

INDIAN INSTITUTE OF FOREIGN TRADE



GROUP PROJECT

SSE Group Project

Analyzing trade indicators for HS 57 (Carpets and other textile floorings)
As a Startup

Project Team Members (Group 9):

- Aditi Kashyap (3A)
- Aditya Partap Singh (5A)
- Sajal Vats (39A)
- Samarth Gupta (40A)
- Mihir Mandanka (54A)

Course Coordinator: Prof. Tamanna Chaturvedi



Approach taken and Trade metrics used

(Product selection and Export destination selection)

We have made use of Trade metrics to arrive at a suitable export destination and product for our HS code 57.

Product selection in HS code 57

SHI: HS 57 has a SHI of 0.27. This denotes the exports are well diversified across 6-digit codes for Chapter 57.

RHI: HS 57 has an RHI of 0.57. This denotes that the export destinations are highly concentrated and in need of diversification.

Low SHI and High RHI strategy: HS 57 has a combination of low SHI and high RHI. Since we have positioned as a startup, we can shift from old destination to a new destination.

Export Propensity Index: For HS 57, the value of the Export propensity index (EPI) for HS 57 is 1.05%.

This high EPI value would provide our startup with a gestation period of 2-3 years in the domestic market.

The high value of EPI also denotes potential for exports in the future and favorable government policies.

Revealed Comparative Advantage: Now to select a product at the 6-digit level, we use RCA calculations. We look at 5-year trends of RCA to weed out any anomalies. RCA values must be greater than 1.

PHI: The value of PHI at a 6-digit level for HS 57 would be less than 0.5 as there is the absence of any monopoly or oligopoly of carpets in India. This would make entry of a startup easier even in codes with high RCA due to L1 presence.

Final Product Selection:

Based on our calculation of all the above indicators, we have selected **HS 570232** as our product. Its RCA value in 2022 was 4.28 and had an increasing trend.



Detailed Calculations

Export Destination Calculation for HS 570232

We obtained the list of importers for HS 570232. We then select countries with positive annual import growth values (2018-22).

Since we are positioned as a startup, we further select countries having negative BOT.

From this list, we exclude countries that contribute to the high RHI value of 0.57 for HS 57. These countries include US, Germany, UK, Australia, and Canada.

Post this exclusion, we select countries with low import RHI as they would have multiple import players and hence easier to enter the market.

For ease of calculations, we only consider countries with import RHI<0.3. They are 14 in total.

With respect to these 14 countries, we calculate Trade Intensity Index (TII) for India and the L2 players to find the best export destination.

There are four countries for which India's TII is higher than top 3 L2 players. These are Switzerland, Croatia, Hungary, and Slovenia.

Final Export Destination Selection:

Out of these four countries, we choose **Switzerland** as our final export destination due to its higher imported value (2022) and higher Import Penetration Index (IPI).

Imported Value 2022 (\$ thousands)	Importers	Import RHI (Trade Map)	IPI	TII of India	TII of strongest L2 player	Next L2 player	TII	Next L2 player	TII
3444	Switzerland	0.25	0.0021761%	5.49	Germany: 1.64	Turkey	1.671498021	Nederland	0.359203426
151	Croatia	0.25	0.00046724%	9.776725267	Netherland: 3.65	Germany	1.485167107	Denmark	1.910072136
220	Hungary	0.2	0.00021548%	12.0749484	Germany:0.55	Austria	2.459843035	Slovakia	4.420811364
95	Slovenia	0.19	0.00016516%	4.176180948	Germany: 1.08	China	2.787102143	Austria	1.434037738



Detailed Calculations

About Switzerland

Population distribution

Population distribution corresponds to elevation with the northern and western areas far more heavily populated; the higher Alps of the south limit settlement

Switzerland is a highly trade-dependent country, with exports and imports accounting for over 100% of GDP. The country's main exports are machinery and equipment, chemical-pharmaceutical products, watches, and textiles and apparel. Its main imports are raw materials, food, vegetable oils, and fuel.

