Contents

Govt confident of $18 bn apparel exports in FY13

Business Standard

Chennai/Bangalore, August 7, 2012: Notwithstanding the recent fall in volumes of apparel exports to the US and the European Union, the Centre is confident that the industry will achieve the $18 billion target during the present fiscal.

In the medium term, the government has set an ambitious target of $50 billion dollars by 2015. To achieve this, it has launched major programmes to augment the raw material base, increase design talent and skilled workforce, bring technological advancement and place the onus on value addition rather than exporting fabrics, a top official today said.

Speaking after a business session organised by Apparel Export Promotion Council and attended by over 60 manufacturers, Union Joint Secretary, Ministry of Textiles, V Srinivas said the industry should take advantage of the duty benefit to Japan and EU markets, and focus on market penetration to the existing markets, especially Japan.

The government had placed a special focus on Japanese market as the tax rate had been reduced to zero from 20 per cent after the two countries had signed FTA in 2011.

"We should be looking to corner some of the share of our competitors like China, Bangladesh, Vietnam and Cambodia, and conversion of value-added products. Presently, only 45 per cent of the textiles and cotton export goes in the form of apparel while the balance is exported in fabric form," he said. Srinivas said the government was committed to strengthen programmes like integrated skill development, improving the fabric quality and enhance the processing capacity. India had exported apparel, both knitted and woven to the tune of $11.6 bn in 2010-11 and during 2011-12 the exports touched $13.6 bn. "Increase of one billion dollar in apparel export leads to creation of 1 million jobs. To enable expansion the government had been striving to aggregate the fragmented industry and enhance its production capacity," he said.

The Brandix India apparel park at Achyutapuram near Visakhapatnam has been made fully operational, while work on the Rajasthan Integrated apparel park at Tapakara in Rajasthan is nearing completion. The government had also ensured expansion of capacities around the apparel hub of Tirupur in Tamil Nadu as well as in Ludhiana and Kolkata, he added.

Srinivas agreed that there has to be flexibility in labour laws to help the industry so that it can scale up the manufacturing base.

[Back to top]

Textile industry may miss $40.5 billion export target

Sutanuka Ghosal, Economic Times

September 21, 2012,Kolkata: Difficult times in the US and Europe continue to affect the Indian textile industry so much so that the export target of $40.5 billion for the current fiscal seems to be unachievable. In the first half of current fiscal, the industry has not seen much growth, with the garment sector being the worst sufferer. Cheap garments from Vietnam, Cambodia, China and Bangladesh are flooding the US and European markets as both the countries have become cost-conscious in view of an impending financial crisis.

"The situation is pretty bad in the US and Europe. The export target of $40.5 billion appears to be tough to achieve. We are almost on the verge of completing the first half of current fiscal and there is no sign of a major uptick in exports till now," said DK Nair, secretary general of Confederation of Indian Textile Industry.

The textiles ministry had revised the export target for textile products to $40.50 billion for 2012-13, an increase of about 22% compared to the $38.18 billion that was set last year. Importers from Europe and the US have not placed much orders for the upcoming Christmas festival this year. "The impact on Indian garment exports has been largely on account of Europe's inability to buy from India. In fact, the European buyers have not placed much order in the July-August period. The shipments, which generally take place in October-November, are much lower this time. The spring-summer demand from the overseas markets is also low. We do not think that the ministry's target of $18 billion apparel exports will be achieved this year," said Gautam Nair, managing director of Matrix Clothing.

In the period April-July this year, apparel exports have gone down by 14.28% to $4.2 billion as compared to $4.9 billion in the corresponding period of the previous year. "To boost exports in the near term, government should increase duty drawback, give packing credit and other measures," said Prashant Agarwal, joint manager director of Wazir Advisors. Agarwal feels that, in the long term, the Indian textile industry has to invest more to increase efficiency and productivity to remain competitive. "Chinese garments are becoming costlier and Vietnam has increased wages. Therefore, garments in these countries are becoming costlier.

[Back to top]

Honduras pips India at US garment stores

Times of India

September 27, 2012, New Delhi: First, it was Bangladesh and Vietnam. Now it's Honduras that has beaten India in the race to garment stores in the US, which accounts for nearly a third of India's apparel exports.

Latest available data shows that India has been pushed to the seventh slot in the US garment import sweepstakes by the central American country after it registered a 16.5% fall in shipments in July. While local players blame the slowdown, Honduras's proximity and probably preferential access to the world's largest economy would have tilted the scales in its favour.

Although US households have indeed cut down on discretionary spends such as buying garments and jewellery, the impact seems to be more pronounced in the case of Indian exports. For instance, among the top seven garment exporters to the US, only India and Mexico witnessed a fall in the value of consignments in July, while shipments from China remained flat. During April-July 2012, Indian apparel exports to all countries shrunk by over 13% to $4.2 billion compared to $4.9 billion a year ago. The fall has been attributed to a slowdown as exports to major markets such as Europe that accounts for almost half the shipments declined 24% while those to the US were down almost 11%.

In recent years, inflexible labour laws, rising wages and poor infrastructure have been blamed for India's fall from the second slot in global export of garments. The decline has been sharper since the quota regime was disbanded in 2005, a move which was actually expected to benefit Indian manufacturers.

But Bangladesh's status as a least developed country, which allows its garments preferential access in markets such as Europe, along with cheap labour, have meant that India has lost the battle. In fact, several Indian companies have set up shop across the eastern border and are now tapping the European market, aided by access to cheaper raw material from India after New Delhi and Dhaka settled for better trade ties.

India is hoping that a bilateral trade deal will help it narrow the gap with Bangladesh, if not overtake its neighbour, as the EU has agreed to lower the import duty.

