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The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

India may have more 'border haats' for deeper ties

The Economic Times

New Delhi, Mar 8, 2017 : The 'border haats' between India and Myanmar are functioning "very well" and the government is looking at opening more such facilities on borders, Central Board of Excise and Customs (CBEC) Chairman Najib Shah said today.

India by virtue of its geographical location has many neighbouring countries and this "informal trade" with Myanmar is "functioning very well", he said.

Such system of trade is restricted to bordering districts of Myanmar and India in the North-East.

"It is restricted to certain value limits. It is restricted to local produce in those areas because we do not want other trades to get in. We are looking at such informal trade also with other border areas. But nothing has been firmed up as of now," he said here at a function.

About the implementation of the WTO's trade facilitation agreement (TFA) in goods, Shah said India is largely compliant with the provisions of this global pact.

Asked about the investment required for the full implementation of the pact, he said: "I do not think that it is too daunting for us to ensure we implement the TFA in both letter and spirit."

Shah also said changes in certain laws are required for the pact which the government will do within a stipulated window.

The WTO's trade facilitation pact will help promote global trade in several ways such as facilitating movement of goods and effective functioning of ports.

The agreement, which seeks to ease Customs norms, came into effect last month with two-thirds of WTO members ratifying the pact.

India will fund all its projects like upgradation and digitisation of infrastructure for implementation of the trade facilitation pact.

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US' first trade salvo to hit India's export sops

Nayanima Basu, Business Line

New Delhi, Mar 8, 2017 : Doing business with the Trump regime is not going to be easy for Delhi. If the H-1B visa row was not enough, serious troubles lie ahead on the trade and investment fronts, too.

The first indication of the trouble comes from the 2017 Trade Policy Agenda unveiled by the Trump administration. This document says ominously that the US will come down on India's export subsidy programmes, and push for a stricter regime for intellectual property rights and patents.

The Trump team's first report — 2017 Trade Policy Agenda and 2016 Annual Report of the President of the United States on the Trade Agreements Program — released by the Office of the United States Trade Representative categorically says that India's "import restricting measures" result in "serious market access issues" for the US industry.

The document sees a general trend of tariff increases in India, which reflects an active pursuit of import substitution policies.

The March 2 document states that the US will engage India bilaterally to commit to a phase-out of its export subsidy programmes to the extent that they benefit the textile and apparel sector.

The new US government has asked India to announce the subsidies it offers to some of its agricultural produce in advance and not after a bumper harvest, diplomatic sources told *BusinessLine*.

The report also states that India's trade and regulatory policies have "inhibited" the real growth potential of the bilateral trade that rose to $109 billion in 2015 from $4.8 billion in 1980. The Goods and Services Tax (GST) regime, it says, could provide an impetus to the creation of a "common internal market that significantly lowers transaction costs."

While agreeing that India's reforms on IPR are encouraging, the document says India's new National Intellectual Property Rights Policy should protect US innovations.

On the WTO dispute between India and US poultry imports, the USTR said it will continue to press for suspending trade concessions given to India to the WTO Disputes Settlement Body, unless India allows import of American poultry products.

Surplus issue

According to sources, the US will “come down heavily” on India and other countries with which it has trade surplus. The US has registered its biggest monthly trade deficit in nearly five years of $48.5 billion.

Says Biswajit Dhar, a trade expert and a Professor at Jawaharlal Nehru University: “This government will uphold American interest at any cost. The US has been already asking questions of India on some of its subsidy mechanism. (US President Donald) Trump is going to be a mercantilist and will not tolerate trade deficit.”

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Indian economic growth could boost US exports: USTR

The Economic times

Washington, Mar 14, 2017 : India's economic growth and indirect taxation reforms could support more US exports to the country in future, the US Trade Representative has said in a new report.

"India's economic growth and development could support significantly more US exports in the future. India's reform of its goods and services tax could help create a common internal market that significantly lowers transaction costs," the US Trade Representative (USTR) said in its voluminous annual report on trade.

The first such report under the Trump administration, it gives an indication of the policies of the new US government with other countries of the world including India.

The report indicates that the Trump administration is optimistic of the reforms started by India.

"India's new National Intellectual Property Rights policy could protect US innovations," it said.

"While these reforms are encouraging, there has also been a general trend of tariff increases in India, which reflects an active pursuit of import substitution policies," USTR said, adding that in 2017, the US will press India to make meaningful progress in relation to these ambitious goals.

