

5. REPORTS OF THE TRADE DELEGATIONS

5.1 Summary

Following are the summaries of the delegation reports:

1. *Council for Leather Exports*

The Council for Leather Exports (CLE) sent four delegations during the period Nov. 2000-Dec. 2001 two to Latin American countries, comprising Argentina, Brazil, Mexico, Peru, Chile, and Colombia; one to Japan; and one to Israel, Greece, Spain and Portugal. The objective was to promote leather and leather products in these countries.

The two delegations sent to Latin American countries in November 2000 and December 2001 inferred that India's exports of leather goods and garments have vast market potential in these countries and that Indian leather manufacturers should continue to make all marketing efforts to keep their presence in these countries despite logistics problems. There are vast possibilities for joint ventures or tie-up in tannery areas.

The delegation to Japan in March 2001 suggested that enormous scope exists for increasing the export of branded leather goods and garments to Japan as the consumers are keen to procure branded products. The Japanese market offers good opportunities for export of middle-price ranges of shoes, garments and other accessories because the higher and lower segments are met by Italy and China respectively. Supply of quality branded products backed with consistent marketing efforts would go a long way in capturing a substantial market in Japan.

The delegation sent for a Buyer-Seller Meet in Israel, Greece, Spain and Portugal reported that Israel is good market for high quality leather wallets, travel goods, and shoes; Greece is a potential market for leather garments and goods while Spain is a good market for leather garments, particularly in a good quality goat and sheep nappa leathers. There is good opportunity for Indian leather garments and goods because Portuguese cost of production is much higher as compared to India.

2. *Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council (Chemexcil)*

Reports of the Chemexcil are based on its participation in international exhibitions held in Malaysia, China, Panama, Brazil, Chile, Colombia, Venezuela, and Mexico in 2001. The observations in the reports are as follows:

China is the fastest growing over the counter (OTC) market in the world. It is because of Chinese government favourable policy and enormous consumption of OTC drugs. The present situation of China pharma industry is a combination of Chinese and Western medicines, biochemicals, biological engineering medicines, genes pills, healthcare products, and updated medicine materials. Health foods and products, which fall into a category known as “Health Supplements” as well as skin and eye care products may hold greater promise than the current drug market place for many exporters looking at China for the first time. There is stiff competition for both joint venture producers as well as importers. Potential exporters should explore every possible niche of pharma products.

“Made in India” brand and other popular Indian trademark should be taken for promotion in Panama. Brochure/Catalogue of products should be in Spanish language. Pharma companies like Ranbaxy and Aurobindo Pharma have already established their presence in the Latin American region.

Sponsoring/conducting product-specific trade delegation and product-specific market survey will help Indian exporters. Exploring possibility of joint ventures/participation in R&D may give additional impetus to the pharmaceuticals bulk drugs and chemical trade in the Latin American region.

3. *Wool and Woollen Export Promotion Council*

The Woollen EPC’s delegation to Australia and New Zealand in 2000 was to explore opportunities of wool trade. It is suggested that the bonded warehouses in India will help to source apparel grade raw wool in India. It will save valuable time of importers.

Participation in the “Made in India” Show in Johannesburg, South Africa in July 2001 was to make an entry into South African market for woollen apparels. The

report indicates that in South Africa the colour preference is black and beige. In regard to shape and designs, Jamavar is preferred than embroidered. Checks and strips fabrics are not liked, therefore fabrics should be developed according to the choices of consumers.

The Woollen EPC's participation in the 7th Beijing International Fair was termed as "Introduction to New Market". As its report says there is good potential for light weight good quality shawls, scarves, mufflers with embroidery work. Thus finished products of high quality, value added products with special designs, embroidery work have better place in Chinese market.

4. *Auto Component Manufacturers Association (ACMA)*

The ACMA sent CEO's Mission to assess the auto parts markets in the major courtiers of Latin America, China, and Iran.

ACMA's Mission to Argentina, Brazil, and Mexico reports that Indian suppliers will have to improve their own negotiating power by building a technology edge or some other strategic factor that strengthens its power to negotiate with the original equipment manufacturers (OEMs). For strategic components Indian auto manufacturers have to develop the right linkages and tie-ups with the global suppliers and develop internal strengths. For non-strategic components they have to build their own internal strengths to sustain OEM business.