[Back to top]

Cotton yarn exports to rise

Sharleen D'Souza & Komal Amit Gera, Business Standard

19 October 2012, Mumbai/Chandigarh: While estimates for cotton exports in 2012-13 have been lowered by the Cotton Advisory Board (CAB) following China's decision to reduce import by half, export of cotton yarn to that country is on the rise.

Export of cotton yarn to China is expected to continue its uptrend as cotton available in that country is priced nearly 20 cents per pound more than in the international markets. Besides, wages are on the rise. As a result, China is now cutting on spinning activities and focusing more on value-added items.

"China is not only importing cotton yarn from India but also from Indonesia and Pakistan. We are definitely benefiting from this. Indian spinners are happy, as they are in a position to utilise their capacities as orders for yarn are pouring in," said S P Oswal, chairman and managing director of the Vardhman group of industries.

CAB has pegged the target for cotton yarn exports at 920 million kg for the current year. Last fiscal, India exported 827.68 million kg of yarn, according to the Directorate General of Foreign Trade (DGFT). Till September this year, India exported 461.52 million kg, according to data released by DGFT.

India's main cotton yarn destinations are China, Bangladesh, Korea and Hong Kong, of which around 30 per cent is shipped to China. It is the second highest export destination after Bangladesh.

"Despite China increasing its cotton yarn imports from India, Bangladesh will still remain India's highest export destination this year. But this may change over a period of time if China continues to cut on its spinning activities," said D K Nair, secretary general of the Confederation of Indian Textile Industry.

This cotton year (October 2012 to September 2013), cotton exports are expected to be around seven million bales, according to CAB, compared to 12 million bales last year.

[Back to top]

Apparel exporters eye non-traditional markets like Russia, Mexico & South Africa

Sutanuka Ghosal & Madhvi Sally, Economic Times

25 October 2012, Kolkata/Ahmedabad: Facing tough competition from countries like Vietnam and Bangladesh in US and European markets, Indian apparel exporters have started venturing into non-traditional markets like Russia, Mexico, South Africa, Australia and West Asia. The plan is to increase exports to non-traditional markets from 24% to 35% within the next few years.

Apparel exports from India to the US slumped 10.6% this year up to July to $1.94 billion, according to data given by the Office of Textiles and Apparel, US. While apparel exports from China and Bangladesh, the major competitors to Indian textile firms, were almost flat, exports from Vietnam clocked a 9% growth.

Talking to ET, Apparel Exports Promotion Council (AEPC) chairman A Sakthivel said: "Our aim is to increase the share of exports to non-traditional markets from 24% to 35%. If this happens, the share of exports to EU would come down to around 40%."

Tirupur, the country's hub of garment exports, has shipped garments worth around Rs 6,000 crore in the first six months of the current fiscal, which is almost the same compared to the previous year.

Tirupur generally exports garments worth nearly Rs 12,500 crore and industry officials say the figure has remained almost stagnant in last three years.

DK Nair, secretary general of Confederation of Indian Textile Industry, said: "While there is a need to reduce dependence on traditional markets like the US and Europe for exports, Indian apparel manufacturers should also work hard to increase productivity and reduce cost to remain competitive." He added that the US market is recovering slowly which is good news for the Indian apparel industry, AEPC has been organising buyer-seller meets across the world to tap opportunities in newer markets.

Indian exporters have visited Japan, Russia, Israel, South Africa, Norway, Sweden and Denmark in the past few months.

"It is not easy to penetrate these markets but there are positive signs," said Sakthivel. The government has set a target of $18 billion for apparel exports during the current financial year, However, Nair said the target seemed hard to achieve as European markets are yet to recover from a recession.

Ludhiana-based ready-made garment exporter Deepak Dumra said merchandise for high-street markets has a reasonably good demand compared to garments manufactured for masses. "We are now working for the next summer and orders are coming at a reasonable pace. One has to be price-competitive to survive," said Dumra whose company Greatway manufactures cotton knit and woolen sweaters, under-garments and shirts.

[Back to top]

US moves WTO accusing India of giving fresh export subsidies to textile industry

Amiti Sen, Economic Times

30 October 2012, New Delhi: The US has accused India of wrongfully giving fresh export subsidies to its textile industry instead of phasing them out as mandated by the World Trade Organisation. It has also complained to the multilateral body about the country ignoring its requests for bilateral discussions on the issue. Turkey, too, has expressed its unhappiness at the alleged rise in textile exports from India and its industry being pitted against subsidised Indian products.

New Delhi, however, has rejected the allegations.

"India has not flouted any norms in textiles and is yet to have clarity on its obligations to phase out subsidies," a government official told ET. "However, it has no problems with bilateral discussions with any country and has made this clear at a recent meeting of the WTO committee on subsidies and countervailing measures in Geneva."

The subsidies and countervailing measures agreement of the WTO allows countries with per capita income below $1,000 (about 50,000) to give export subsidies until exports are lower than 3.25% of world trade in that particular commodity. India's share in the global market for textiles crossed the limit in 2007 and is almost 4% now. Since countries are given eight years to remove the subsidies, India has time until 2015 to do so.

The US is concerned about the additional sops that have been given to the textile sector recently as part of the government's efforts to help exporters fight the global slowdown. This includes incentives for exporting textiles under the focus product and focus market schemes where cash subsidies of 2%-3% of the export value is given for exports to particular destinations and for exporting identified products.

A special market-linked focus products scheme for the readymade garments sector for exporting to the EU and the US announced last year has also been extended till the end of the current fiscal. "Our textile exports, especially to the EU, have been hit hard due to the ongoing slowdown. We understand that we have to dismantle our export subsidies for the textile sector by 2015, but till that time we cannot ignore it as it employs million of workers," the official said.
The Indian textile industry is certainly not ready for withdrawal of support.