Climate

Switzerland has a temperate climate, with four distinct seasons. The summers are mild and sunny, with average temperatures ranging from 18°C to 25°C (64°F to 77°F). The winters are cold and snowy, with average temperatures ranging from -2°C to 4°C (28°F to 39°F).

The amount of precipitation varies depending on the region, but Switzerland receives an average of 1,200 millimeters (47 inches) of precipitation per year. The Alps receive the most precipitation, while the Swiss Plateau receives the least.

Switzerland's climate is influenced by its location in the heart of Europe and by the Alps. The Alps act as a barrier to cold air from the north and hot air from the south. This helps to keep Switzerland's climate relatively mild.

Switzerland's climate is also influenced by its altitude. The higher you go in elevation, the colder the temperature becomes. This is because the air at higher altitudes is thinner and contains less heat.

Here is a more detailed overview of the four seasons in Switzerland:

Spring: The spring season in Switzerland lasts from March to May. The weather during this time is mild and sunny, with occasional showers. The flowers start to bloom in the spring, and the landscape becomes a beautiful green color.

Summer: The summer season in Switzerland lasts from June to August. The weather during this time is warm and sunny, with occasional thunderstorms. The summers are a popular time for tourists to visit Switzerland, as there are many activities to enjoy, such as hiking, biking, and swimming in the lakes.

Autumn: The autumn season in Switzerland lasts from September to November. The weather during this time is cool and rainy, with occasional sunny days. The leaves on the trees change color in the autumn, creating a beautiful display of red, orange, and yellow.

Winter: The winter season in Switzerland lasts from December to February. The weather during this time is cold and snowy, with occasional sunny days. The winters are a popular time for tourists to visit Switzerland to go skiing and snowboarding.

Switzerland's climate is generally pleasant, but it is important to be prepared for all types of weather, especially if someone is planning on visiting the mountains.

Trade Agreements

Switzerland trades with a wide range of countries, but its main trading partners are the European Union, the United States, and China. The EU accounts for over 60% of Switzerland's exports and imports. The United States is Switzerland's second-largest trading partner, accounting for around 10% of its exports and imports. China is Switzerland's third-largest trading partner, accounting for around 7% of its exports and imports.

Switzerland is a member of the World Trade Organization (WTO) and the European Free Trade Association (EFTA). It has also signed free trade agreements with a number of countries, including the United States, Japan, and China.

Switzerland's trade policy is based on the principles of free trade and open markets. The country supports the WTO and its efforts to liberalize global trade. Switzerland is also committed to promoting sustainable trade and development.

Trade Agreement between Switzerland and India

There is no comprehensive trade agreement between Switzerland and India. However, the two countries have signed a number of bilateral agreements covering specific areas of trade and investment, including:

- Agreement on the Promotion and Protection of Investment (1997)
- Agreement on Double Taxation Avoidance (1994)
- Agreement on Air Transport (2004)
- Agreement on Technical Cooperation (1967)
- Agreement on Scientific and Technological Cooperation (2003)

The two countries have also been negotiating a Comprehensive Economic Partnership Agreement (CEPA) since 2008. The CEPA would cover a wide range of trade and investment issues, including goods, services, investment, and government procurement. The negotiations for the Comprehensive Economic Partnership Agreement (CEPA) are still ongoing, and there is no clear timeline for an agreement to be reached. However, the negotiations have been slow and there is no clear timeline for an agreement to be reached.

Both countries have expressed their commitment to concluding the CEPA as soon as possible, but there are a number of challenges that need to be addressed, including:

- *Market access:* India is seeking greater access to the Swiss market for a range of goods, including agricultural products and textiles. Switzerland is also seeking

greater access to the Indian market for goods and services, including financial services and insurance.

- *Rules of origin:* The two countries need to agree on rules of origin, which will determine which products are eligible for preferential tariffs under the CEPA.
- *Intellectual property rights:* Switzerland is seeking stronger intellectual property rights protection in India. India is concerned that strong intellectual property rights could hinder access to affordable medicines.

The lack of a comprehensive trade agreement between Switzerland and India is a barrier to trade and investment between the two countries. It is estimated that a CEPA could boost bilateral trade by up to 50%.

