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## 1. Revised drawback rates to boost textile exports

Textile exporters and manufacturers here have welcomed the revised duty drawback rates announced by the Union Government recently. According to a press release from Southern India Mills' Association, the textile and clothing sector which was under stress in the global market will now be able to improve exports. "The revised duty drawback rates encourage value addition," said M. Senthil Kumar, chairman of the association. He appealed to the Government to extend two per cent MEIS and three per cent IES export benefits for cotton yarn as the spinning sector is facing under utilisation of production capacity. The State levies should be refunded for all products of textiles and clothing, as done now for garments, he said. Chairman of Cotton Textiles Export Promotion Council R.K. Dalmia said in a press release that the drawback rates and caps have been increased for made ups (cotton and blended). This will promote export of value added products. The drawback rates and caps have been retained mostly for cotton yarn varieties. This is a relief to the spinning sector, which is under stress now, he said. The drawback rates for fabric should be increased as the country is emerging as a hub for fabric production, he added.

(*Source: The Hindu)*

## 2. Green shoots in textiles and garments sector

Growing consumption and the government's announcement on supporting a revival in the sector are driving the optimism. "The Indian textile sector is looking up. It has seen a major overhaul mainly because of several measures taken by the government for its revival," said Kavita Gupta, textile commissioner, Ministry of Textiles. Besides the Amended Technology Upgradation Fund Scheme (ATUFS) the government announced in January this year, a special package on garment units with production and employment-linked benefits announced in June 2016 will aid the textile sector immensely, Gupta said. ATUFS has allocation of Rs 5,151 crore for new schemes. The special package in June 2016 allocated Rs 6,000 crore to the textiles and garments sector; it provides tax and production incentives and is expected to lead to an increase of exports by $30 billion and attract investments of Rs 74,000 crore in three years. The government expects it would create a million jobs, and help India compete abroad. However, manufacturers haven't begun increasing hiring and production as they need further clarity, before they make further investments and hire more employees, which the government is addressing. The subsidy transmission will take a couple of quarters more. The scheme, experts say, will work because it has come when the sector is recovering and needs an impetus push. "All these measures have a lead time. So, we are expecting huge growth in exports and further growth from January 2017," said Gupta. The financials of textiles and garment companies are improving over the past three quarters till June 2016 (see chart). In the September quarter, Arvind posted a 20 per cent increase in net profit, excluding exceptional items at Rs 78 crore. These incentives come at a time when China reduced focus on labour and energy-intensive sectors, including textiles, and saw its global market share reduce from 41 per cent two years ago to 38 per cent. The global economic slowdown, coupled with China's continued dominance through cheaper supply of clothes to world markets, hit the country's textiles sector hard. India's textiles exports fell to

$40 billion in FY16 as compared to $41.4 billion in FY15. Even between April and September 2016, textiles exports fell 3.44 per cent year-on-year to $17.3 billion. Revival of the textile and garments industry is important as it contributes 14 per cent of India's gross domestic product (GDP), four per cent of industrial production and 13 per cent of merchandise export. The textile industry is the second-largest employer after agriculture, and employs 45 million people, including unskilled women. "The growth, however, is unlikely to come at the desired speed without addressing other challenges. The government needs to expedite free trade agreements with major importing countries, including the European Union, Australia and Canada, to remove trade barriers there. Despite the price offered by Indian exporters for their cotton textiles being competitive, the preferential access given to countries such as Bangladesh, Cambodia, Pakistan and Vietnam in major importing nations like the EU is severely affecting shipment from India," said R K Dalmia, chairman, Cotton Textiles Export Promotion Council (Texprocil)

(*Source: Business Standard)*

## 3. Global situation not to blame for fall in exports

While India's share in global exports is declining, those of Bangladesh, Vietnam and China are still rising despite the adverse environment, according to the report. India's merchandise exports had shrunk in 20 of the last 21 months. Pointing out that many obstacles lie in India's path to raise its export competitiveness, Crisil said to harness its full potential, India needs to remove bottlenecks, capture the space vacated by China, integrate faster with the world and improve international competitiveness of its key exports. However, in the paper titled 'Bifocal, please: 'Make in India' needs to lean on both exports and domestic demand,' Crisil also said that "while India needs to bend over backwards to find export avenues, its domestic market is on the cusp of an expenditure boom." Encouraging policymakers to put the country on a 'dual path' of striking a balance between export-led and domestic demand-led growth strategies of focusing on exports as well as domestic market, the paper said: "India will need to nurture its export potential to make its goods competitive, yet lean on fast-expanding domestic demand to promote its manufacturing sector." "There are two roads, and India must necessarily walk both, to achieve the full potential of its Make in India programme," it said. The bottlenecks, which India need to remove to raise its export competitiveness, include rigidity in labour laws, challenges associated with land acquisition, inadequate physical infrastructure (roads, ports and electricity), and poorly skilled manpower. These have held back manufacturing sector growth, Crisil said. It cited World Bank data to show that cost to exports (in 2014) in India was $1,332 per container, while that of Bangladesh was $1,281, China ($823), Vietnam ($610) and Indonesia ($572). China up. On the need for India to capture the space vacated by China, the paper stated that China has been moving up the value chain, exiting the low value-added manufacturing space (textiles, apparel, footwear, toys). This, along with rising wages in China and the Centre's strategy to focus on domestic demand, means more export opportunities will become available to other competing economies and India must strive to capture the space. However, it said, "Data suggest this hasn't happened so far. For instance, India's share in world exports has remained more or less similar between 2001 and 2015 in textiles and apparel, while it has increased manifold for Bangladesh and Vietnam. In footwear too, Vietnam's share in world exports zoomed, while India's share stagnated." On the recommendation that India needs to integrate faster with the world, Crisil said, "India must move fast to renew its stalled trade negotiations with the EU and the ongoing dialogue in the Regional Comprehensive Economic Partnership (RECP, a proposed free trade pact between 16 Asia-Pacific nations including India). Crisil also said the revealed comparative advantage (RCA), a measure of international competitiveness, for some of India's key export items, has declined in the past decade.