"The weak recovery in the EU and the US has reduced the purchasing power of the people in these markets leading to the shortfall in the overall demand. Moreover, exports were also getting hit due to inflation and high cost of fuel," said A Sakthivel, chairman of Apparel Export Promotion Council. Sakthivel added that the government needs to act to reduce the industry's vulnerability to external shocks. Exports of garments, the country's eighth largest exported item, fell 19.46% year-on-year to $3.41 billion in the first five months of the fiscal. Exports of cotton yarn, fabrics and made-ups declined 3% to $ 2.8 billion over the same period.

The export target for textile products, however, is at $40.50 billion for 2012-13, which is about 22% higher than the previous year.

Commerce department officials said India has to first reach a common understanding on issues related to its obligations under the WTO agreement. "We are open to discussions with WTO officials and interested members. But we do not want to be forced into taking hurried action," the official said.

[Back to top]

Delay in signing of Free Trade Deal with EU worries textile industry

Sutanuka Ghosal & Madhvi Sally, Economic Times

23 November 2012, Kolkata/Ahmedabad: With Free Trade Agreement (FTA) between India and European Union (EU) not coming through, the Indian apparel industry is extremely concerned.

Exports to EU have drastically fallen this year with the region reeling under the worst ever economic recessionin in recent times. The FTA was expected to be signed in October-November this year but textile industry officials say that it has now been pushed back to the first quarter of next year.

In the EU region, India's textile exports have suffered the most in Italy, where the exports are down by 33.65 per cent during April - September FY13 as compared to same period the previous year.

In France and Germany, exports are down by 31.28 per cent and 28.53 per cent respectively on a year-on-year basis. India's overall exports of made-ups have declined by 5.76 per cent in the first six months of the current fiscal year to $11,960.74 million.

"Value-wise, the difference between this year and last year's exports has narrowed down because the rupee has weakened against dollar in FY13 as compared to FY12. In the April-September 2012 period, the rupee was valued at 45.24 against the dollar but in the first six months of FY13, the rupee has fallen to 54.66 against dollar. But volume-wise exports were much less," said DK Nair, secretary general of the Confederation of Indian Textile Industry (CITI).

Textile exports from India to EU, which attracts an import duty of 12 per cent, are costlier than that from Bangladesh. "There is no duty on EU imports from Bangladesh, which has emerged as one of our biggest competitors in the world markets," said Nair.

Exporters find the inordinate delay in signing FTA with EU quite disappointing. Gautam Nair, managing director, Matrix Clothing, said: "The weak recovery in the EU region and the US has reduced the purchasing power of people in these markets, leading to a shortfall in the overall demand. The India-EU FTA should come soon, because EU is our biggest market and the textile sector will benefit from this." Incidentally, orders from EU in the post-Christmas period have just dried up.

Raja M Shanmugan, MD of Tirupur based Warsaw International said European importers were keen that India sign the FTA. "They realise that we are disciplined, have ample raw material (cotton), technical knowhow and will be competitive. So, why should we remain behind Bangladesh, which enjoys duty- free access to the European Union (EU), Australia and the US?" he asked.

Ludhiana-based ready-made garment exporter Deepak Dumra has seen a 10 per cent fall in export orders. "Orders are slow particularly from Greece, Spain and Italy and we are being hopeful of things improving by early next year," said Dumra.

[Back to top]

Interest subsidy to slash cost of garments industry

Sharleen D`Souza, Business Standard

Mumbai, 28 December 2012:The decision to extend two per cent interest subsidy to some labour-intensive industries, including textiles, garments and handicrafts, till March 2014 has brought cheer to the garments industry. It would help garment manufacturers reduce working capital expenditure and, consequently, production costs. India is losing ground in exporting apparel to high-margin Western destinations to new competitors such as Indonesia, Bangladesh, Vietnam, Turkey and Mexico, as the cost of manufacturing in India is very high.

"The decision to extend the two per cent interest subvention scheme for specific sectors up to March 31, 2014 is timely and would help boost exports. It would surely give a thrust to the apparel and textiles sector, reeling under the sluggishness in the US and European markets. The impacted markets, especially in Europe and America', and the resultant weak demand have adversely impacted our exports," said A Sakthivel, chairman of the Apparel Export Promotion Council. With the extension of interest subsidy, garment exporters would now be able to reduce prices of garments and compete with major exporting nations. Rahul Mehta, president of the Clothing Manufacturers Association of India, said the government's move was a positive one.

While apparel exports fell 7.2 per cent to $989 million in August, for the April-August period, these plunged 12.16 per cent to $5.26 billion. The decline was, however, in line with the fall in overall exports, which fell 6.79 per cent to $143.6 billion in the April-September period. Apparel exports account for about half of India's textile exports.

Sanjay Lalbhai, chairman and managing director of Arvind Ltd, a textile major, said, "We have a unit that produces garments. The interest subsidy would definitely help us. Also, since all our borrowings are in rupees, this would help us." However, Mitesh Shah, vice-president of the company, said, "The interest subsidy would benefit only on the books; it wouldn't help boost garment exports in any way."

[Back to top]

Turkey withdraws safeguard duty on Indian cotton yarn

Domain-B

4 January 2013: Turkey has done away with the safeguard duty imposed on India cotton yarn following an agreement between the two countries. The safeguard duty, effective for a 3-year period beginning 4 August 2011, was lifted on 31 December 2012.

India had, in March last year, held consultations with Turkey and impressed upon them the serious breach of safeguard provisions of GATT and WTO Agreement on Safeguard Measures by illegally extending the duties after the original period for which the safeguard measure was put in place had expired.

Manikam Ramaswami, chairman of Texprocil, complimented the government for its proactive efforts in ensuring that Turkey withdrew the unjustified measures well before their official expiry by August 2014. It may be recalled that these measures were an extension of an earlier safeguard measure imposed by Turkey against the import of cotton yarn for a period of 3 years from 14 July 2008.

