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Nylon traders oppose levy of anti-dumping duty

The Times of India

23 October 2011 SURAT: South Gujarat Nylon Traders Association (SGNTA) and South Gujarat Wrap Knitting Association (SGWKA) have jointly opposed levy of anti-dumping duty on nylon filament yarn by the central government.

Sources said the ministry of finance and the ministry of textile have jointly decided to review the levy of anti-dumping duty on nylon filament yarn. Five years ago, the government had levied anti-dumping duty ranging between Rs 40 and Rs 50 per kilogram on the import of nylon filament yarn. This is likely to be increased.

Industry leaders said anti-dumping duty on nylon filament yarn will lead to large-scale unemployment following shut down of weaving units and will have a serious impact on weaving and knitting sectors.

The country's biggest man-made fibre industry in the city, which contributes 40 per cent of the man-made fabric demand in the country, houses about 6 lakh weaving machines, out of which 1.5 lakh machines are using nylon filament yarn as their main raw material. Moreover, the city houses about 750 warp knitting units - there is a total investment of Rs 300 crore in this sector -- using nylon filament yarn as their main raw material.

The monthly requirement of nylon filament yarn is about 5,000 tonnes, out of which 3,300 tonnes, is supplied by the domestic nylon spinners and the rest is imported from countries like China, Taiwan, Malaysia, Indonesia and Korea.

President, SGNTA Vishnu Goenka told TOI, "There should be a level playing field for the importers and end users of nylon filament yarn in the city. We have urged the concerned ministries in the central government to adopt a neutral approach by fixing anti-dumping duty on the goods imported below certain fair value. If we are importing nylon filament yarn at $3 per kilogram and the same is available on similar price in the domestic market then anti-dumping duty should not be levied."

He said about 1,400 tonnes of nylon filament yarn needs to be imported every month to satisfy the manufacturing needs in the city.

"The domestic knitters are facing stiff competition from China as about 250 to 300 tonnes of knitted fabrics is imported per month. The government should impose anti-dumping duty on such products," Goenka said.

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$33 billion export target set for textiles sector

Special Correspondent, Livemint

2 December 2011: With industrial production taking a dip and the labour-intensive textiles sector witnessing a slowdown, the Government on Monday announced that Commerce, Industry and Textiles Minister Anand Sharma would hold consultations with the industry representatives on how to deal with the emerging situation.

An official spokesman said here that in the backdrop of negative growth in industrial production, the government had decided to hold consultations on December 19 with industry leaders. Mr. Sharma will hold government-industry consultation on the issue on December 19 after his return from the WTO Ministerial, an official statement said here. Industrial output registered a negative growth of 5.1 per cent in October, the lowest in over two years, mainly due to rising interest rate, high prices and global uncertainties.

Speaking in the Lok Sabha, Mr. Sharma expressed serious concern over the slowdown in the textiles sector and said the government was apprised of the situation and working on solutions to meet the new challenges due to global economic slowdown.

Mr. Sharma said that despite the damp economic global trend, the Government had set an export target of $33 billion for the textiles sector next year against the current year target of $28 billion.

The textiles sector had witnessed a slowdown due to various factors, including poor global economic situation, he said.

Mr. Sharma said the Government had constituted six high-level inter-ministerial committees with representation from various ministries and departments, including the Planning Commission, to review and evaluate the performance of the textiles industry.

On the issue of dumping of Chinese silk, Mr. Sharma said the government had not received any complaint of dumping of Chinese raw silk in the Indian market and maintained that natural calamities in China had reduced production of silk in that country. The issue was raised by Basudeb Acharya (CPM).

The Minister maintained that Chinese silk was helping weavers in India as the production of raw silk had come down. He said the establishment of 21 new integrated textile parks was approved in October this year at a cost of Rs. 2,100 crore to create world-class infrastructure for the textiles industry. On the issue of handloom census, Mr. Sharma said the handloom sector was facing competition from the mechanised sector and also from cheap imported fabrics.

He said the flow of credit to the handloom sector had been characterised by high costs and low disbursement levels. Mr. Sharma said the Cabinet Committee on Economic Affairs recently approved a Rs.3,884 crore loan waiver package for the handloom sector. He said the package would reopen choked credit lines for handloom weavers and their societies and would benefit three lakh handloom weavers.

