marketing effort is needed in the major markets to promote Pakistani products and fetch a premium price. Another issue is the fragmented nature and the small scale of the handloom industry in Pakistan that makes it difficult to meet the orders in time and maintain quality as well.

7.5. The Indian Handloom Sector. A must Do Scenario

One prominent feature of the Indian handloom industry is that the survival of the handloom sector is more of a social problem. Large-scale unemployment will be created in the Indian economy if the handloom sector ceases to exist. The Government cannot simply afford to do away with 6.5 million jobs. This factor has forced the Indian Government to take extreme measures for the protection of the industry as a part of which the Government with an act (The Handlooms Act 1985) banned the production of 11 textile products on power looms.

It would be worth mentioning that the majority of the products produced on handlooms in India are exported from China and Pakistan by the power loom sector. This is also supported by the data presented in the report. An example of this is the cotton towel product segment. In India the power looms are not allowed to produce towels and the total exports of this segment are merely US \$ 5 million whereas Pakistan exports around US \$ 300 million worth of towels each year.

7.6. The Role of the Government of Pakistan

The marketing of handloom products is one area where the Export Promotion Bureau can play a vital role. The problem with the industry is that majority of the players operates at a very small level and they are not even aware about the export markets. Their products reach the international market place through middlemen. To start with EPB can facilitate a couple of manufacturers to participate in international trade events on a regular basis. This is very important as the irregular product pattern of exports shows that Pakistani handloom products need to enhance their presence on a more regular basis, in the international markets. For participation in trade events and marketing of the products EPB can collaborate with the Indus Valley School of Architecture and Textiles to formulate effective marketing strategy and implementation tools.

The size of the handloom sector in Pakistan does not require such extreme measures as adopted by the Indian Government. It would be also not possible for the GOP to develop an exclusive network of institutions for the sector like the Indian Government has developed, again the important consideration is the small scale and the size of exports by the sector.



7.7. What Can be Done?

It would be more appropriate to replicate the Grameen model for the development of handloom industry in Pakistan the details of which are given in the report. The model is based on a demand driven strategy where orders are obtained by the organisation. The orders as per buyers' specifications are sub-contracted to the local handloom weavers along with the raw materials and inputs, the finished products are exported. This buyback arrangement generates constant stream of income for the weavers in the informal sector, which are otherwise unable to market their products.

The model can be replicated by motivating the provincial small industry corporations/boards in each province to develop local as well as international markets for the handloom products. Due to their presence in several districts across the province these organisation are more compatible to involve in commercial activity by providing the handloom weavers a secure market for their products. Another reason that makes the small industry development corporations more suitable is that most of these are already involved commercial activity through their own workshops and technical centres. Examples of such business ventures are the cutlery centre of Wazirabad and the ceramic centre in Gujranwala, established by the Punjab Small Industries Corporation (PSIC).

To market the handloom products internationally, these corporations can collaborate with the Export Promotion Bureau. The advantage of replicating the Grameen model through the Government agencies is firstly, the venture requires no capital investment on part of the Government departments, as the products will be manufactured through sub-contracting to the local weavers and secondly, the local weavers will not require working capital for production as the inputs such as dyed cotton yarn will be supplied by the agency responsible.

The Role of NGOs.

The Non Governmental Organisations involved in various projects of socio-economic development for the urban areas can also be asked to come forward and develop a similar model as 'Grameen Uddog' for the urban areas of Pakistan. The NGOs like Agha Khan Rural Support Programme (AKRSP) and Orangi Pilot Project (OPP) with their experience the field of development are capable of designing and implementing such schemes in rural regions.

7.8. Social Development or Exports

The potential of the handloom industry in Pakistan is evident from the fact that it constitutes only 0.06% of the total textile sector exports from the country. The international product market is also very small in both the major importing regions including the USA and the EU. The handloom sector cannot be considered to become the export driver of the textile sector of Pakistan. At the same time it would be incorrect to compare the handloom sector of Pakistan with the handloom industry of India, where it is 70 (seventy) times larger than the handloom industry of Pakistan enjoys protection from other sub-sectors including power looms. The development of the sector has two aspects one is the export and other is the social



development of the weavers. The export growth in the sector, although not a quantum leap, is possible only if the products are positioned accurately for the high-end market, this will indirectly ensure the social development of the weavers for whom handloom is the sole source of earning.