The withdrawal of the safeguard measures on imports of cotton yarn into Turkey augurs well for exports of cotton yarn from India, which had declined from $198 million in 2007 (prior to imposition of safeguard measures) to $94.57 million in 2011.

During January-October 2012 imports declined to $20.77 million from $85.30 million, a decline of 75 per cent. In quantitative terms, imports declined to 4.20 million kg from 14.85 million kg during this period. India also slipped to the fourth position in terms of supplier in 2012 from being the largest supplier in 2008.

Turkey being the gateway to Europe, removal of safeguard duties would enable India restore its exports to earlier levels and also increase its market share. Texprocil plans to participate in the Istanbul Yarn Fair in Turkey being organised from 29 May 2013 to 1 June 2013.

The Turkish government on 31 December 2012 decided to repeal the safeguard duty on Indian cotton yarn after India withdrew a case filed at the World Trade Organisation (WTO) against the "illegal" duties. "India withdrew the case at the WTO after Turkey promised it would remove the safeguard duties by the year-end. We are happy that they have honoured the commitment," official sources said.

[Back to top]

India may drag Egypt to WTO against levy on cotton yarn

Amiti Sen , The Hindu

New Delhi, 25 January 2013: India is considering filing an official complaint against Egypt at the World Trade Organisation for “wrongful’’ imposition of penal duties on cotton yarn imported from the country. With Turkey recently withdrawing similar duties on Indian cotton yarn after the country filed a WTO complaint, New Delhi is hoping for a similar outcome with Egypt.

Egypt is the fourth largest market for Indian cotton yarn after China, Bangladesh and South Korea, and the additional duties ranging between 13 per cent and 14 per cent has affected the industry’s competitiveness.

“We realise that the Egyptian economy is going through a low phase. But the country should not be taking so long in removing the safeguard duties as we have pointed out several times in our bilateral discussions that these violate WTO norms. We may take the WTO route if we are left with no other option,” a Commerce Department official told Business Line.

Egypt imposed safeguard duties – a levy to check surge in import of a particular commodity causing disruption in the local market – on cotton yarn from India last July.

India has argued that its cotton yarn imports to Egypt have not surged or disrupted the local market and there is no justification for the safeguard duties.

“Egypt is the fourth largest market for cotton yarn exports from India and it is in our interest to ensure that the safeguard duty is removed at the earliest as there appears to be no economic justification for imposing such a measure,” said Siddhartha Rajagopal, Executive Director, Texprocil.

Turkey had extended a similar duty on cotton textiles from India beyond its expiry date of August 2011 following which India had filed a case against it at the WTO. The case was subsequently withdrawn when Turkey promised to remove the duties by December 2012 which it did.

“We hope Egypt, too, would agree to withdraw the duties and we do not have to fight a full-fledged case at the WTO,” the official said.

[Back to top]

Cotton yarn exports to touch record high in FY13

Sharleen D'Souza, Business standard

Mumbai, 25 January 2013: This financial year, cotton yarn exports are expected to touch an all-time high, owing to good demand from China. Textile Commissioner A B Joshi said in 2012-13, about 1,000 million kg of yarn was expected to be exported. Earlier, he had estimated cotton yarn exports at 920 million kg. Last year, exports stood at 827.68 million kg.

During the April-December period, 758 million kg had been exported, 20 per cent higher compared to the year-ago period, according to sources in the textile commissioner's office. In April-November, cotton yarn production stood at 2,317 million kg, 14 per cent higher compared to the year-ago period.

China accounts for 30 per cent of India's cotton yarn exports, while Bangladesh accounts for 16 per cent. This year, Bangladesh cut its imports three to four per cent. China imports a substantial amount of cotton yarn from India, as the cost of production in that country is higher, owing to high cotton prices. This led to a rise in demand for yarn from domestic companies. "Pakistan's production has fallen 30 to 40 per cent, as it doesn't have gas to run its plants, causing India's orders to rise," said Kailash Lalpuria, executive director of Indo Count Industries.

Currently, 30s combed cotton yarn from India is exported at $3.5 a kg, while the 40s count variety is exported at $4 a kg. In India, cotton is priced at 85 cents/pound, while the price of cotton in China is $1.4/pound. This makes it viable for Chinese companies to import cotton yarn from India, as the cost of spinning cotton to yarn is lower in India. As wages, too, are rising in China, the country is now cutting spinning activities and focusing on value-added items.

At the Cotton Advisory Board meeting yesterday, the textile commissioner had said this year, cotton exports would stand at eight million bales (a bale is 170 kg), compared with 12 million bales last year. This was primarily because China was de-stocking the cotton it had reserved.

[Back to top]

Garment exporters see hope in European Union pact

The Times of India

New Delhi, 25 February 2013: With little respite from the slowdown, the garments industry is hoping that the free trade agreement with the European Union will reverse the falling trend. Garments, which are among the most prominent items in India's export basket, have been severely hit by the slowdown in the US and the EU. According to the latest data, India's exports to EU fell 21% to $5.1 billion in 2012. Similarly, in case of the US, it was down over 8% to $3.1 billion in 2012.

While a majority of India Inc may be opposing the proposed free trade agreement with the EU, the garment industry is hoping to use the pact to boost shipments to the 27-member trading bloc. After all, discussions point to EU agreeing to allow duty concessions for garments imported from India. This will help Indian exporters to grab a share of the pie that they have had to hand over to rivals such as Bangladesh and Sri Lanka.

"The whole industry knows that you (government) are working very hard for immediate finalization of FTA between India and EU. The industry is waiting this to happen so that new opportunities may be captured by us among the most prominent items in India's export basket," Apparel Export Promotion Council chairman A Sakthivel said.