It is important to note that the CEPA is not a free trade agreement in the strictest sense, as it will not cover all goods and services. However, it is expected to be a significant step forward in bilateral trade relations between Switzerland and India.

About carpet (570232) imports in Switzerland

What are 570232 carpets?

HS code 570232 refers to woven carpets and other textile floor coverings, not tufted or flocked, whether or not made up, including "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs, of man-made textile materials.

This code covers a wide range of carpets and rugs, including:

- Machine-woven carpets
- Hand-woven carpets
- Area rugs
- Runner rugs
- Doormats
- Floor mats

The carpets and rugs covered by this code can be made from a variety of man-made textile materials, such as polyester, nylon, acrylic, and polypropylene.

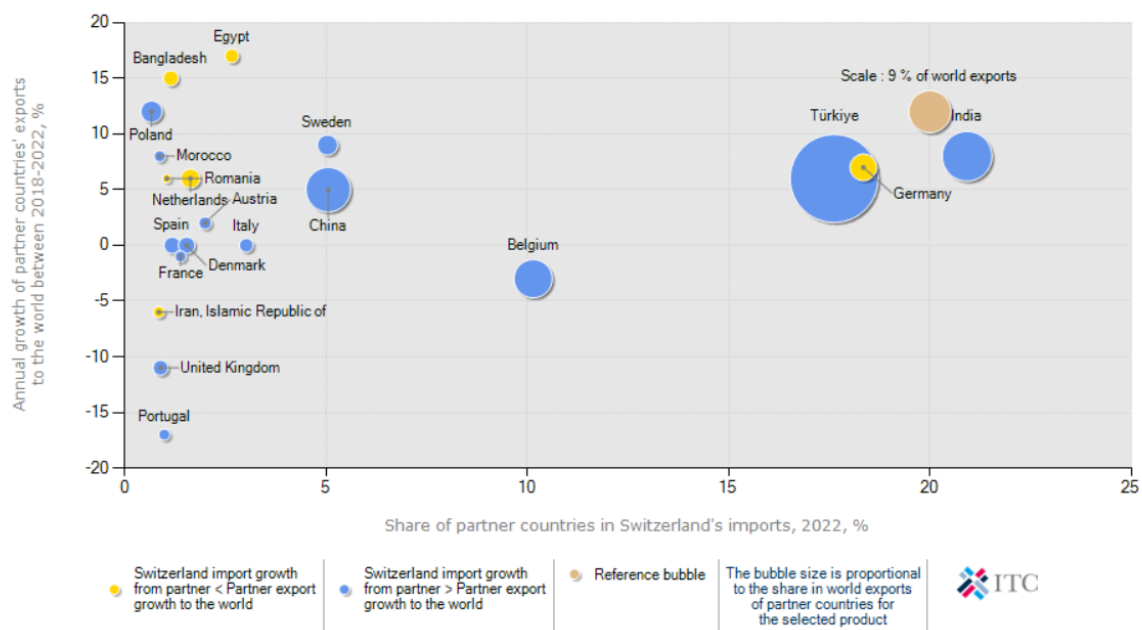
HS code 570232 is a six-digit code, but it can be further subdivided into nine-digit codes to provide more specific information about the product. For example, HS code 57023210 covers machine-woven carpets of man-made textile materials, while HS code 57023290 covers other carpets and rugs of man-made textile materials.

HS codes are used by customs authorities around the world to classify and identify imported and exported goods. They are also used by businesses to determine the applicable duties and taxes on their goods.

Here are some examples of products that are covered by HS code 570232:

