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## 1. India's first textile university to come up in Surat

Gujarat government is planning to set up India's first textile university at Surat with an investment of about Rs 800 crore - Rs 900 crore. The textile industry will support the government in the endeavour.The state government will fund about Rs 800-900 crore for the university, which is expected to get operational in the next one and a half years. The aim of the university is to provide all kind of support including technology, research and development (R&D), skilled manpower etc. "The first textile university of India will be setup in Gujarat. Land has been identified near Surat. Gujarat government will provide funds worth Rs 800-900 crore for the development of the textile university," said Chandan Chatterjee, director of the Centre for Entrepreneurship Development (CED), a government of Gujarat organisation. Purpose of the university will be to create a complete eco system for the textile industry in Gujaratand India. It will guide the government in policy making for the industry. Chatterjee said: "Our aim is not to just fulfill academic requirements of textile industry. This will serve in a many ways like support in R&D, policy making skill manpower training and all. For that we will tie up with various centres of excellence and other national and international institutes as per the requirements." The university will build on over 250 acre land in Surat and it is expected to get operational in the next one and a half years. "Construction work for the university will start in early phase of next year and it will be operational in one and a half years," said Chatterjee.
*(Source: Business Standard)*

## 2. GST jolt likely for textile industry, may be taxed at higher 12% rate

India's textile industry is not only several centuries old, but has also been one of the largest contributors to the country's exports (around 11%) and provided employment to millions. Indirect taxes, being transaction-based, play an important role in the growth of any industry. The government has so far incentivised the textile industry through various optional exemption and incentive schemes, lower tax rate and the latest being the R6,000-crore textile booster package in June this year, which has increased the duty drawback significantly. At present, we are on the verge of witnessing the implementation of the most awaited indirect tax reform in India, the GST, expected to be a growth stimulator. But whether this growth stimulator will support the booming textile industry in India or will it take it to a new low?

**Some positives to begin with…**

On a positive side, GST could be a timely solution by bringing uniformity and a level-playing field for textile players in all segments of the industry. The industry is plagued with several issues including classification disputes (fabric versus garment), differential taxation of cotton and man-made fibre, higher rate for composite mills than power looms, and so on.

Considering the textile industry is tilted towards domestic market—with the industry coming under the GST net—domestic textile players would be able to take full credit of input tax as their sales would be liable to GST. This will reduce the cost of capital investment and encourage domestic textile players. The new tax regime should positively influence exporters, as exports would be zero-rated and input tax credit would be fully available to textile exporters, though increasing working capital requirements in the interim. But the applicable duty drawback scheme at high rates will have no relevance under GST; this could be a dampener.

GST would undoubtedly make the textile industry more organised and regulated, thus compelling non-compliant textile players to become GST-compliant to ensure free flow of credit and competitiveness in the market.

**but negatives weigh higher**

On the negative side, the proposed GST rate of 12% (lower rate of GST as per the Chief Economic Advisor's report) is likely to have a negative impact on the textile industry, the worst being the cotton value chain which is currently leviable to zero excise duty under the optional scheme.

The textile industry is a beneficiary of several exemptions (for instance, central excise and VAT exemption) through the value chain, thereby reducing the tax incidence to an average rate of 8.9%. Additionally, the current rate of tax on branded apparels is much lower than the proposed 12% GST.

The industry is one of the most price-sensitive industries and such a high and sudden increase in the tax rate would severely reduce competitiveness in the domestic market on account of working capital blockage and expensive final product. The timing of the booster package is, therefore, crucial for the future of this sector, which has not seen investments for years.

It is important for the government and the GST Council—which will be formed sometime in September—to have a focused approach towards certain sectors like textile, which contributes significantly to the economy. The GST Council should be careful while imposing the rate of 12% on this industry and come up with a specific implementation plan of lower/standard rate of GST in a phased manner. It is important for this industry to have enough breathing time to cope with higher tax rate. While under GST the concept of outright exemption is unlikely, in order to ensure profitability and sustainable growth path for the industry, the government could consider increasing specific subsidies beyond the current plan. This would ensure the government continues to move ahead to reform this sector, though GST may be seen as a step back. While GST is considered to be the new and refined way of life in the indirect tax space, specific considerations and concerns have to be addressed to ensure sustainability and competitiveness of the textile industry, and to facilitate this industry to reach its potential.