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Apparel exporters fail to gain from falling rupee on poor demand

Shramana Ganguly Mehta, Economic Times

AHMEDABAD, 20 December: Apparel exporters have failed to turn the rupee's slump into big orders largely because western retailers have cut orders for the 'Spring Summer 2012' season on fears of a slump in demand after the Christmas season. More than 80% of India's $11-billion apparel business depends on the US and European markets where consumers are currently not spending much on clothes, thanks to the crisis in Europe. "A falling rupee is good for exports, but poor sentiments are not helping business," said Premal Udani, chairperson of Apparel Export Promotion Council, the official body of apparel exporters. The rupee, the worst performing currency in Asia this year, has dropped more than 16% against the US dollar since July. On Monday, the currency closed at Rs 52.88/90 to the dollar. A fall in currency normally helps exporters because they can sell more for fewer dollars to make themselves more competitive in international markets. However, Indian exporters are unable to gain because western buyers are buying less. Since October, sourcing is down 15%. "There is lot of nervousness in the West. People are buying close to the season and retailers are going slow with their orders," said Udani. UK-based textile economist Robin Anson of Textiles Intelligence expects consumers to tighten their belts after the Christmas season. "Even the affluent consumers are feeling the pinch," he said. US-based market research firm Consumer Edge Insight has indicated that spending inclinations of consumers are at a two-year low. The euro crisis and a looming recession outside Germany too may depress sales at clothing stores in 2012. So, instead of celebrating he fall in rupee value, many small exporters are struggling to survive due to lackluster demand, an AEPC official said. "Chiffons and georgettes are increasingly replacing cotton, their proportion has gone almost threefold to 40% in last four months," said New Delhi-based export house Dimple Creations MD Praveen Nayyar. Dimple Creations is working on mass production styles that have less value-addition in terms of embellishments and hence, would be economical to buyers. Frugal consumers are restraining high-fashion buys and opting for garments that cost cheap and many small exporters are unable to cater to the new requirements. "Only big players with substantial capacities would be able to meet those needs and survive the crisis," said KH Gopal of Alok Industries, which has won several orders for home furnishing to apparel. India's apparel export basket has always been heavily tilted in favour of cotton, but now the presence of man-made fibres like polyester, viscose or lycra is on the rise.

There are more blends in export categories like women's blouses and shirts, men's shirts, scarves, mufflers, mantillas, veils and so on, said Technopak VP, Fashion, Amit Gugnani. Challenging times has made Ahmedabad-based home textiles exporter Pradeep Overseas introduce a new product category. "We have introduced cotton-viscose-cotton fabrics which are 20-45% cheaper than the former," said Kamal Garg, marketing VP of the firm.

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India launches WTO cotton complaint against Turkey

Tom Miles, Reuters

Geneva, Feb 14: India has launched a trade complaint against Turkey's policies on imports of cotton yarn, the World Trade Organization (WTO) said on its website on Tuesday. India is objecting to Turkey's use of "safeguard measures" to help its cotton industry, which one Indian official said could affect Indian exports worth around $600 million per year. Safeguard measures are temporary protectionist tariffs, permitted by WTO rules, to help a specific industry that is threatened by an unexpected surge of imports. India launched the complaint on Monday by "requesting consultations" with Turkey at the WTO, the last step to resolve a disagreement before entering a full-fledged legal dispute. India may ask the WTO to set up a dispute panel to adjudicate if consultations do not settle the matter within 60 days. By requesting consultations, India has also opened the door for other WTO members to join in if they are similarly unhappy with Turkey's treatment of cotton yarn imports. Turkey brought in the safeguard measures in 2008 for three years, but when the three years expired in July 2011, Turkey imposed provisional safeguard measures while it reviewed the case for an extension, the Indian official said. It later retroactively reimposed final safeguard measures. India previously requested consultations with Turkey over the issue in 2009, but the dispute did not go to a dispute panel at that time. India now argues that Turkey cannot extend the measures after they expired, nor can it impose provisional safeguard measures on a product which was already subject to final safeguard measures. India also says Turkey may not apply safeguard measures to cotton yarn for three years after the July 2011 expiry date. Turkey, a major producer of cotton, slapped extra import duties on imports of cotton yarn after recording a huge surge in imports of cotton yarn from 2005 onwards.