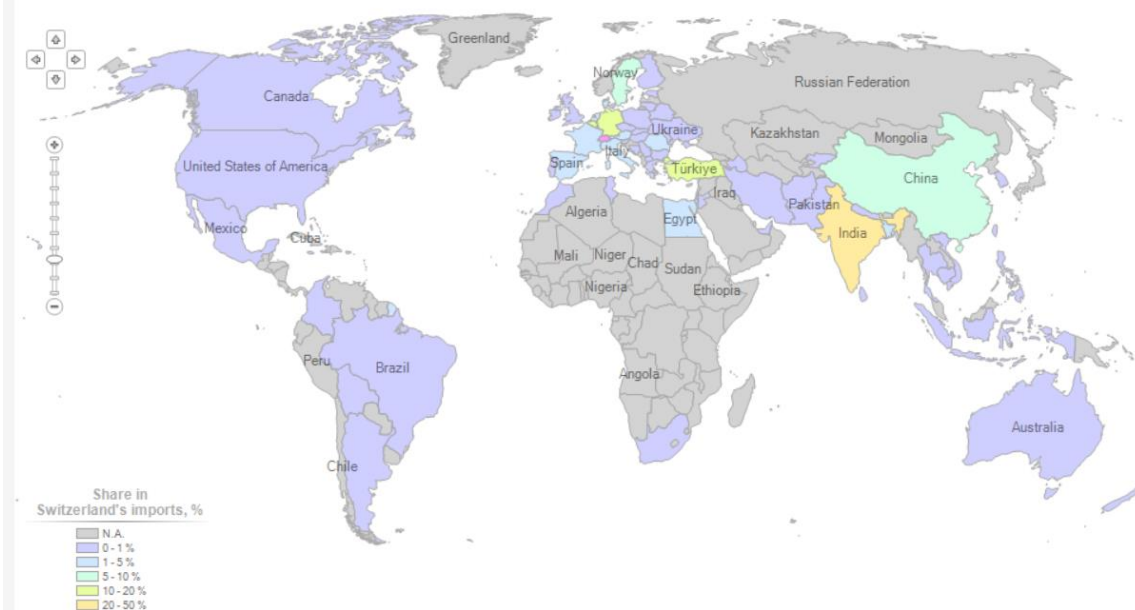
- Machine-woven polyester carpets
- Hand-woven polypropylene rugs
- Area rugs made from acrylic fibers
- Runner rugs made from nylon fibers
- Doormats made from polypropylene fibers
- Floor mats made from polyester fibers

Prospects for diversification of suppliers for a product imported by Switzerland in 2022
 Product : 5702 Carpets and other textile floor coverings, woven, not tufted or flopped, whether or not made up, incl. Kelem, Schumacks, Karamanie and similar hand-woven rugs



List of supplying markets for a product imported by Switzerland in 2022

Product : 5702 Carpets and other textile floor coverings, woven, not tufted or flopped, whether or not made up, incl. Kelem, Schumacks. Karamanie and similar hand-woven rugs



The Swiss carpet industry has a long and rich history, dating back to the **16th century**. Today, Switzerland is home to several world-renowned carpet manufacturers and exporters. Here are some of the local carpet players in Switzerland:

- *Huber Bodmer Swiss Carpets*: Huber Bodmer is a family-owned company that has been manufacturing carpets in Switzerland for over 100 years. The company is known for its high-quality, hand-woven carpets, which are made from a variety of materials, including wool, silk, and cotton.
- *Teppichfabrik W. Schillig AG*: Teppichfabrik W. Schillig AG is another leading Swiss carpet manufacturer. The company is known for its innovative and stylish designs, which are often inspired by the latest trends in fashion and interior design.
- *Teppichfabrik Schöb AG*: Teppichfabrik Schöb AG is a Swiss carpet manufacturer that specializes in high-quality, hand-tufted carpets. The company's carpets are made from a variety of materials, including wool, silk, and bamboo.
- *Bricoflor*: Bricoflor is a Swiss retailer that sells a wide range of carpets, including carpets from Swiss manufacturers. The company has a number of stores throughout Switzerland and also sells online.
- *Carpetright*: Carpetright is a British retailer that sells a wide range of carpets, including carpets from Swiss manufacturers. The company has several stores in Switzerland and also sells online.

There are a few things that an Indian startup exporting carpets to Switzerland will keep in mind:

- *Product quality*: Swiss consumers are known for their high standards, so it is important to ensure that the carpets are of the highest quality. This includes using high-quality materials, construction, and finishing.
- *Design*: Swiss consumers also have a taste for stylish and modern designs. The carpets should be visually appealing and reflect the latest trends in the Swiss market.
- *Pricing*: Switzerland is a high-income country, so the carpets can be priced accordingly. However, it is important to remain competitive with other carpet exporters.
- *Marketing*: The startup should develop a strong marketing strategy to reach Swiss consumers. This may include attending trade shows, partnering with local retailers, and using social media.
- *Logistics*: The startup should also have a reliable logistics system in place to ensure that the carpets are delivered to Switzerland on time and in good condition.