*(Source: The Financial Express)*

## 3. Govt signs agreement to widen trade pact with Chile

The government on Tuesday signed an agreement with Chile to expand the existing India-Chile Preferential Trade Agreement (PTA), offering more than 10 times the number of existing tariff lines, which are open to concessional rates of trade. Under the expanded PTA, Chile has offered concessions to India on 1,798 tariff lines with Margin of Preference(MoP), or rate of concessions, ranging from 30-100 per cent. Likewise, India has offered concessions to Chile on 1,031 tariff lines, with MoP ranging from 10-100 per cent. "India's export basket with Chile is diversified and keeping in view, the wide variety of tariff lines offered by Chile, the expanded PTA would immensely benefit India," the commerce ministry said. Signed in March 2006 and coming into force with effect from August 2007, the original PTA had India offering 178 tariff lines to Chile, with MoP ranging from 10-50 per cent. On the other hand, Chile had offered 296 tariff lines to India with MoP range of 10-100 per cent. A meeting between Commerce Secretary Rita Teaotia(*pictured*) and Chilean Ambassador Andrés Barbé González on Tuesday saw the new agreement being signed. The Cabinet had approved the agreement in April. India's bilateral trade with Chile stood at $2.34 billion with $0.67 billion worth of exports and $1.96 billion imports, respectively, during 2015-16. Among theLatin American and Caribbean Nations (LAC), Chile was India's third largest trading partner during this period. Exports to Chile are diverse and consist of transport equipment, drugs and pharmaceuticals, iron and steel, aluminium products, among others. Among major import items from the nation, mineral ores like copper ore and concentrates, iodine, copper anodes, molybdenum ores and concentrates, apart from fresh fruits like apple, kiwi and inorganic chemicals are significant. However, India's total trade with Chile has reduced by more than 26 per cent in 2015-16 over the previous year. Also, on the cards is a free trade agreement (FTA) with South American nation Peru, with both sides examining how ambitious the pact should be. Earlier this year, both nations held a meeting in the Peruvian capital of Lima and decided to finalise the joint study group report soon. The government also wishes to widen the scope of its PTA with the Mercosur bloc (Brazil, Argentina, Uruguay and Paraguay). India has partial admission in the regional bloc and about two-thirds of its total trade with the region is through this avenue. Commerce Secretary Teaotia had called for the PTA to be re-examined since it is "limited in many ways". It came into force on June 1, 2009. Business relations between India and LAC are mainly by way of investments, as conventional trade in goods has challenges on account of distance, time zone difference and business culture. While commodities trade is dependent on bulk nature and involvement of mega institutions, at a conclave held last year with LAC nations, the commerce ministry had suggested focusing on manufacturing and services, essentially through investments, which is expected to automatically lead to further trade growth. However, even as India's trade with the LAC region has grown at 25 per cent annually over the past decade, touching $46 billion in 2012-13, bilateral investments remain at a relatively low level. While the region received only four per cent of India's outward foreign direct investment, investments from LAC region in India are still low.

*(Source: Business Standard)*

## 4. Tech textiles sector to touch Rs 1-58-L-cr mark in FY17

Technical textiles industry is expected to grow at a rate of 20 per cent to reach Rs 1.58-lakh crore mark in the ongoing fiscal, a top Central Government official said. However, the segment's potential remains largely untapped in India, the official added. "The government is taking growth of technical textiles on priority basis. The industry is expected to grow at 20 per cent to Rs 1,58,000 crore in FY17. Growing industrialisation, increasing access to medical care and huge infrastructure spending is expected to drive growth," Textile Commissioner Kavita Gupta said here. Over the last couple of years, India has been growing at a steady pace in the sector with perceptible signs of expansion being observed in a few specialised segments, she said this on the sidelines of Techtextil India Symposium 2016 which began here today. The Centre is giving financial support for growth of the industry. It has already announced 15 per cent capital subsidy for investments in technical textiles under the Amended Technology Upgradation Fund Scheme, Gupta said. The global technical textiles market is expected to reach USD 193.16 billion by 2022. Growth of key end-use industries such as agriculture, construction, packaging and automotive in BRICS nations is expected to remain a key driving factor for global technical textiles market, the IAS officer said. The Commissioner called for increasing spend on R&D in the sector. The sector spends around 10-11 per cent on R&D at present and hopes to double the same in coming years. The 6th edition of the two-day symposium has brought the entire cross-section and stake-holders of the industry at a common platform as they look to share their knowledge about the global trends and developments, market potential, opportunities and future prospects. Technical textiles refers to products used for their diverse and multifunctional properties. Technical textiles offers several advantages in their functional aspects for improving health and safety, cost effectiveness, and durability and strength of textile material.

(*Source: Business Standard)*

## 5. Import duty exemption will help us compete better, say garment exporters

Ready-made garment exporters are hopeful that the government's decision to exempt import duty on speciality man-made fabric used as inputs for exports can help them compete better with smaller countries such as Bangladesh and Vietnam that have the dual advantage of low operating costs and preferential access to markets such as the European Union. The Apparel Export Promotion Council is organising a nation-wide drive to spread awareness about the new special advance authorisation scheme announced by the Centre last month, so that all exporters can take advantage of it, Ashok Rajani, Chairman, AEPC, told. "India has been losing to competition from smaller nations like Bangladesh and Vietnam because of higher labour cost, absence of cluster manufacturing and inability to attract women workforce to reduce labour costs. Banking on trade agreements and low manufacturing overheads, these countries have started to pose a serious threat, especially in the EU and the US," said Rajani. According to industry figures, India's ready-made garments exports in 2015-16 were worth $17.1 billion, Bangladesh's garments exports in 2015-16, were valued at $28 billion. The government's decision to allow duty-free import of speciality man-made fabric (which will add up to an additional duty drawback reimbursement of 3.2 per cent to 4.7 per cent) will help immensely in increasing Indian exporters' competitive edge, Rajani added. "The additional benefit to exporters of high-end garments that use speciality fabric could roughly help to offset about 2-3 per cent import duties in the Western markets," pointed out Ajay Sahai from the Federation of Indian Export Organisations (FIEO). Given the fact that garment exporters from India pay on an average an import duty of five per cent in the EU when countries such as Bangladesh pay zero duty, the additional reimbursement in the form of the special advance authorisation will help to bridge the gap. In the US, the import duty on garments range from nine per cent to 20 per cent. Since duty free import is allowed only of speciality fabric and not all man-made fabric, it is not expected to hit the domestic industry, pointed out Sahai. "The Textile Ministry and the Directorate General of Foreign Trade have framed the scheme on the premise that it would make speciality fabric, which is imported and not produced in the country, cheaper. If it turns out that it is affecting some domestic manufacturers, they have to be provided a level-playing field," he added.

(*Source: Business Line)*