Among other actions, the report said, USTR will follow through with work plans agreed to during the October 2016 US India Trade Policy Forum (TPF), which will include convening digital video conferences and in-person meetings on intellectual property rights, promoting investment in manufacturing, agriculture, and trade in goods and services.

"This regularised engagement will provide an opportunity to achieve meaningful results on a wide range of trade and investment issues, and allow the US and India to partner on issues of mutual interest in advance of the 2017 TPF," the report said.

Taking note of the balance of trade in favour of India, the report refers to the multi-fold increase in bilateral trade between the two countries.

"Two-way US-India trade in goods and services in 1980 was only USD 4.8 billion; it grew to an estimated USD 9 billion in 2015 (latest data available for goods and services trade) - an annual growth rate over this period of better than nine percent," it said.

Former US President Barack Obama and Prime Minister Narendra Modi had set the target of increasing the goal of USD 500 billion.

At the same time, the report rued that the existing Indian trade and regulatory policies have inhibited an even more robust trade and investment relationship.

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RCEP: Ministry awaits political nod for more tariff cuts

Amiti Sen, Business Line

New Delhi, Mar 8, 2017 : The Commerce Ministry is under pressure to expedite a political decision on the market openings offer to members of the proposed regional comprehensive economic partnership (RCEP), particularly China, the country largely responsible for India's indecisiveness.

In last week's negotiating round in Kobe, Japan, there was a broad agreement between the 16 participating countries that efforts would be made to submit revised and concrete offers in May, when members meet for the next round of negotiations in the Philippines, and to try and wrap up the negotiations before the end of this year, a government official told *BusinessLine*.

"There was considerable progress made in last week's talks. There is a sense of urgency amongst members to wrap up the negotiations after the failure of the Trans Pacific Partnership. We have to get a political nod very soon on improved offers so that we have something substantial to submit in May," the official said.

The RCEP, which includes the 10-member ASEAN countries, India, China, Japan, Australia and New Zealand, is aiming for free trade in goods and services and freer flow of investments between members. Once concluded, it could be the largest free trading bloc in the world accounting for 45 per cent of the world population and over $22 trillion of gross domestic product (about 30 per cent of world GDP).

New Delhi has also been stressing that matching offers by all members need to be made in the area of services, especially mode 4 which relates to freer movement of professionals.

There is no clarity yet on whether a Cabinet nod would be required for extending the final offers. "We don't know yet what kind of clearance we would need. But we certainly can't make our final offers till a political decision is taken by the higher powers," the official said indicating the Prime Minister's Office.

India's main problem is that the members have rejected its initial offer under a three-tiered system where it extended the ASEAN the maximum tariff elimination on 80 per cent items, followed by elimination on 62.5 per cent of items for Japan and South Korea (countries with which bilateral free trade pacts exists) and elimination on 42.5 per cent items for China, Australia and New Zealand (where no free trade such pacts exist).

Not only will New Delhi now have to give a single structure of tariff cuts for all countries, with only some deviations allowed to take care of its sensitivities, it also has been asked to improve its offers, the official said.

“It was difficult enough for us to give an offer of eliminating 42.5 per cent of tariffs for China, despite the fact that it will happen over an extended period of time. To improve upon that will be a very difficult political call,” the official said.

New Delhi hopes to protect its most sensitive items such as steel from immediate tariff cuts using the deviations allowed.

Now that the US has pulled out of the ambitious TPP — of which seven members from RCEP were also a part — participating countries are viewing the RCEP as their last recourse to a large regional pact.

“While the failure of the TPP has made India less vulnerable in the discussions on IPR and investments where the TPP provisions were being treated as the gold standard, definitely the pressure in the area of goods has gone up several-fold,” the official said.

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Need to revive biopiracy talks at WTO: Commerce secretary Rita Teaotia

Kirtika Suneja, The Economic Times

New Delhi, 16 Mar, 2017 : Calling for a global regime to stop misappropriation and reckless patenting of traditional knowledge, commerce secretary Rita Teaotia emphasised on the need to revive discussions on biopiracy at the World Trade Organisation to counter the practice of commercially exploiting natural products by obtaining patents while failing to fairly compensate the communities from which these originate.

“Effective international regime will create certainty of access for users, including MNCs and the developed countries, while also ensuring against patenting of existing knowledge,” Teaotia said at an event organised by the Centre for WTO Studies at Indian Institute of Foreign Trade on Wednesday.