Annexure I

HS Codes and Descriptions for US Imports

Fabrics	
HS Code	Description
5208312000	Woven fabric cotton containing 85%>. cotton < 100G/M2 Cert handloom fabric
5208321000	Woven fabric cotton containing 85%>. cotton 100-200G/M2 CRT handloom fabrics
5208421000	Woven fabric cotton >=85% cotton 100-200 G/M2 cotton handloom YR DF CL
5208512000	Woven fabric cotton 85%> cotton <=100 G/M2 plain weave printed CT handloom
5208521000	Woven fabric cotton >=85% cotton 100-200G/M2 plain weave printed CT handloom
5209313000	Woven fabric cotton 85%>cotton>200G/M2 plain woven dyed CT handloom
Special Woven Fabric / Tapestries	
HS Code	Description
5805002000	Hand-woven tapestries, NESOI, wool CERT handloom
5805002500	Hand-woven tapestries, NESOI, wool/fine hair,NESOI
5805003000	Hand-woven tapestries, NESOI: of cotton
5805004010	Hand-woven tapestries, NESOI: NESOI, manmade fibre
5805004090	Hand-woven tapestries, NESOI
Floor Coverings	
HS Code	Description
5702101000	Textile carpets, woven kelam etc, CERT handloom FL
5702109010	Textile carpets, woven kelam etc wool N CERT
5702109020	Textile carpets, woven kelam etc cotton N CERT
5702109030	Textile carpets, woven kelam etc manmade fibre N CERT
5702512000	Textile carpets, woven no pile, wool handloom, not made
5702912000	Textile carpets, woven no pile, wool CER handloom made-up
5702913000	Textile carpets, woven no pile other handloom made-up
5702920010	Textile carpets, woven no pile manmade fibre handloom made-up
5702991010	Textile carpets, woven no pile cotton handloom made-up
Blankets and Rugs	
HS Code	Description
6301200010	Blankets non/electric & travel rugs wool F/hair not>3M length
6301200020	Blankets non/electric & travel rug wool F/hair >3M length



6301300010	Blankets non/electric & travel rugs of cotton, woven
6301300020	Blankets non/electric & travel rugs of cotton, NESOI
6301400010	Blankets non/electric & travel rugs of synthetic fibres, woven
6301400020	Blankets non/electric & travel rugs of synthetic fibres, NESOI
	Bed wear
HS Code	Description
6302317010	Pillowcases, cotton, napped, not print/knit, no trim
6302317020	Sheets, cotton, napped, not print/knit, no trim
6302317040	Pillowcases, cotton, not print/knit, napped, no trim
6302317050	Bed linen NESOI, cotton, not print/knit, napped, no trim
6302319010	Pillowcases, cotton, not printed/knit/napped/trim
6302319020	Sheets, cotton, not printed/knitted/napped/trim
6302319040	Pillow covers, cotton, not printed/knit/napped/trimmed
6302319050	Bed linen NESOI, cotton, not print/knit/napped/trim
	Table Cloth / Napkins / Kitchen Linen
HS Code	Description
6302511000	Tablecloths & napkins, damask, cotton
6302512000	Tablecloths & napkins, plain woven, cotton
6302513000	Tablecloth & napkins, cotton, NESOI
6302514000	Table linen of cotton, NESOI
6302600020	Towels except dish of terry towelling fabric
6302600030	Toilet & kitchen linen except towels, terry fabric cotton
6302910005	Cotton dish towels of piled or tufted construction
6302910015	Towels other than dish towels cotton piled/tufted construction
6302910025	Toilet & kitchen linen other than towels of cotton,PLD/TFT CON
6302910045	Cotton dish towels, non-jacquard FIG, non-piled/tufted construction
6302910050	Cotton towels non-dish towels: non-jaq FIG or PLD/TFT construction
	Curtains / Furnishing Articles and Others
HS Code	Description
6303910000	Curtains & interior blinds/bed valances, NESOI, cotton
6304190500	Other furnishing articles not 9404 bedspread NESOI cotton with/trim
6304191000	Other furnishing articles not 9404 bedspread NESOI cotton NESOI
6304920000	Other furnishing articles not 9404 NESOI not knitted/crocheted cotton
6304994000	Other non/knit NESOI material NESOI CERT handloom pillow cover wool
6304996010	Other not knit NESOI textile material NESOI NESOI wool hair
6306110000	Tarpaulins, awnings and sun blinds of cotton

6306210000	Tents of cotton
6307101000	Dustcloths, Mop cloths & polishing cloths of cotton
6307102005	Shop towels for use garages filling stations, cotton
6307102027	Dish cloths of cotton
6307102030	Cleaning cloths NESOI



Annexure II

SITC Codes and Descriptions EU

SITC Codes	Descriptions
Blankets and Travelling Rugs	
65831	Blankets of wool or fine animal hair
65832	Blankets of cotton
65833	Blankets of synthetic fibres
Bed Linen/ Table Linen/ Kitchen Linen & Towels	
SITC Codes	Descriptions
65842	Bed linen, not knitted nor crocheted, of cotton
65843	Bed linen, not knitted nor crocheted, other textile
65845	Table linen, not knitted nor crocheted, of cotton
65846	Table linen, not knitted nor crocheted, other textile
65847	Toilet and kitchen linen of cotton
65848	Toilet and kitchen linen of other fibres
65212	Terry toweling, similar, of cotton (excluding 656), unbleached
65213	Other woven terry fabrics, of cotton (excluding 656)
65214	Pile fabrics, cotton (excluding 56212, 65213, 6561), uncut
65215	Other pile fabric, woven, cotton. (excluding 65212, 65213, 6561)
Curtains & Other Furnishings	
SITC Codes	Descriptions
65851	Curtains and interior blinds; curtain, bed valences
65852	Bedspreads
65859	Furnishing articles n.e.s
65891	Hand-woven and needle-worked tapestries
65892	Floor-cloths, dusters and similar cleaning cloths
Carpets and Floor Coverings	
SITC Codes	Descriptions
6593	Kelim', shumacks and similar hand-woven rugs
65943	Carpets, floor coverings, tufted, other man-made fibre
65951	Carpets, floor coverings, wool or fine hair woven
65952	Carpets, floor coverings, man-made textile material, woven
65959	Carpets, floor coverings, other textile material, woven