[Back to top]

India asks Egypt to scrap penal duties on cotton yarn

Amiti Sen, Business Line (The Hindu)

New Delhi, March 15: India has submitted an unofficial notice to Egypt seeking removal of "wrongful'' penal duties imposed on cotton yarn imported from the country as it flouted World Trade Organisation (WTO) rules.

The 'non-paper' given to Cairo by New Delhi on safeguard duties imposed on cotton yarn last year is intended to serve as a warning that India may drag the matter to the WTO if corrective action is not taken soon, a Commerce Department official told *Business Line*.

Usually 'no paper' is meant to be a warning for harsher steps to follow.

Egypt is a significant buyer of Indian cotton yarn ranking fourth after China, Bangladesh and South Korea. In the January-October 2012 period, cotton yarn worth $130 million was exported to Egypt by India.

The imposition of safeguard duties – which are penal duties imposed in addition to customs duties to check surge in imports – has made Indian cotton yarn uncompetitive in the Egyptian market, Indian exporters of cotton yarn allege.

"Export of cotton yarn from India to Egypt may not be huge compared to total exports, but with growing protectionism across the world it is important to send out a signal that India is not going to take things lying down," a senior industry official from a leading textile body said.

Interestingly, Turkey withdrew similar penal duties on Indian cotton yarn late last year after India threatened to file a dispute with the WTO.

"We hope Egypt takes our non-paper seriously and acts. Hauling the country to the WTO is something that we would not want to do enthusiastically as Egypt is going through its own political and economic turmoil. But we also have our own industry's interests to protect," the official added.

[Back to top]

India under pressure at WTO to phase out textile export sops

Amiti Sen, Business Line (The Hindu)

New Delhi, 16 May 2013: Pressure is mounting on India at the World Trade Organization (WTO) to pare subsidies and incentives given to its textiles sector.

The European Union and Japan have joined hands with the US and Turkey to demand that India stop giving fresh subsidies and gradually phase out the existing ones as the textiles sector had already achieved export competitiveness.

India, however, maintains that many of the subsidies identified by the US and others are not subsidies and merely a reimbursement of input duties. It said before the phasing out happens, there has to be a common understanding on what the subsidies are.

The issue came up for discussion at a recent meeting of the WTO Committee on Subsidies and Countervailing Measures.

"We agree that the textiles sector in India has achieved export competitiveness, as defined by the WTO. But, we have some time to phase out subsidies and many of the incentives given to the sector cannot be classified as subsidies at all," a Commerce Department official told Business Line.

In an indirect reference to the new package of incentives announced for exporters in the Foreign Trade Policy last month, the US said it was concerned about press reports on India providing new subsidies to its textile industry.

Textile export is important for India's economy as the sector is the largest job provider in the country. With the downturn in global trade reducing demand for exports, the Government has been providing several incentives to exporters.

Turkey said export subsidies by India had created unfair competition for Turkish textile industry. It urged India not to implement new programmes, and said it was ready to discuss this issue with the country. Japan and the EU also expressed concern and said that the matter had to be sorted out soon so that there was a check on subsidised exports.

The WTO allows countries with per capita income below $1,000 to give export subsidies till exports are lower than 3.25 per cent of world trade in that particular commodity. India's share in the global market for textiles crossed the limit in 2007, according to WTO records, and is almost four per cent at the moment.

Since countries are given eight years to remove the subsidies, India has time till 2015 to do so.

"There is also no clarity over whether India actually crossed the threshold in 2007. We have to reach an agreement even on this," the official said.

India's garments exports in 2012-13 declined 12.23 per cent to $8.4 billion while exports of cotton yarn, fabrics and made-ups increased 10 per cent to $7.5 billion.

[Back to top]

Pacific threat looms for textiles

Ritesh Kumar Singh, Business Line (The Hindu)

29 May 2013: With all the brouhaha over China-India border issues and election in Pakistan, one issue that has received little attention in the Indian media is the proposed US-led Trans-Pacific Trade Pact (TPP). This is understandable, as India is not party to the proposed trade pact involving Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the US. However, it has serious implications for India's textile and clothing sector.

Textile and clothing accounts for roughly five per cent of India's GDP, 15 per cent of its industrial output and export earnings and provides livelihood support to 55 -60 million people directly or indirectly. Trade Diversion It is important to analyse the effect of TPP on India's textile and clothing sector, as the US is an important export destination. When it comes to the export of readymade garments and made-ups, the US alone accounts for 30 per cent of India's total exports. TPP will affect India's textile and clothing sector (and of all non-TPP member countries like Brazil or China) in two ways. First, exporters from TPP member countries will get preferential access in the US market vis-a-vis exporters from non-TPP member countries, such as India. This will put India's garment exports (to the US) at a disadvantage as US import duties on readymade garments are quite high with average duty at around 7.9 per cent; duties on some clothing items are as high as 32 per cent according to WTO tariff profile database. Second, a key feature of the TPP yarn forward rule --- makes it mandatory to source yarn, fabric and other inputs from any or a combination of TPP partner countries to avail duty preference. This is likely to disrupt the well-integrated global supply chain in textile and clothing. Implications for India It will induce garment manufacturers in the TPP countries to source their inputs from TPP countries at the cost of non-TPP countries, even if the suppliers in TPP regions are not the least cost. This will be a clear case of trade diversion moving trade away from more efficient producers to less efficient producers. Though this rule is primarily aimed at restricting the benefits accruing to Chinese manufacturers of yarn and fabrics from further opening of the lucrative US markets for clothing, it will create a comparative disadvantage for all non-TPP member countries, including India. India's textile and clothing sector is under severe pressure from slowing demand in key export markets, and backdoor entry of Chinese goods via Bangladesh under South Asian Free Trade Area that allows duty-free import of garments from Bangladesh into India. Clothing Retailers Hit The likely exclusion from US⍰e GSP benefits is another headache for the sector. If this were not enough, to comply with its commitments to WTO, India will have to phase out its export incentives in textiles and clothing. Export competitiveness is deemed to be achieved if a country's global export share of a specific product group (defined as a section heading of the ITC-HS) is 3.25 per cent or more in two (consecutive calendar) years. India's share in world export of textile and clothing (falling under section heading XI of the HS) already crossed this limit in 2007. As a result, India will have to phase out its export sops for the sector by 2015. Only 17 per cent of the textile and clothing exports under NAFTA and Central American Free Trade (CAFTA) have gone through the yarn forward rule. Yet, US trade negotiators are pushing it in the proposed TPP. Clearly, the move seems to be protectionist, aimed at reviving indigenous textiles industry at the cost of the foreign, but it will limit the freedom of clothing retailers to choose their suppliers. In the process, it will also disrupt the global textile supply chain of which India is a part.