Instead of the maximum duty of 5 percent it had agreed with the WTO, it boosted import tariffs to 15-20 percent. Cotton yarn imports had risen 63.6 percent in 2005, 46.9 percent in 2006 and 119.7 percent in 2007, and in the first five months of 2008 were 32.1 percent higher than a year earlier, a document filed by Turkey at the WTO at the time showed. As a result, although total consumption of cotton yarn rose in the period, Turkish employment in the industry fell steadily and domestic production dropped in 2007, when the market share of imports reached 12.5 percent against 2.8 percent in 2004. While Turkey waived the safeguard tariff for many developing countries that are not significant suppliers of yarn, it did apply to India, one of its biggest sources.

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India drags Turkey, Egypt to WTO for import duties on Cotton yarn

Amiti Sen, ET Bureau

Feb 24, 2012,New Delhi: Striking against rising global protectionism, India has dragged both Turkey and Egypt to the World Trade Organisation for imposing special import duties on Indian cotton yarn, lowering competitiveness in these markets.

New Delhi has been criticising Turkey for violating WTO norms at several forums of the WTO for the past few months, but it has requested formal consultations on the issue for the first time, which is the first step towards filing a dispute.

Egypt, on the other hand, will be asked to explain reasons behind imposing similar duties on cotton yarn in December 2011.

Both countries have resorted to safeguard duties as such levies are easier to impose since a country only has to claim that rising imports were harming the domestic industry, a government official told ET.

Indian cotton yarn producers say that Egypt and Turkey, the fifth and sixth largest export destinations for the products, were growing markets and all attempts to check imports through unnecessary restrictions have to be opposed.

"We are concerned by the imposition of safeguard duties by both countries and hope the issue is resolved soon," said Siddharth Rajagopal, executive director, The Cotton Textiles Export Promotion Council or Texprocil.

Turkey imposed safeguard duties between 12% and 17% with effect from last July over and above the customs duty of 5% making prices of India's exports shoot up. Egypt, on the other hand, imposed a specific duty of 55 cents per kilogram of yarn in December. "In Turkey's case we have questioned its claim that adverse effect on the domestic industry due to higher imports was because of unforeseen developments and imposition of global trade rules," the official said.

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Textile exports rise 11% in FY12

Sharleen D'Souza, Business Standard

Mumbai April 11, 2012: Textile exports increased 11 per cent in the last financial year, despite turbulent times in major economies. While demand from the euro zone continued to be low, demand still poured in from the US and other non-traditional markets that saved the day for exporters.

In 2011-12, the total export of apparel is expected to be $13 billion, compared to $11.4 billion in 2010-11, a rise of 14 per cent, according to the Apparel Export Promotion Council (AEPC). “Apparel exports have shown growth in terms of price due to the depreciation of the rupee, but the volume remained the same,” said A Sakthivel, chairman of AEPC.

Overall textile exports (including apparel) in the last financial year are expected to be $30 billion, compared to $27 billion last year, indicating a growth of 11 per cent, according to the Confederation of Indian Textile Industry (CITI).

“The US and the euro zone still remain the major export markets. Although economic uncertainties plague the euro zone, it still imports textiles from India,” said D K Nair, secretary general of CITI.

“Exports orders for the current financial year are expected to pick up pace in the next two months but due to a cash crunch it may not be possible for exporters to execute these orders,” Nair added.

Cotton yarn exports were also up in the later half of the year, which helped boost exports.

“Despite the slowdown in major economies, which are major export destinations for India, textile exporters have done well due to good demand from brands, coupled with the rupee depreciation,” said Mitesh Shah, vice-president, Mandhana Industries. The denim fabric sector has also done well in exports. There was slowdown in November and December, but it eventually picked up. Currently, denim manufacturers have their order books full for the next three to four months.

“There is a steady growth in orders. The euro zone is not importing heavily, but the central and south US are,” said UtsavPandvar, CFO of Aarvee Denim.

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Textile industry keen on FTA with Pakistan

Nayanima Basu & Sharleen D`Souza, Business Standard

Says both countries stand to benefit substantially however, issue yet to come up for formal talks

Mumbai, April 19, 2012: The country's textile industry is pushing the government to sign a free trade agreement (FTA), or something close to that, with Pakistan. Facing a challenging time in its traditional European market, it is hoping to make up for the loss of business with fresh trade options in that country.