She said there is an urgent need to revive discussions on the linkages between intellectual property rights and the Convention on Biodiversity (CBD) at the WTO since there is asymmetry between the benefits earned by companies that commercially exploit products derived from traditional knowledge and benefits for traditional knowledge holder along with misappropriation or biopiracy.

Attempts to patent medicinal properties of neem, turmeric and ashvagandha in Europe and the United States are examples of the adverse effects that a patent monopoly over traditional knowledge can have on indigenous communities that hold such knowledge.

The issue has receded to the background in recent years. Despite the Doha Declaration mandating the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Council at the WTO to examine the TRIPS-CBD linkages, discussions appear to have halted in 2011.

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India's TFS proposal draws mixed response

D Ravi Kanth, Live Mint

16 Mar, 2017 : India's proposal on trade facilitation for services, which seeks to eliminate several hurdles in global trade in services, has received a mixed response from members of the World Trade Organization.

Several developing countries said on Tuesday that it would impose burdensome commitments on them, according to negotiators familiar with the development.

India made a formal presentation of the 13-page draft legal text at a meeting of the WTO's Working Party on Domestic Regulation on Tuesday.

India explained that the underlying rationale of the TFS (Trade Facilitation for Services) which is drawn up on the lines of the Trade Facilitation Agreement for goods is to simplify procedures to ensure that market access for services remain "effective" and "commercially meaningful".

India emphasized that the TFS "is not about new market access" for services.

India argued that the draft legal text covering Mode 1 (cross-border services), Mode 2 (consumption abroad) and Mode 4 (movement of shortterm services providers or natural persons) is based "on a careful mix of certain mandatory obligations, and those qualified as ‘to the extent practicable,’ or as ‘endeavor’ obligations”.

It provides for special and differential treatment provisions under which developing countries are offered a transition period while least-developed countries are exempted from undertaking any commitments arising out of the TFS agreement, India argued.

Major industrialized members such as the European Union (EU), Canada, Switzerland, Australia and New Zealand, among others, welcomed the Indian proposal.

However, the United States remained silent, while the African group expressed its reservations.

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Huge potential exists to boost trade with Africa: Nirmala Sitharaman

The Financial Express

New Delhi, Mar 9, 2017 : Tapping the potential in renewable energy, pharma and healthcare can boost economic ties between India and Africa, Union Minister Nirmala Sitharaman said today. She said the two-way trade between India and Africa increased to $56.69 billion in 2015-16 from $51.67 billion in 2010-11. There was a “good increase in trade but opportunities do exist. The newer sectors in which we can have greater interaction, engagement and productive relationship are renewable energy, pharmaceuticals and healthcare,” the Commerce and Industry Minister said.

She added that both sides can collaborate for joint research in order to combat pandemics such as HIV AIDS. Sitharaman said currently the global trade scenario is dim but it also throws big opportunities for businesses of India and Africa.

“We have to seize that opportunity and build on what we can achieve,” she said, adding India is relaxing its FDI norms and improving business climate to attract investments. The minister further said India can play a major role in the ensuring food security of the African region. She was speaking at the India-Africa Project Partnership conclave.

Speaking at the event, Minister of State for External Affairs V K Singh said that India's economy is growing at a faster rate and "you have a bright spot where you can do business". The engagement model of India with Africa is different from other countries as "we engage for the benefit" of people of both the sides.

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India, Portugal keen to further IT, communication ties: Ravi Shankar Prasad

The Economic Times

New Delhi, Mar 6, 2017 : India and Portugal stressed the need to further explore opportunities to strengthen ties in the field of information and communication technology, IT Minister Ravi Shankar Prasad said today.

To fast-track the collaboration, the government is also looking to set up a working group to enhance the scope for furthering ties, which will be a follow-up of a bilateral agreement between between both the countries.

"From cyber security to digital delivery to financial inclusion, there is a great scope of working between Portugal and India. We are very soon going to start working group between Portugal and India," Prasad said after meeting Maria Manuel Leitao Marques, Portugal's Minister of Presidency and Administrative Modernisation.

Prasad said the working group is follow-up of bilateral agreement signed between Prime Minister Narendra Modi and his Portuguese counterpart Antonio Costa.