The Way Forward

That explains the strong opposition of clothing retailers (e.g. JC Penny, Levis and Gap) and their associations (e.g. TPP Apparel Coalition) to the yarn forward rule. To deal with this, the US trade negotiators have come up with the idea of short supply list that will give some flexibility to clothing retailers in sourcing their inputs (which are not available in TPP region) from non-TPP countries. India's best bet can be the conclusion of WTO Doha round at next Ministerial in Bali, which will deflate the interest of TPP member countries in the trade pact. Unfortunately, that seems unlikely, given the American disinterest in the round. Joining TPP can help India's textile and clothing sector, but accepting US-promoted WTO-plus proposals on IPR, investment protection, services and state-owned enterprises will not find favour with policymakers or India Inc. Getting India's vulnerable products in TPP's short supply list is yet another option that can be explored. India's market for premium apparel is growing at 10-12 per cent a year. India can consider sponsoring its own yarn forward rule in the Regional Comprehensive Economic Partnership (of which it is a party) that will find support from China, the biggest loser of the rule. Going forward, India can leverage it to negotiate with the US for dilution of the TPP's yarn forward rule. The likely loss in export of textile items to TPP countries will have to be compensated by gains in other markets. Here, tweaking the rules of origin to stipulate utilisation of yarns and fabrics of Indian origin as a pre-condition for allowing duty free import of garments from Bangladesh will help India's fabrics export. It will also check backdoor entry of Chinese fabrics into India via Bangladesh. India needs to continue pushing its exports to non-traditional emerging markets of Africa, Asia CIS and Latin America. The textile and clothing sector is heavily protected in Mercosur countries with import duties as high as 35 per cent on many items. Expediting the conclusion of India-Mercosur Comprehensive Economic Cooperation Agreement will help counter the impending trade diversion because of the yarn forward rule under TPP. Some kind of product differentiation (e.g. voluntary carbon labelling) will protect our textile and clothing exports in the US despite the impeding post TPP comparative cost disadvantage vis-a-vis TPP partner countries like Vietnam.

[Back to top]

April's 8.6% export rise augurs well for India's garment sector

The Financial Express

New Delhi, 20 June 2013: Garment exports rose for a second straight month in April, suggesting a recovery in the labour-intensive segment that witnessed negative growth in 10 of the 12 months of the last fiscal due to a slowdown in key traditional markets such as the US and the EU. Industry executives now expect at least a 10% rise in garment exports in the current fiscal year after a 6% slide in 2012-13.

Exports rose 8.6% in April year-on-year to $1.15 billion , according to the Apparel Export Promotion Council (AEPC). Shipments of garments, which make up for around 40% of the total textile and clothing exports, hit $12.95 billion in the last fiscal.

"Since April, there has been a rise in orders. The US economy is picking up, although the European recovery is still sluggish. The weakening of the rupee is also helping exports," said Rahul Mehta, president, Clothing Manufacturers Association of India. A weakening of the rupee this year has reflected in the growth in garment export value since January although in dollar terms — which is a better indicator of performance given the fluctuations in the domestic currency — shipments witnessed a rise this year only since March.

A Sakthivel, chairman, AEPC, said: "Big retail chain stores and international brands have increased their share of sourcing from India. Garment manufacturers are committed to persistent improvement in factory capacity and delivering quality products."

Last week, Sakthivel had said India could gain as much as $3 billion more in garment purchase orders this fiscal as poor compliance of labour norms in key competitor Bangladesh was prompting global buyers to shift their sourcing base.

Hurt by a debt crisis in Europe and a slowdown in the US — which together account for around 60% of India's textile and garment exports — for most part of the last fiscal, the sector is also pinning hopes on demand from non-traditional markets, including Japan.

Apart from helping the country's overall export figures, the uptick in demand will also aid the textile sector in achieving the investment target of Rs1,51,000 crore during the 12th plan period through 201617, under the Technology Upgradation Fund Scheme (TUFS). The government plans to offer subsidy worth Rs11,952 crore to meet the investment target under TUFS during the current Plan period.

The country's overall textile and clothing exports, which also include shipments of cotton (raw and waste) and handicraft, had hit Rs1,59,570.56 crore ($34 billion) in 2011-12, up 26.4% from a year before. The government had set a $40.59-billion target for such exports during the 2012-13 fiscal, which it missed as shipments stood at $33-34 billion, industry executives said.

[Back to top]

Export controls are disastrous

Tejinder Narang, Business Line (The Hindu)

After wheat and iron ore, the Government is messing around with cotton exports.

The Textile Ministry wants to create a “Market Stabilisation Fund” (MSF) by imposing a cess/tax between Rs 1,000 and 2,000 per candy (356 kg) on cotton exporters. The new policy suggests that “surpluses only” may be permitted for exports after determining domestic demand. Some of the other ‘straight out of the 70s’ ideas are to permit exports “after the crop is ready” with farmers; and providing loan waver for weavers.