An FTA with Pakistan is already a Prime Ministerial initiative. However, it faces issues and is yet to formally come up on the negotiation table. Both countries had agreed to establish a preferential trade agreement (PTA) during the first meeting between Commerce Secretary Rahul Khullar and his Pakistani counterpart, Zafar Mahmood, in Islamabad last year. Under a PTA, the negotiating countries reduce their tariffs on a particular number of products from the level they maintain with other countries. However, unlike an FTA, a PTA does not slash or eliminate duties from a large number of tariff lines.

The textile sector is looking forward to an FTA with Pakistan since it would help Indian industry to import superior quality cotton from Pakistan. A little over 90 per cent of India's cotton is genetically modified, popularly termed Bt cotton; this is medium staple. Finer quality is long staple and an FTA would enable India's yarn makers to import these from Pakistan. Also, export of articles, such as silk and embroidery garment, is expected to go up.

"The apparel sector will benefit for sure if the agreement is signed with Pakistan," said Rahul Mehta, president of the Clothing Manufacturers Association of India.

"FTA will be beneficial for both countries as there is good demand in Pakistan for Indian textiles," said A B Joshi, textile commissioner.

It is expected that Pakistan would phase out the 'negative list' of imports with India by this December, which would automatically trigger a Most Favoured Nation status for trade. However, officials in the ministry of commerce and industry have said Pakistan might not phase out the list totally but do so gradually. In the negative list, Pakistan has put some of the main items of India's interest, such as textiles, pharmaceuticals and automobile components.

However, the commitment from there is to have textiles as part of a liberalised trade regime. "It is a win-win situation for both countries, as the Pakistanis can sell their products easily to us and vice versa," said A Sakthivel, chairman of the Apparel Export Promotion Council. Establishing trust would help real business to grow between the countries, said an industry player.

In October last year, the government had opened duty-free imports from Bangladesh for 48 textile items, which had a negative impact on the Indian textile sector; Bangladesh is not dependent on India for any kind of textile import. It would be different in the case of India and Pakistan, with both standing to benefit from the textile trade.

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Turkey may withdraw duty on imports of Indian cotton yarn

Press Trust of India

India requested for consultation with WTO to resolve the imposition of import duties

New Delhi, April 23, 2012: Turkey has expressed its willingness to withdraw safeguard duty on imports of Indian cotton yarn within a year, provided India refrains from pursuing legal proceedings at the WTO, sources said.

An indication to this effect was given by Turkey in a draft submitted to the Commerce Ministry.

"The consultations (on the issue) were held (in) March following which a draft of agreement has been received from Turkish side. It provides for lifting of the current safeguard measures within one year, starting with the entry into force the agreement/MoU provided India shall not seek a DSU (dispute settlement unit) panel investigation," said a source. India had requested for consultations with Turkey under the dispute settlement system of the WTO to resolve the dispute over the imposition of special import duties on Indian cotton yarn. The request for consultations, filed on February 13, formally initiates a dispute in the WTO. Commerce and Industry Minister Anand Sharma has also raised concerns on the issue during his meeting with Minister of State in charge of foreign trade of Turkey Zafer Caglayan on April 19 at the sidelines of G-20 Trade Ministers' meeting in Mexico. The country has said that additional import duties imposed by Turkey "are very high and have affected exports of fabrics and garments from India. This sharp increase in duties could lead to high price rise and resistance from Turkish consumers," the source said. The duty by Turkey, a major producer of cotton, was imposed in 2008 for a period of three years. When the term expired in July 2011, the country re-imposed the duty. According to industry experts, the duty was increased to 15-20%. Indian cotton yarn producers have said that these markets are resorting to unnecessary restrictions. Consultations give the parties an opportunity to discuss the matter and to find a solution without proceeding further with litigation. After 60 days, if consultations fail to resolve the dispute, India may request adjudication by a panel. Bilateral trade between India and Turkey in 2011 was $4.51 billion.

Further, India has also asked Turkey to consider issuing longer duration business visas to Indian professionals if recommended by the respective apex chambers of industry and commerce.

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Textile exporters' profits to be hit

Sharleen D'Souza, Business Standard

Mumbai 24 May:Textile exporters have not much to cheer about from the decline of the rupee against the dollar, as the fall has been so sharp that importers have started seeking renegotiation of contracts already signed.

Most exporters from India signed contracts a month or two ago, when the rupee was trading around 51-52 against the dollar. Since then it has witnessed a sharp fall to trade at 56 a dollar on Wednesday.