"Portugal and India have got very close relationship, extending for more than 500 years. It is a matter of great moment that present Prime Minister of Portugal also has great Indian roots," Prasad said.

During the meeting, both Prasad and Marques discussed possible areas of mutual cooperation for both the governments in the filed of information and communication technology.

India also agreed to support Portugal with capacity building to scale up mechanisms for e-delivery of governance and citizen schemes.

"We talked a lot of our mutual cooperation in the field of ICT. Portugal has good experience working in the field of IT services; pro-people app model are there. I explained to her how digital India is working. How citizens are getting engaged," Prasad said.

Marques will deliver a keynote at the ICEGOV conference to be held between March 7 9.

Marques said it is going to be a good opportunity to speak about future and our goals are similar.

"Using ICT, using smartphones to make life easier for citizen and business, to making life happier for everybody which means inclusivity, social inclusion and financial inclusion for everybody. It's possible now because technology is something more accessible than in the past.

She said Portugal has similar strategy as of India on the way ICT can be efficiently used to make public administration friendly for citizens and also friendly for business to improve competitiveness of Portugal, attract investments, create jobs and we have similar points where we can collaborate.

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China urges EU to ease high-tech export restrictions

Business Standard

Beijing, Mar 15, 2017 : Chinese Premier Li Keqiang on Wednesday urged the European Union (EU) to ease its high-tech export restrictions on China, in response to concerns over the bloc's trade deficit with the country, a media report said.

"I believe that will make a big difference in China-EU trade imbalance," Li told media following the conclusion of the annual parliamentary session here, Xinhua news agency reported.

"China has no intention to pursue trade surplus. In fact, China prefers trade balance, otherwise it won't be sustainable," the premier added.

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Export based on world demand, not domestic supply: Govt

Subhayan Chakraborty, Busineess Standard

New Delhi, Mar 15, 2017 : India needs to rethink on which export items it should focus, says a report authored by a senior advisor in the finance ministry. The author, H A C Prasad, senior economic advisor, says these are his views, not of the ministry.

“In 2015, India’s export share in the top 100 world import items at four-digit HS level were more than five per cent in only five items,” says the report. In Value terms, only 1.6 per cent.

These include petroleum oils, diamonds and jewellery, sensitive to small price rises in the production or distribution phases.

“Similar is the case in different important markets like the US, EU, Japan, etc. Our focus (has been) on exporting what we can (or supply-based). We have to shift to items for which there is world demand and we also have basic competence,” says the report.

Rising for a fifth straight month, merchandise exports grew by 4.3 per cent in January, after a 5.7 per cent rise in December. Exports were $22.1 billion, after reaching a 21-month high in absolute terms in December to $23.9 bn.

Before the rise, outbound trade had fallen for 21 continuous months. “We are expected to reach around $270 billion this fiscal,” says S C Ralhan, president, Federation of Indian Export Organisations. Experts, however, advise caution.

Rising protectionist measures globally had resulted in international trade growth estimates by the World Trade Organisation falling to a range of 1.8-3 per cent for 2017. Earlier, it had revised its estimate for growth in 2016 to 1.7 per cent, slowest since the financial crisis of 2009.

India’s share in world exports is miniscule, at 1.6 per cent in 2015; China’s was 13.8 per cent. The report targets a five per cent share in the medium term. “For this, exports should reach $882 bn by 2020, which means the export growth rate needs to be around 27 per cent compounded annually (CAGR) in the five years (2016-2020), assuming global growth continues at the present CAGR of 1.5 per cent (2010-15).”

India had achieved growth rates higher than this in 2004-05 (30.8 per cent) and in 2010-11 (40.5 per cent), it recalls. On this note, the report still makes a pitch for reducing of tariffs.

“With the present global situation it might not look like the right time to suggest this (but) a lot of rationalisation can be done. India’s average MFN (non-discriminatory)-applied tariffs are relatively higher than other emerging economies and particularly all the BRICS economies except Brazil. India’s bound tariffs are higher than all these countries,” it says.

Also, it asks the government to look at streamlining of export promotion schemes in the wake of the goods and services tax (GST) regime coming into action. GST will replace many current taxes linked to imports.

The duty drawback schedule needs to be reworked, as it will be mainly basic customs duty which needs to be rebated; GST has an input tax credit system. Although exports would be zero-rated, promotion schemes would also have to be reformulated. “For example, with the lowering of duties for capital goods over the years, the relevance of the EPCG scheme has become less,” it says.