Use Cases of Carpets

Imported carpets can have various use cases in Switzerland, as they are not only functional but also contribute to the aesthetic appeal of homes, offices, and public spaces. Here are some common use cases for imported carpets in Switzerland:

- *Home Decor:* Imported carpets can enhance the interior decor of Swiss homes. They add warmth, texture, and colour to living rooms, bedrooms, and dining areas. Handcrafted rugs from countries like Turkey, Iran, or India can become focal points in Swiss homes.
- *Winter Comfort:* Switzerland experiences cold winters, and carpets provide insulation against the cold floors. They can make rooms cozier and more comfortable during the winter months.
- *Hotel Lobbies and Guest Rooms:* Luxury hotels and resorts in Switzerland often use imported carpets in their lobbies, corridors, and guest rooms. High-quality rugs add to the upscale ambiance and provide a luxurious feel to guests.
- *Restaurants and Cafes:* Many restaurants and cafes in Switzerland use carpets to create a welcoming and stylish atmosphere. Carpets can help absorb sound and make dining spaces more comfortable.
- *Office Spaces:* Imported carpets are used in office spaces to create a more professional and comfortable working environment. They can help reduce noise and make the workplace more aesthetically pleasing.



- *Museums and Cultural Institutions:* Museums and cultural institutions may use imported carpets to create an elegant and culturally rich atmosphere in exhibition spaces. These carpets can also help protect delicate flooring in historic buildings.
- *Special Events:* Imported carpets are often used in special events, such as weddings, conferences, and exhibitions. They can serve as a luxurious backdrop for ceremonies and exhibitions.
- *Retail Stores:* High-end retail stores may use imported carpets to create a sense of luxury and exclusivity. Carpets can also help define different sections of the store and provide a comfortable shopping experience.
- *Yachts and Private Jets:* In the world of luxury, imported carpets are used to decorate the interiors of private yachts and jets owned by affluent individuals. These carpets can be custom-made to fit the unique spaces of these vehicles.
- *Art Galleries:* Art galleries in Switzerland may use imported carpets to enhance the presentation of artworks. Carpets with intricate designs can complement the artistic atmosphere of the gallery.

- *Conference Halls and Event Venues:* Large conference halls and event venues can benefit from imported carpets to improve acoustics, create designated seating areas, and add a touch of sophistication to the space.
- *Cultural Festivals:* During cultural festivals and exhibitions, imported carpets may be used to showcase traditional craftsmanship and cultural heritage. They can be a central element in cultural displays.

In Switzerland, the use of imported carpets goes beyond mere floor coverings; they are seen as investments in both comfort and aesthetics. The choice of carpet style and design can vary widely based on the intended use and the preferences of the property owner or manager.

Trends and Innovations: The carpet industry in the Switzerland has been evolving to meet changing consumer preferences and sustainability concerns. Some key trends and innovations include:

- *Sustainability:* Many manufacturers are focusing on sustainable practices, such as using recycled materials and reducing their environmental footprint.
- *Digital Printing:* Advanced digital printing technology allows for more intricate and customized carpet designs, catering to individual preferences.



- *Modular Carpet Tiles:* These are increasingly popular for their ease of installation, maintenance, and design flexibility, especially in commercial spaces.
- *Smart Carpets:* Some companies are integrating technology into carpets, enabling features like heating, lighting, and even sensing capabilities.

Distribution Channels: Carpets in the Switzerland are distributed through a variety of channels, including:

- *Retail Stores:* Carpets are available in-home improvement stores, specialty flooring retailers, and department stores.
- *E-Commerce:* Online platforms have become a significant distribution channel, allowing consumers to browse and purchase carpets from the comfort of their homes.
- *Commercial Suppliers:* Commercial carpets are often supplied directly to businesses, interior designers, and contractors.