In China, tariff reduction and the phase-out of import quotas and licences seem to be the biggest challenges to many automakers as well as to the Chinese government. China needs a period of six to seven years in order to protect this so-called infant industry from the international competition.

India should take advantage of China's auto parts industry, which is small scale and fragmented. It should concentrate on auto parts and components.

Apropos Iran, it is due to political and other imperatives, not many European component manufacturers are interested in setting up joint ventures in Iran.

This is the right time for Indian companies to partner with Iranian companies. If this opportunity is missed by the Indian companies, it would be difficult later

when Iranian economy opens to the entire world. The right way to tap the Iranian market is to set up joint ventures or technology transfer arrangements with the Iranian companies with buyback arrangements or production sharing.

5. *The Associated Chambers of Commerce and Industry of India (ASSOCHAM)*

ASSOCHAM CEO's delegation to China in 2001 was for signing of an MoU between the ASSOCHAM and the China Council for the Promotion of International Trade (CCPIT). The report says that Chinese threat and potential are known to Indian industry. Trade disputes by Indian industry are on the rise which means it is necessary to do business with the end user. Alternatively, it is suggested to do business through Hong Kong. India's trade with Hong Kong (\$4 billion) and China (\$2.9 billion) together account for 10 per cent of its total trade.

6. *PHD Chamber of Commerce and Industry*

This Chamber's Business-Government Study tour to Hong Kong, China, and Malaysia in 2001 was to study the infrastructure development pattern and the factors, which led to the development and competitiveness of China and Malaysia in the international markets. Also to explore and identify mutually beneficial areas for promotions of bilateral trade.

As per the report of the study tour, there are vast opportunities in the sectors, like agro and food processing, auto components, building materials, etc., due to China's entry into the World Trade Organisation. There are tremendous opportunities in the field of construction and export of building material because Olympic 2008 will be held in China.

India should actively participate in Malaysia's hi-tech industry. There are opportunities in construction of roads, highways, flyovers, bridges, IT, food processing, tourism, etc.

7. *Confederation of Indian Industry (CII)*

The CII's business delegation reports on Japan, Argentina, Brazil, Chile, USA, Russia, and Pakistan brought out in 2000 and 2001 focus on India's industrial strength and to facilitate business-to-business contacts amongst potential business partners in the major countries.

The first delegation report on Latin American countries like Argentina, Brazil, and Chile highlights that there is a qualitative change in the economic environment. The process of integration within the Latin American countries is very fast. The two major regional trading arrangements are : Mercosur and Andean Pact apart from Caricom and CACM.

It is suggested that proactive measures are required for positioning Indian business at this stage. The trading bloc Mercosur requires special attention because it represents 45 per cent of the population; 40 per cent of imports and 60 per cent of GDP of Latin America.

Information gap in India's industrial strength which needed to be bridged with sustained efforts. The Mission was successful in establishing the first contact with nodal agencies representing industries and business through which a concerted campaign could be launched for projecting India's strengths and enhancing the level exchanges on the institutional basis.

In view of the sectoral opportunities identified by the Mission, it is suggested to initiate sectoral trade delegations in the following sectors:

Drugs and pharmaceuticals, chemicals, IT and software, railway technologies and equipment, machines and machine tools, automobiles and auto components, textiles and yarn, environment technologies & services, hospital equipment and supplies, and develop infrastructure for industries in Brazil.

Some of other actions suggested are that Indian entertainment companies should be motivated to look at the Latin American countries (LAC) and spend on

these countries. There should be identification of institutes doing special research on LAC and networking them including International Marketing Fund/World Bank.

The second business report on the USA believes that the future of Indo-US trade will depend as much on private sector initiatives rather than government involvement. It is time to build an ever lasting partnership. As there is a lot of scope for synergy between Indian and US firms. It now only depends on how these two function to build better contact and boost bottom lines. Areas for export opportunities are as given below.