Indian cotton export has demonstrated consistent performance over the last three years — $3 to $4 billion per annum. This year, it may decline to $2 billion (one million tonnes). China’s appetite for imports is tapering. The US Department of Agriculture (USDA) report of July 11 reflects higher global inventories, production almost unchanged at a high of 20 million tonnes (118 million bales) and falling prices. The need of the hour is to ensure more exports at best prices to improve foreign exchange earnings and bring down the current account deficit, especially due to the highest-ever output seen in 2013-14 owing to a good monsoon. *Ad hoc* interventionism by various arms of the Government has undermined macroeconomic fundamentals. The ban on iron ore exports has made the country suffer. Wheat export has been hit by inflexibility in pricing by the Food Ministry, while a surplus of 16 million tonnes lies hoarded. High “State Advisory Prices” (SAP) on sugarcane has priced India out of the export market, while making the country a net importer of sugar despite having abundant local supplies. The brunt is borne by the farmers as the industry is unable to make payments for the cane supplied. Now, cotton export is under threat of being destabilised.

Unfair Tax On Exporters

The proposed “export tax” for MSF is to be levied on cotton exporters. The Government is attempting “to kill the export demand” by diverting a large part of the proceeds to this fund.

Poor demand will manifest in more market availability. Such domestic surpluses will be openly exploited by the spinning/textile mills at their whims and fancies by pushing domestic prices down.

This will result in lesser realisation for farmers. Undeniably, exports contribute to demand expansion, which has been a major driver of production of cotton over the past decade. The Textile Ministry’s intent is to provide freebies before elections to the industry. This is contrary to the recent directions of the Supreme Court to the Election Commission.

Act of Discrimination

Cotton “export tax” smacks of the domestic industrial lobby trying to dupe farmers, on the one hand, and mismanaging the export economy, on the other through the introduction of a new scheme proposed by the Ministry. Such a fund is also an arbitrary discrimination between exporters *vis-à-vis*spinners, textile mills, garment exporters and retailers at the cost of farmers. Legally and morally, this may be untenable.

A sugar development fund (SDF) under the Ministry of Food has been in operation since 1983 for modernisation of the sugar mills, funded by Indian consumers as part of the price of sugar paid to mills. As per the Food Ministry Web site, the status of SDF up to 2010 is — Rs 5,132 crore disbursed and Rs 2,352 recovered, indicating loss/under recoveries of 54 per cent. The disbursements of such funds (SDF or MSF) are subject to discretionary patronage by politicians and bureaucracy at the behest of lobbies. Money once disbursed cannot be monitored or accounted.

Spinners and mills suffer from logistical, labour-related, technical and performance-centric inefficiencies, apart from acute shortage of power. Had it been otherwise, Indian textiles and garments would have been cheaper than those exported by China, Vietnam, and Bangladesh. Mills cannot be compensated by taxing the farmers.

Further, the quantum of cess also indicates the ignorance of margins that the market allows internationally. It is not a cakewalk to do business in cotton export where competition is intense and market volatility ranges between 20 per cent and 50 per cent. Profits are scant, say, Rs 200-400 per candy or (0.5-1 per cent) — for an export value of Rs 40,000/candy.

The cotton crop arrives in October and goes through a variable supply/demand/speculative cycle in the next 12 months. There is no way by which the "quantum of surplus" can be predetermined after covering domestic demand. The pattern of production of *kapas*, ginning, spinning, milling and garments is a continuous process in which the trade participates on a daily basis. That is the way "marked to market prices are discovered" locally and abroad.

Stable Policies

All commodities are purchased and sold throughout the year and cannot be linked to "physical arrival" of crop. Futures are traded and hedged in exchanges and business is done by mitigating the risk. Indian cotton export market cannot be "closed" or temporarily terminated till such time each bale is counted. The fundamentals of doing any business, including export, is to have stable policies, rather than to be influenced by vote-bank politics. Domestic supplies are good and augmented by e-auction of Cotton Corporation of India's 22 lakh bales. Authorities must understand that market is a natural balancing force and globally interlinked.

[Back to top]

India plans massive duty cut on Pakistan textile imports

Nayanima Basu, Business Standard

New Delhi, 16 July 2013: In an unprecedented move, India is planning to drastically slash tariff on import of textiles from Pakistan in an effort to normalise trading relations between both countries.

Currently, India imposes 30-45 per cent duty on textile products from Pakistan. The government is planning to bring it down to five per cent and has not ruled out the option of allowing duty-free access too.

This would be done by reducing the sensitive list of items India maintains for Pakistan, under which certain items are not allowed from there. This list is maintained under the South Asian Free Trade Agreement (Safta).

“Once the reduced sensitive list under Safta is notified, most of the textile lines would be out, for the benefit of Pakistan. We might bring it almost to the level of Bangladesh,” said a senior commerce department official involved in the process.

In 2011, India allowed duty-free access to Bangladeshi garments and apparel products.

This, however, would be done only when Pakistan grants most favoured nation (MFN) status, or non-discriminatory market access, to India, the official added.

Pakistan’s global exports basket has been dominated by products from the textiles and clothing sector, which, however, is not consistent with its exporting pattern to India.

These products are found listed in India’s sensitive list, thus restricting the possibility of Pakistan being able to formally export these products. The main items of informal trade from Pakistan to India are textiles and garments.

Interestingly, the new Pakistani government under Prime Minister Nawaz Sharif has renamed the official name of their Ministry of Commerce to Ministry of Commerce and Textile Industry, probably to highlight the importance of the industry to the world. While Sharif is himself handling the commerce portfolio, Qasim M Niaz has been appointed the new commerce secretary.