“Orders are taken with the value of rupee at the time when the contract is signed. Currently, windfall profits have gone and importers are bargaining and asking for a reduction in price," said Rahul Mehta, president of The Clothing Manufacturers Associa-tion of India (CMAI).

Textile exporters are still getting higher realisations compared to last year. In the second half of the last financial year, average realisation was said to be in the range of 48-50 a dollar.

While some home textile makers have taken in orders for the next six to 12 months, apparel exporters have filled their order books till October.

“We have taken some orders for the next six to 12 months and in this time the rupee has been volatile. Hence, we have done some forward booking," said R Sundaram, president, finance and company secretary of Indo Count Industries, a home textile producer.

According to the Confederation of Indian Textile Industries (Citi), in the last financial year, total textile exports stood at $34 billion, compared to $27 billion in FY11. Apparel exports in the last financial year till February were $12.15 billion, compared to $10.2 billion in the same period in 2010-11, according to the Apparel Export Promotion Council (AEPC).

A Sakthivel, chairman, AEPC, said, “Exporters on an average keep a third of their positions open, while they buy dollars for one-third when they sign order and hedge a third of the order amount in the forward market. For open positions, importers are seeking re-negotiations." He said the Council has fixed a 15 per cent higher target for apparel export in 2012-13, provided the government gives some incentives.

The Council had put forward a number of demands, including lower cost of funds, when they met the commerce minister last week. He assured them of some incentives, may be announced in the foreign trade policy changes in the next couple of week.

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Turkey agrees to remove penal duties on Indian cotton yarn

Amiti Sen,Economic Times

June 8, 2012, New Delhi: Turkey has agreed to remove penal duties 'wrongfully' imposed on Indian cotton yarn, spelling victory for Delhi that is fighting growing protectionism in several countries against its products. The two countries are likely to sign a memorandum of understanding on the issue soon, following which India would withdraw its complaint against Turkey filed with the World Trade Organisation early this year, a commerce department official told ET. "Both countries have reached a satisfactory understanding on the penal duties," the official said. "As soon as the memorandum of understanding spelling details of duty removal is signed, India will withdraw its complaint." Global economic uncertainty has prompted a number of countries including the US, Egypt and Turkey to raise protectionist walls against imports from other countries including India to safeguard their domestic firms. Canada, too, has started investigations to impose penal duties against certain Indian steel products. "It is true that protectionism worldwide is growing. India does not have a problem with import restrictions as long as countries respect the rules framed by the WTO. But we will definitely fight against all violations," the official said. Delhi has filed official complaints against restrictive duties imposed by the US on steel products and Egypt and Turkey on cotton yarn at the WTO. "In the case of Turkey, we are happy that the issue is being amicably settled without the need for a dispute settlement panel," the official said. Egypt and Turkey are the fifth and sixth largest export destinations for Indian cotton. Industry body Texprocil, which has been working with the government on the legal aspects of the penal levies imposed by Turkey and Egypt on Indian cotton yarn, says all wrongful attempts to block exports have to be severely discouraged. "If we do not take action against illegal measures adopted by another country to curb imports, we are in a way encouraging other countries to follow suit," a Texprocil representative had earlier told ET. Turkey imposed safeguard duties between 12% and 17% over and above the customs duty of 5% with effect from July 2011. This made Indian exports to the country costlier.

Egypt, on the other hand, imposed a specific duty of 55 cents per kilogram of yarn in December 2011. Safeguard duties are import levies imposed over and above the existing duties to protect domestic industry against a surge in imports. India contested Turkey's decision to extend safeguard duties after they expired last year, without carrying out a review to the WTO committee on subsidies and countervailing duties.

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On textile subsidy cuts, govt readies WTO defence

Neeraj Thakur, DNA

June 12, 2012 Mumbai: Indian negotiators are busy weaving their strategy ahead of the upcoming meeting of the committee on subsidies and countervailing measures (SCM) of the World Trade Organisation (WTO) in October.

At stake is the $77 billion textiles industry that employs 3.5 crore workers directly and about 4.7 crore indirectly.

The United States, the single largest importer of India's textiles products, accounting for around $10 billion trade, has moved the committee against India's policy of subsidising its textiles exports.

According to WTO's SCM rules, a developing country like India can provide export subsidies to its exporters till the time it reaches export competitiveness threshold.

This threshold is reached when a country achieves a share of 3.25% of world trade in two consecutive years.