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Meeting set to review postal imports

Arun S, The Hindu

New Delhi, Mar 7, 2017 : The Finance Ministry will convene an inter-ministerial meeting next week to review a surge in postal imports of consumer goods through e-commerce as well as related security issues following seizures of high-altitude drones, bullion and fake currency in such parcels.

The meeting comes in the wake of the concern expressed by Prime Minister Narendra Modi over public grievances received by the PMO on issues relating to the import of goods through the postal network and courier services.

Boosting security

Ahead of the meeting, the Central Board of Excise & Customs (CBEC) has already begun the process of a "holistic review" of norms covering imports and exports through post to address these concerns and help in taking remedial actions, government sources, who did not wish to be identified, told *The Hindu.*

The measures include a move to tighten security by upgrading x-ray machines for non-intrusive scanning of mail parcels, they said. These steps will have an impact on the procedures for clearance of goods imported through post, they said.

The meeting will also aim to address inadequacies in data capture as the availability of comprehensive figures on imports by post and courier, facilitated by the e-commerce route, is currently lacking, the sources said. While some data is being captured by manual mode, it is not as reliable as information compiled through the CBEC's electronic data interchange system.

A recent PayPal-Ipsos report showed that shoppers from India spent about ₹ 58,370 crore in 2016 while shopping online from international websites (mainly sites of U.S., Chinese and British firms). Still, given the irritants that include prolonged delivery time, high customs duties and transactions in foreign currencies, websites offering products that were not available in India, and those promising free delivery and transactions in local currency saw better sales.

To ensure the implementation of more corrective legal, procedural and infrastructural measures, the CBEC – which will make a detailed presentation at the meeting on the issues relating to laws, procedures and infrastructure surrounding postal imports – has sought suggestions from other ministries/departments including the Directorate General of Foreign Trade in the Commerce & Industry ministry as well as the Department of Posts in the Communications ministry.

The Centre has also sought comments from stakeholders including e-commerce and courier firms. Several measures covering imports and exports via post have already been proposed in the Finance Bill 2017, including amendments in the Customs Act, 1962, to include Foreign Post Office and International Courier

Terminal in the definition of a Customs Station, as well as to define Foreign Post Office and International Courier Terminal.

The proposed amendments to the Customs Act also seek to empower the CBEC to notify Foreign Post Offices and International Courier Terminals as well as to make regulations to provide for the form and manner in which an entry may be made in respect of goods imported or to be exported by post.

Besides, the Finance Bill 2017 proposes amendments in the Customs Tariff Act, 1975, to cover goods imported through courier service as well as personal imports by courier, sea, or land.

The developments assume significance in the context of promotion of exports and imports via the e-commerce route. As part of a mid-term review of the Foreign Trade Policy 2015–20, the Commerce ministry will meet stakeholders to address exporters’ concerns about certain “restrictions”.

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India temporarily suspends import of agri-commodities from Vietnam

G K Nair

Kochi, Mar 7, 2017 : India has temporarily suspended the entry of coffee beans, bamboo, black pepper, cinnamon, cassia and dragon fruit from Vietnam with effect from March 7due to “repeated interception of quarantine pests”.

The decision comes close on the heels of Vietnam announcing that it would suspend import of peanuts, cassia seed, cocoa beans, haricot beans and tamarind from India after 60 days, starting March 1.

In a letter issued this week by the Agriculture Ministry to the Vietnamese Ministry of Agriculture and Rural Development, the Indian government said that "in view of the repeated interception of quarantine pests, the NPPO India is constrained to suspend the entry" of the commodities.

NPPO, Vietnam has been requested not to issue phyto-sanitary certificates for these six commodities for export to India.

While there is no direct connection between the two suspension orders, it is common for a country to become less tolerant towards its trading partner if its interests are continuously hurt.

Vietnam had earlier suspended imports of peanuts from India in April 2015. The ban was lifted in January 2016 after a Vietnamese delegation visited India and inspected fumigation facilities, export procedures and export certification systems.

According to Vietnam’s statement on the recent ban on five products, the decision was taken following the discovery of live insects in about 3,000 tonnes of peanuts, 24 tonnes of cassia alata seeds bought from India last year and earlier this year.

Infested with insects

All the five products are claimed to have been contaminated with the insect Caryedon serratus Olivier, commonly known as peanut beetle, which is subject to Vietnam’s plant quarantine, the report said.