Nisha Taneja of the Indian Council for Research on International Economic Relations said, “Pakistan’s textile export basket is small. It depends on what products under this category would be opened up by India, which is crucial. They are heavily banking on textiles. And, I do not see a problem in granting them easy access because if we can take on Bangladesh, then there would be no problem with Pakistan.”

Pervez Lala, chief executive officer of a Pakistani apparel brand, Lala Textiles, which recently participated in an exhibition in Surat, told Business Standard Pakistani textile importers also had to face several non-tariff barriers in India, which affected their business. This issue of granting preferential market access to textile imports from Pakistan was discussed last month during the first joint business council meeting in Islamabad.

[Back to top]

Garments exports jump 11% to $3.5 billion

Times of India

New Delhi, 16 July 2013: India's garments exports have climbed over 11% to $3.5 billion as local exporters cornered a bigger share of the market in Latin America and most of Asia to offset the impact of poor demand in the US and Europe.

The rise comes after garment exports fell nearly 6% to $12.9 billion in 2012-13. Buoyed by the success, the government and the Apparel Export Promotion Council are now egging exporters to target nontraditional markets such Uruguay, Columbia, Israel, Brazil, Australia, South Africa, and Japan, A Sakthivel head of the industry body said on Monday.

Although data is currently unavailable, Indian garment exporters witnessed a reversal in fortunes in April, at least in the US with the value of shipments surging over 16% to $337 million. For January-April, they continued to remain in the red with exports falling 0.8% to $1.2 billion. The story was much the same in the European Union, where exports rose almost 16% in April to $525 million, while January-April shipments are estimated to have decreased 2.6% to $2.1 billion.

According to the latest available data, among the top eight exporters to the US, India and Mexico are the only two countries that have seen the value of shipments decline, while others such as China and Bangladesh have continued to witness an increase.

With the tide turning a little, textiles minister K Sambasiva Rao on Monday asked apparel exporters to step up their overseas sales target to $20 billion in 2013-14. "You assure me that you are going to increase the exports — not from $14 billion to $17.5 billion this year, but to $20 billion," he said.

[Back to top]

India pips China, others in cost competitiveness in spinning

Financial Express

New Delhi, 26 July 2013: India has pipped China and other major textile suppliers in competitiveness in the capital-intensive spinning segment, a latest study said, further bolstering the notion that enhancing the share of the organised sector in textile manufacturing results in lower costs. However, senior industry executives said systemic obstacles in the form of archic labour laws, frequent power outages and other infrastructural bottlenecks outweigh the inherent cost competitiveness and prevents growth in the country's share in the global trade, senior industry executives said.

Based on an assumption that India's manufacturing cost in the spinning sector was 100 in 2012, China's was high as 138, followed by Indonesia (110), Bangladesh (104) and Pakistan (101), according to the study commissioned by the state-run Textiles Export promotion Council (TEXPROCIL). However, in the weaving and processing sector, the manufacturing cost of China stands at 111, followed by Pakistan (110), Bangladesh (87) and Indonesia (99), compared with India's 100.

This reflects the growing urgency of bringing in more players into the organised sector in the weaving and processing segment through policy intervention, the executives said. Importantly, the share of unorganised manufacturing in the yarn segment, a major beneficiary of the government's technology upgradation fund scheme (TUFS) since the latter's inception, is barely 10%, compared with 80% for garments and roughly 90% for fabrics.

In 2011, 40% of ring spinning machines installed by the textile industry were less than 10 years old, compared with 29% in 2006 and 26% in 2002. Similarly, the industry achieved 100% shuttle-less weaving capacity with less than 10-year-old machines, compared with 75% in 2002.

Moreover, the report says a weak rupee has driven up India's cost competitiveness in the export market in recent years, compared with China. Although the rupee appreciated by 5.5% during 2002-2006, it weakened by 24% between 2006 and 2012 (24 per cent), while Chinese currency appreciated against the dollar by 23.8% in the decade through 2012.

However, the report said India has to go a long way in catching up with China in the textile sector, which captured more than 35% share in global trade in 2011. In absolute terms, while China's textile and garment exports hit $248 billion in 2011, India remains a distant second at $ 29.4 billion.

"Our share in the global trade suffers because of a lack of an effective overall policy framework, which has resulted in periodic restrictions on the shipments of certain raw materials. This has prevented investors to put in their money. Moreover, labour laws and some other infrastructural obstacles are also to be blamed. So while cost competitiveness is there, we need an enabling policy environment along with infrastructural support to gain from the inherent cost competitiveness to realise the potential," said DK Nair, the secretary-general of the Confederation Of Indian Textile Industry.

Industry executives said although the study has factored in the cost of grid power, a lack of adequate availability of electricity, especially in Tamil Nadu and Andhra Pradesh, has forced textile units to seek supplies from alternative sources at a much higher cost. So the cost-competitiveness in power may not accurate, they argued. Moreover, they said although manufacturing costs in China have gone up in recent years, huge subsidies and quality infrastructure there have offset these negatives compared with India.

Textile minister KS Rao said on Thursday the government is planning to increase the interest subvention for powerlooms to 6% from the current 5% under the TUFS. He said he would also request Prime Minister Manmohan Singh to be able to use the MGNREGA for the benefit of the textile sector, which will needs a tweaking of the current guidelines.

Thanks to organised manufacturing, spinners have traditionally accounted for around a half of the total committed investments under the TUFS and grabs 50% of the government's subsidy allocation. The government has catalysed investements worth Rs 111,000 crore in the textile sector in the three years through 2011-12 by offering a subsidy of Rs 9,000 crore under TUFS and expects to attract investments worth Rs 151,000 crore during the current Plan period, with a subsidy allocation of Rs 11,952 crore.

The government mainly provides interest subsidy against loans to units, capital subsidy and limited cushion against exchange rate fluctuation for investing in new technology.

[Back to top]