India has long crossed that threshold, according to WTO data.In 2008, 2009 and 2010, the country's share in world textile trade was 3.5%, 4% and 4%, respectively. Figures for 2011 are expected in a few weeks.

So, what's the gameplan?

"There is ambiguity over the definition of a product in the WTO rule book. It does not clearly define the product," an Indian negotiator at the WTO told *DNA*.

In the WTO rule book, article 27.6 of ASCM defines a product as "section heading" of the harmonised system (HS) nomenclature.

But there is no such term in the products category. "Section and heading are two different categories," said the negotiator.

The WTO rule book classifies traded products through HS of customs classification, which includes section (Roman 2 digit), chapter (numerical 2 digit), heading (2 digits) and subheading (2 digit).

While textiles as a sector are covered under Section XI of the HS system, different products are defined under 14 chapters (50-63). These products are further classified under headings and subheadings.

"While we have surpassed the export competitiveness threshold on section-based calculations, if we calculate on the basis of the 14 chapters, then only seven of our products fall in the competitive category," said the official.

The US has asked India to withdraw schemes like Technology Upgradation Fund Scheme (TUFS) and Technology Mission on Cotton (TMC).

India isn't willing to oblige. "Schemes like TUFS and TMC are not provided to only exporters. These schemes are extended to the domestic sector as well," said the official.

Indian negotiators are depending on Article 3 of ASCM, which talks about "subsidies contingent, in law or in fact, whether solely or as one of the several conditions, upon export performance".

“Duty Entitlement Pass Book, which was essentially a subsidy scheme, has already been withdrawn by us in October 2011,” said the negotiator.

India runs many other schemes, such as special economic zones, export oriented units and focus market schemes, which may be interpreted as prohibited export subsidies.

“Even if the Indian government has to withdraw its subsidies for the textiles sector, the Indian government should follow the example of quota phase-out by the USA and EU under the provisions on agreement on textiles and clothing. Subsidies of low impact can be withdrawn first and those with serious implications can be withdrawn at the end of the phase out period that India would be entitled to,” said DK Nair, secretary general, Confederation of Indian Textiles Industry.

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Apparel exporters wary of achieving US$18 bn target

Vinay Umarji, Business Standard

June 16, 2012, Ahmedabad/ Mumbai: Going by the April-May export orders from the US and Europe, apparel exporters in India are wary of achieving the $18 billion apparel exports target this year. While the US and European markets have been disappointing for apparel exports, the industry in India has not been able to shift enough efforts to newer markets.

Apparently, in last two months, apparel exports from the two major western markets have declined by 30 per cent in volumes.

"Rupee depreciation may have painted a rosy picture in terms of value, volumes have been witnessing negative growth from the US and Europe for Indian apparel exporters. In such a short time, Indian exporters have not been able to shift their focus immediately to newer markets. Thereby, it seems difficult to achieve apparel export targets this year," said DK Nair, secretary general, Confederation of Indian Textile Industry (CITI).

Both US and Europe jointly contribute to about 70 per cent of India's total apparel exports which was around $ 14 billion in 2011-12.

"Government has given apparel exporters a target of $ 18 billion. However, it seems very unlikely to be achieved considering the decline in volumes from the western markets. We will only get a clearer picture in August when we might receive orders for next year," said Premal Udani, CMD of Mumbai-based Kaytee Corporation Pvt. Ltd.

For Bangalore-based Mahalakshmi INC, which used to export mostly to the US and Europe says that orders are down from the west by 40,000-50,000 pieces per month. "While we used to export about 150,000 pieces per month to US and Europe, we are now doing only 90,000-100,000 pieces per month. The impact is higher for firms like us who have huge dependency on west for export orders," said Gautam Jain of Mahalakshmi INC.

This despite apparel exporters looking to reduce dependency on the two western markets since sometime.

"It has been a long term plan to reduce export dependency on US and Europe. However, in last few months the industry has not been able shift business to newer markets in such a short time. The only respite is the rupee depreciation which has reduced the decline of apparel exports in terms of value," said Rahul Mehta president of Clothing and Manufacturers' Association (CMAI).

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FTA with EU soon, to benefit textile exports

Dilip Kumar Jha & Sharleen D'Souza, Business Standard

July 11, Mumbai: In a move that could improve the weakening sentiment in the Indian textile industry, the government is set to sign a free trade agreement (FTA) with the European Union (EU) by the end of the current calendar year.