The trade balance is greatly in India’s favour with the country exporting goods worth $5.26 billion to Vietnam in 2015-16 compared to imports worth $2.5 billion from the country.

A significant part of the Indian imports of black pepper has been from Vietnam this year. Citing the Vietnam General Department of Customs, Kishor Shamji, a veteran exporter, told *BusinessLine* that India imported 10,399 tonnes, registering an increase of 33.82 per cent over the previous year and became the third-biggest importer.

At the national level total exports may have touched 11,800 tonnes and the total imports were at 16,500 tonnes, he said.

He said around 90 per cent of Indian pepper exports, of late, is re-export of imported pepper after value addition, such as extraction, grinding and sterilisation.

Indian imports of Cassia in 2015-16 stood at 19,405 tonnes valued at ₹ 242.22 crore. Imports of other spices, including cinnamon, during the period stood at 11,135 tonnes valued at ₹ 517.71 crore.

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India's cotton yarn exports to rise on strong Chinese demand

Dilip Kumar Jha, Business Line

Mumbai, Mar 10, 2017 : As the Chinese cotton auction started at a 25 percent premium over the prevailing fibre rate in India, Indian exporters are pinning hopes on a revival in cotton yarn exports.

Despite a robust demand from Bangladesh, overall cotton yarn exports remained under pressure during the current financial year due to sluggish demand from China. For the April–December 2016, India’s cotton yarn exports slumped by 12 per cent to 872.19 million kgs from 987.21 million kgs in the corresponding period last year. Cotton yarn exports from India rose by a marginal 4.29 per cent at 1307.11 million kgs for the financial year 2015-16 from 1253.33 million kgs for the previous year.

The first day of Chinese auction quoted cotton prices between Rs 51,000 and Rs 56,000 a candy (356 kgs) as against Rs 42,000 a candy currently prevailing in most local markets here. This means Chinese cotton is costlier by a wide margin.

Also, the cotton being auctioned in China is up to seven-year old. By nature, the quality of natural cotton starts deteriorating after a two-three years as the fiber starts growing yellow.

Still Chinese spinning mills buying cotton perhaps for blending with fresh cotton. But, because of high prices, India tends to gain despite 3.5 per cent levy of duty by China on import from India.

India faces direct competition from Vietnam as China has allows zero duty import from there. So, instead of cotton, Chinese textiles mills would move to purchase cotton yarn from India.

“We are expecting, therefore, cotton yarn exports to turn positive this year after a steep decline last year,” said Siddhartha Rajagopal, Executive Director, The Cotton Textiles Export Promotion Council (Texprocil).

Meanwhile, cotton yarn demand from domestic mills have also revived with its price has risen by five to seven per cent in the last two-three weeks. Yarn price follows the trend of cotton price movement, of course, with a lag of 1-2 months. Today, cotton prices have risen sharply so far this calendar year with the benchmark Shankar 6 variety hitting to the level of Rs 12,188 a quintal on Tuesday, the highest in five months. Cotton (Shankar 6) price has jumped by over 10 per cent this calendar year. This level of cotton price was earlier seen on October 8, 2016. International price of cotton at 79 $-cents per pound is also all time high.

“Yarn demand from overseas buyers remained sluggish since October price hike in cotton as importers held their orders in anticipation of price fall. But, now they believe that cotton prices are not going to come down. So, they are booking cotton and cotton yarn. So, the overall demand has revived in the last few weeks,” said Manikam Ramaswami, Chairman And Managing Director, Loyal Textile Mills Ltd, a Chennai–based textiles manufacturer.

Meanwhile, a recent Care Ratings report forecast India's cotton yarn output to decline by five to seven per cent to 3,936 million kgs for the financial year 2016-17 on the back of sluggish demand in past months with substitution taking place from man made fibre (MMF) as well as distressed direct yarn exports due to lower demand from China. Yarn demand in other export markets will be healthy, the report said.

After declining by 10 per cent in 2011-12 cotton yarn production increased by over 14 per cent y-o-y to 3,583 million kgs in 2012-13. In 2013-14, production increased by about 10 per cent to 3,928 million kgs. High cotton prices and easy availability of MMF at competitive rates led to slower growth of production of cotton yarn.

Spinning mills, however, have urged the government to extend 2 per cent tax benefit to yarn sector under Merchandise Exports from India Scheme (MEIS).

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