Computer software, electronic & computer hardware, electrical equipment, machine tools & light engineering goods, agricultural machinery, biotechnology, textiles and garments, food processing & packaging industry, soap, cosmetics and toilet preparations, and leather and leather goods.

The third business report on Russia says that there are many areas, where Indian products have an edge in terms of quality over similar priced products from other Asian countries. CII is of the opinion that there is enough scope for development of Indo-Russian ties in the pharmaceutical industry. Indian companies can utilise the large research facilities in Russia to do some in-house research and these joint ventures can be utilised to tap the large western markets.

Both India and Russia have a lot of synergies in the IT sector. IT enable or value added “remote services” like backing office operations, calling medical transcription, etc., are high growth area. While Russia has a lot of experience in hardware design and advanced computing, it does not have the large number of English speaking qualified IT professionals which India possesses. Russia also lacks the expertise to market its products in the Western markets where India can help. CII is of the view that there is a lot of scope for the two countries to set up joint ventures in this sector.

CII’s delegation report on Pakistan says the cost of non-cooperation can easily be understood to be very high. It is high time that concrete initiatives are taken, and

apprehensions are pushed aside. There is a vast scope for export of certain components that would facilitate emergence of technology-intensive industries in Pakistan. These components are: auto components, bicycle components, components for machine tools industry, components of electrical machinery and goods, and components of textile machinery. Technical cooperation and services have their significant role in industrialisation of Pakistan.

8. *Powerloom Development & Export Promotion Council(PDEXIL)*

One of the activities of the PDEXIL is to undertake various sales-cum-study team abroad with a view to study new markets for powerloom products and to increase the exports in the existing markets and earn foreign exchange.

The PDEXIL report on Saudi Arabia, Kuwait, and Dubai mentions that Saudi Arabia is a growing market and has got vast potential due to its growth in population, increase in number of religious pilgrimages, its close vicinity to the African markets, and high per capita income. Terry towels, and canvas bags are main items of exports. However, concerted efforts should be made to exploit the big existing market of high quality processed fabrics.

There is a good demand for processed fabrics of high quality as per capita income is high and people are exposed to products from the Western countries. It is advisable to stick to the commitments, offer best quality at competitive prices to have an edge over the competitors like Pakistan, China, Taiwan, and Korea.

The Kuwait itself is not a big market. Requirements may be in small quantity and designs, which can be adequately supplied by the powerloom industry in India. There should not be any compromise on the quality of products.

Dubai has been a traditional import market for re-export of products to Saudi Arabia and Western countries. Its own consumption of fabrics is dismal. Therefore, fabrics are required in big quantity at a cheaper price. Contact may be made to the various readymade garments manufacturers in a Free Trade Zone for the re-exports of products, as no quota is applicable.

Soft policies for FDI are being offered in West Asia for as many countries may like to shift their industry base from petroleum and natural gas to other industries. Therefore there are vast opportunities for joint ventures and collaborations in these countries.

The delegation report on Thailand, New Zealand, and Australia says that India's export to these countries have shown a growth in the area of powerloom cotton fabrics and made-ups. However Indian textile exporters are facing stiff competition in these countries due to the competitive prices being offered by the neighbouring countries. It is, therefore, suggested that competitive rates should be offered through the financial management, optimum utilization of modernisation looms and manpower along with procuring the current raw material to compete with these countries.

The Australian and New Zealand markets require quality products in various small quantity and designs with better processing, mainly for their consumption. The powerloom industry is in a position to supply various designs and quality in a small quantity. Both the markets offer good opportunity for exports of textiles and clothing, value added products, made-ups and home furnishings.

Report on Sri Lanka highlights the Sri Lankan readymade garment industry, which meets bulk of the country's requirements. Many garments units have been set up in the Free Trade Zone and raw materials required by these units are met mainly from India.

An aggressive marketing campaign for the Indian textiles should be launched in Sri Lanka by setting up of various information centres. The Indian fabric manufacturers/exporters should provide quick services, speedy communication and proper follow-up with a minimum lead time for the delivery as the Sri Lankan readymade garment industry has to export garments, after converting fabrics into garments in a limited time frame.