Revealing this on the sidelines of the 55th National Garment Fair organised by the Clothing Manufacturers Association of India (CMAI), Kiran Dhingra, secretary, ministry of textiles, said, “We hope the FTA with the EU would be signed by November– December.”

The EU accounts for 49 per cent India’s annual apparel exports of $13 billion. Hence, it is significant for the domestic textile industry. The economic slowdown in the EU has pulled down India’s apparel exports by over 50 per cent to that region in the last few years. As a consequence, readymade garment manufacturers are now exploring other destinations, such as South America, West Asia and East Asia for compensating at least a part of the decline in the export business.

Asked about details of the FTA, Dhingra said, “The FTA with the EU is different from those signed with other countries. The textile industry will see a major boost once the FTA is signed.”

Elaborating, Textile Commissioner A B Joshi said, “India’s readymade garments will be priced on par with competing countries, including Bangladesh and China. Since the quality of Indian garments is on a par with its competitors, we see no reason why exports would not see a warm response.”

Indian goods cost 10 to 15 per cent more than Chinese products and 15 to 20 per cent higher than Bangladesh’s products.

Apparel exports have been the worst hit during the ongoing global slowdown. During the first half of the current financial year, these are likely to remain lower than they were in the same period last year. But, the second half is expected to be better, due to the efforts by garment manufacturers on new markets, Dhingra added.

According to Rahul Mehta, president of CMAI, once the FTA is signed, the cost of apparel originating from India would be the same as that from China and Bangladesh. Bangladesh falls under the category of least developed country due to which it benefits from duty-free exports to the EU. China, on the other hand, produces cheaper garments.

“Indian exporters will definitely benefit with the FTA. between India and the EU. Currently, we lose market to China, which will change as soon as the FTA comes into play,” said D K Nair, secretary general of the Confederation of Indian Textile Industries.

India’s total textile exports in the last financial year stood at $33 billion, of which 49 per cent was exported to the EU. There is an import duty of 9.6 per cent per garment and five per cent on other textile items, which will be abolished as soon as the FTA is signed.

In a similar response as Nair, Premal Udani, chairman of CMAI, said, “The FTA with EU will put Indian exporters on a par in pricing with China, as well as Bangladesh.”

The targets set for textile exports year-on-year has not been met for the past several years. After the FTA, however, India would be able to achieve this, as Indian businessmen continue to have entrepreneurial skill for exploring new markets and new means for strengthening the business sentiment and going forward.

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Re slide halts apparel import from Dhaka

Sharleen D'Souza, Business Standard

13 July, Mumbai: While textile exporters have been cheering the rupee's depreciation, it is now also helping the domestic apparel industry in a big way.

Direct import of apparel from Bangladesh had picked up since September last year, when the government removed all tariffs on import of 48 textile items from this eastern neighbour. From September to March this year, textile items worth $1.8 billion were imported from Bangladesh, compared to $587 million in the full year, before duty-free imports were allowed. Lower labour cost there and removal of the duty had made the imported goods cheaper by 15-20 per cent, compared to buying apparel from domestic producers.

However, this benefit has since been negated by the rupees' slide; it has depreciated 20 per cent since last September. In the past couple of months, apparel import from Bangladesh is estimated to have fallen by 60-70 per cent.

"Retailers are now looking at sourcing from domestic manufacturers instead of Bangladesh, as imports have turned costlier due to the fall in the rupee. The domestic sector has definitely benefited, as retailers are now sourcing from domestic manufacturers," said Rahul Mehta, president of The Clothing Manufacturers Association of India. With the rupee's depreciation, there is now no difference, it appears, between Indian manufactured apparel and that made in Bangladesh.

Harminder Sahani, managing director of Wazir Advisors, a retail consultancy, confirmed, "Due to the depreciation in the rupee, even many big retailers have cut their sourcing from Bangladesh."

When duty-free imports were allowed, many retailers had thought of setting up a base in Bangladesh, as the cost of production there is lower. These plans are on hold till the rupee stabilises.

"Going ahead, imports from Bangladesh will witness a further fall due to the fall in the rupee, as there is barely any difference now between importing from Bangladesh or sourcing from India," said D K Nair, secretary general of the Confederation of Indian Textile Industry.

Bangladesh had also been eating into India's export market share in finished textile products since 2009. Its apparel exports are growing at 16 per cent yearly, while India's in 2010-11 grew by only four per cent.

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