(*Source: The Hindu)*

## 4. Textile ministry for hike in insurance cover for handloom weavers

Textiles ministry has proposed increasing the insurance cover for handloom weavers, a sector that employs millions and has been one of the focus areas of the government for job creation. The ministry has proposed more than threefold increase in insurance cover to Rs 2 lakh from Rs 60,000 in case of natural death. The cover for accidental death may be raised to Rs 4 lakh from Rs 1.5 lakh at present. "We plan to increase the insurance cover for weavers in the handloom sector. This will encourage more weavers to get covered in the insurance net and attract more people to join the sectors workforce," a senior official told PTI. The Mahatma Gandhi Bunkar Bima Yojana provides insurance cover to handloom weavers in case of natural and accidental death, and total and partial disability. Under the insurance scheme, the government released Rs 16.67 crore in 2015-16, slightly higher than Rs 16.39 crore released in 2014-15 when 5.74 lakh weavers were enrolled. "We welcome the move. It will work as a great morale booster for the weavers. Weavers are the lifeline of textile industry. Out of 110 million people employed in the textile sector, more than 60 per cent are in handlooms," Confederation of Indian Textile Industry Secretary General Binoy Job said. The textile sector is the country’s second-largest employer after agriculture

(*Source: India Today)*

## 5. User industry urges govt to set up cotton board

Industry stakeholders perceive the need for establishment of a Cotton Board on the lines of Coffee Board and Jute Board. Reiterating the need for establishment of a Cotton Board, J Thulasidharan, President, Indian Cotton Federation (ICF), said such a body would help in promotion and monitoring the development of the white fibre. “Cotton needs a regulatory mechanism. The primary data that is at present available on cotton area and production is more an estimate than factual figures. Reliable statistical information alone can guide policy initiatives for smooth trade transactions and in price management. Ginning and pressing factories be it big or small must report the pressing figures and marking of bales should be made mandatory under ‘Textile Control Order’, which has since been abolished,” the ICF President said in a memorandum to Union Textiles Minister Smriti Irani. He further pointed out that the developed countries such as the US, Australia and Europe were able to give absolute data to their respective governments, stressing the need for strengthening the industry’s efforts in this direction. Cotton export data provided by DGFT is most often outdated (60 days old), he said and pointed out that the same could be updated electronically on a day-to-day basis by the mill sector and ginners to assess the cotton situation more precisely. The Seed Act is outdated and the norms for certification of the seed is not appropriate for new generation cottonseed. There are over 400 cottonseed producers in the country. The norms for certification should, therefore, be made more stringent and laws amended to make the seed producer accountable for any loss incurred by the farmer.

(*Source: Business Line)*

## 6. Industries bodies call for eventual streamlining of multiple GST rates

Industry bodies have raised concerns over the government’s proposed multiple rate structure for the Goods and Services Tax regime, saying that the four proposed rates should eventually be collapsed into fewer rates. They also called for a clear roadmap for the withdrawal of the cesses the government proposes to levy on luxury goods and tobacco products over and above the 26 per cent GST rate. “The GST should begin with an absolute limit of four rates as suggested by the Government, and over time, the Government should commit to converging these four rates to one or two rates,” Chandrajit Banerjee, Director General, CII said on Wednesday, a day before the fourth meeting of the GST Council. He added that industry was cognisant of the fact that a single GST rate could not apply in a country like India and so a beginning must be made with multiple rates. “It is suggested that the higher rate of 26 per cent should apply only to ‘demerit goods’ and the term “luxury” goods should not be

used to define this category," Mr Banerjee said, adding that the bulk of goods and services should fall within the standard rate of 18 per cent and only a few exceptions should be taxed at the higher rate of 26 per cent. "The government should also roll out a clear roadmap for the early withdrawal of cess once the buoyancy in tax collection becomes adequate to compensate the states for any shortfall that they might have," Mr Banerjee said. The industry bodies also voiced some sector-specific demands in the run up to the fourth meeting of the GST Council.