The USA and Canada are important markets in the North America. Thus keeping the long-term interest and challenges to be faced after the phasing out of MFA, it is necessary to diversify the clothing export basket base for Indian

powerloom fabrics and made-ups by adopting suitable measures for the US and Canadian markets. Besides these measures, exporters should know the significance of environment and child labour issues in the USA. Eco-Labels/Standards/Eco-Auditing or environmental labels are very important in US market. Eco-friendly textiles are preferred. The US consumers are also concerned with the work-friendly manufacturing of the products, i.e. violation of human rights.

Exporting to the Canadian market is a closely monitored activity. Indian exporters should know a number of regulations and guidelines existing in Canada that must be adhered to for successful introduction of new products in the Canadian market. These include the Textile Labelling and Advertising Regulations, and the Customs Tariffs Act. Flammability guidelines also exist for certain fabrics.

Key factors for success for Indian companies in the Canadian market are that products should be of high quality at competitive prices, on time deliveries that correspond precisely with agreed upon specifications, proper packaging and labelling to meet all regulations, and continuity of supply. Canada serves as a springboard to the massive market of the USA and Mexico.

Indian entrepreneurs should invest in Bangladesh textile sector either in joint venture or wholly owned subsidiary. And also they should focus on buyback arrangements and setting up backward linkage industries.

9. *Chemicals and Allied Products Export Promotion Council (CAPEXIL)*

CAPEXIL's Report on Argentina, Brazil, Mexico, and Panama refers to the interregional trade in Latin America which is very high. This factor makes Latin America a tough market for the products from India. However, for the products, in which India have a competitive advantage, like stone, rubber manufactured products, and paper stationery, the market is responsive. Market entry in one country can, therefore, offer access to other countries. In this regard joint ventures between Indian entities and the Mexican counterparts need to be explored. It is advisable to develop strategic alliances with major distributors and agents in Panama for the supply to other Central American countries.

10. *Shellac Export Promotion Council*

Latin America is a potential region for Indian products. For products like shellac and lac-based products, there is a need for market research and data base of shellac importers in this region. A concerted effort is needed to enter into the Brazilian market first and then into other countries of the region.

Participation at the Baghdad International Fair was to create fresh avenues for exploring the much needed diversification and to highlight the potential and capabilities of India's shellac and lac-based products.

11. *UP Industrial Consultants Ltd., UP Trade Promotion Authority and UP Export Promotion Bureau*

Indian Technology & Trade Fair at Durban opened new business opportunities and challenges for the promotion of Indian products. The report suggests that there is need to follow-up of the trade enquiries received at the Fair and review is required to guide exporters so that potential of South Africa and neighbouring markets can be tapped.

12. *Gujarat Chamber of Commerce & Industry*

China's industrial development has generated keen interest amongst Indian business community about their strategy of growth. The core advantages that Chinese industries have, i.e. low taxes, flexible labour laws, high labour productivity, low priced power, sizeable build up of manufacturing capacity, economies of scale, a world class infrastructure, free from strikes, low inflation & higher economic growth, and enhanced competitiveness. These are some of the important points highlighted in the report. But most importantly is that China's political system is committed to reforms. Competitiveness of Chinese economy is increasing at the rate of 5 per cent .

There are joint venture possibilities for Indian manufacturers in chemicals, bicycles, drycell batteries, motor bikes, and electronic items.

13. *The Madras Chamber of Commerce and Industry*

The Chamber's report is based on foreign delegations' visit to the Chamber, which emphasises the need for promoting the business opportunities between the two countries. British delegation referred to the growth in British investment in India ever since the Indo-British Partnership Initiative was established. The Ohio India Team felt that the technology applications would have a lot of bearing at the growing industrial interest in India and it could develop centres of excellence in manufacturing. Thai delegation was here to develop tourism, which could be offered as a package in combination with Thailand. Mauritius delegation focused on investment potential in Mauritius in agro industry, printing-prepress, IT, chemicals, pharmaceuticals, and electronics. Virginia delegation was interested in IT providers and software developers in India for their clients in the USA.