"The (textiles) industry players expect a tax efficient GST regime in the form of various incentives such as continuation of zero rating of exports along with a streamlined and efficient refund mechanism; liberalisation of credit regime allowing full credit to eliminate inverted duty structure and cascading effect; uniform tax structure to eliminate tax differentiation and tax arbitrage amongst various states; and higher rate of duty drawback to encourage increase in production of textile and apparel products for export," according to a report by Assocham and KPMG. The report also mentions the need to revisit several complications in the taxation structure of the telecom sector, saying that there were several issues here such as the proposed shift from the levy of circle-wise tax to a levy of state-wise tax, the classification of services and goods, and the taxability of SIM cards and recharge coupons, to name a few. "Petroleum products and alcohol are the main drivers and ingredient to the tourism industry," the report added. "The Government under the proposed GST structure has proposed to keep both the products outside the purview of GST. Therefore, either a special abatement should be provided to balance the incremental costs or the same should be covered in the proposed structure of GST."

(*Source: The Hindu)*

## 7. Cotton Association of India opposes creation of cotton buffer stock

The Cotton Association of India has opposed textile industry's request to central government to ask the Cotton Corporation of India procure cotton to create a buffer stock to sell it to users in next season in May to September. A press release issued by CAI president Dhiren Sheth on Wednesday reads, "We have learnt from newspaper reports that the textile industry has urged the government to direct CCI to procure 70 to 80 lakh bales cotton in the peak season and retain it as buffer stock and sell this quantity only to actual users during May-September. The CAI is totally opposed to creation of any such buffer stock. If implemented, this will take the country back to the pre-liberalised era of late 1980s and early 1990." The release says that the creation of buffer stock for exclusive use by a certain sector was wrong as it would not only distort the market but would also unsettle other sectors of the cotton value chain. Apart from this, creation of a buffer stock system would require about Rs 16,000 crore investment for procuring 80 lakh cotton bales, which in turn, will involve total recurring expenditure of hundreds of crores a year by way of carrying cost including interest and warehousing. Additionally, CCI will have to bear the loss that may arise due to fluctuation in prices, the release states.

(*Source: The Times of India)*

## 8. Cotton farmer suffers as India-Pakistan tension rise

The growing tension between India and Pakistan is having a big impact on cotton farmers. According to Indian traders, Pakistan has put an official ban on importing Indian cotton, ensuring that farmers all over the country are suffering, but especially those from Maharashtra, as the state is a major producer and exporter of cotton. Pradeep Jain, one of the major cotton traders from Maharashtra, explains the scenario. "Currently, there is no official ban by Pakistan on Indian cotton. But in the present scenario both Indian and Pakistani traders are reluctant to do business deals. Today, by border road, 99% of our exports have stopped. Sentiments are heightened now and our traders feel why we should do business with Pakistan if our soldiers are fighting them?" Statistics show the impact the unofficial ban is having on trade. According to data brought out by the Central Institute of Cotton Research, Pakistan had bought 27 lakh bales (one bale is 170 kg) out of the total Indian exports of 69 lakh cotton bales last season. This year though, Indian traders are worried that, thanks to the Pakistani boycott, this target will not be met. As a result, farmers are dropping prices with results that are hurting them.

Sanjay Patil, a cotton growing farmer from Jalgaon said. "The current tensions between India and Pakistan have caused big financial losses to us. Two years ago, we sold the cotton almost Rs 7,000 per quintal. Today, we are selling cotton at the rate of Rs 4,500-5,000 per quintal. We respect the peoples' sentiments but trade should not be hampered. If things do not improve, the government should buy our cotton at a minimum rate price of Rs 6,000 per quintal." Ishwar Patil, another farmer from Dhule explains that the falling prices are also hurting farmers, as cotton traders are taking undue advantage of the situation. "We cannot keep the cotton at home for a long time due to many reasons. As a result, we are compelled to sell the cotton to cotton traders at a lower rate." He adds, "Indian traders are also taking advantage of the current situation to decrease cotton prices and buy at a low rate from farmers. Once the situation normalises, these same traders who had stored the cotton will sell it at a higher rate, making a big profit, while the farmer suffers." Clearly, the Indian farmer's livelihood is under threat and until the situation normalises between the two countries at least on the cotton front— he will continue to suffer. But according to Shahzad Ali Khan, chairman of the Pakistan Cotton Ginners Association, that is not likely to happen anytime soon. Speaking over the phone to DNA, Khan confirmed that at present business activities with India are quite low. "The Pakistan government has not made any official ban on importing cotton from India. However, we as traders have taken the conscious call not to buy cotton from India because of the current situation." He said, "As a result, we have decided to buy raw cotton from local Pakistan cotton growers and pay them a reasonable rate as per world prices. Why should we pay higher prices to Indian farmers in such a scenario? Once the situation normalises, we may think of resuming trade with India," Khan added.

(*Source: Daily News & Analysis)*