TEXTILE INDUSTRY- A HIGHLY COMPETITIVE INDUSTRY

Mumbai, 12th September, The Chairman of Texprocil in a Press Conference today stated that the Indian textile industry is internally an extremely competitive industry. However, it needs its raw materials at equal or less than International prices and needs a level playing field in tariff barriers. A Cotton surplus country like India should at all times have lower than international prices. However in reality every year after February, Indian prices go above global prices and remain so until the new crop arrives in October.

Whenever Indian cotton prices go above the international prices, the share of Indian yarn imports in the largest and most price sensitive market China ,drops and Vietnam's share goes up (Vietnam always has international cotton prices and enjoys zero import duty into China). Whenever Indian cotton prices remain equal to or lower than international prices, India's exports reach its full potential and the country's capacity gets fully utilized.

The solution to the above issue is simple and costs nothing to the Nation. CCI (Cotton Corporation of India) has over 600 trained employees. Today it performs only support price operations. Its Board should get broad based to include stake holders and it should once again be asked to play the price stabilisation role, in addition to the support price role.

CCI can buy from the farmers, whenever Indian prices are lower than International prices; help the farmers and release the cotton to the mills the moment the domestic prices reach the international level.

It would help the farmers make more profits, will stabilize the operations of mills and help maintain our international competitiveness in manufactured products. Traders will compete on an equal footing, and not be able to create the current distortions in prices by buying when prices are cheaper and exporting it to our competitors

The following table gives the relative tariffs (Import duties) of Cut and Sew items into different large markets (EU, Canada and China) for India

	EU			China			Canada		
	Yarn	Fabrics	Madeups /Garment	Yarn	Fabrics	Madeups /Garment	Yarn	Fabrics	Madeups /Garment
India	**4**	**8**	**12**	**3.5**	**8.5**	**14**	**2**	**2**	**17.5**
Pakistan	0	0	0	3.5	0	0	2	2	17.5
Bangladesh	0	0	0	3.5	8.5	14	0	0	0
Cambodia	0	0	0	0	0	0	0	0	0
Vietnam	4	8	12	0	0	0	2	2	17.5

It can be clearly seen that India suffers very high relative duties into all markets. It cannot overcome these huge adverse tariff barriers without government support.

In addition India has higher power costs, logistics costs, interest costs than the competing countries.

Given the several disadvantages which need to be addressed through FTAs , taking the social impact into consideration and through bilateral negotiations in the case of China, based on the very high trade deficit and preferential access surrendered without reciprocal benefits; until such time the tariff barriers are addressed, the government needs to use the Focus schemes as per the stated policy transparently and give Textile exports the highest incentives that it rightly deserves as per the stated policy on incentives.

Stated policy on incentives according to DGFT

1. Employment generated per $ of turnover, higher the employment generation, higher will be the incentives. 1 billion $ turnover in textile exports creates over 1 lac direct jobs in Garmenting and Home Textiles , far higher than all the number of jobs created while assembling / manufacturing electronic / mechanical items or Pharma Chemicals

2. Net foreign exchange earned on FOB value of exports. Higher the Net foreign exports earned higher should be the incentives. Textiles have a near 100 % net foreign exchange earned , therefore the highest net foreign exchange earned

3. Freight cost on FOB value to compensate for high freight costs. Textiles have very high freight cost on FOB value given the bulky low value nature of Textiles compared to mechanical / electronic / chemical goods

In all the above three aspects, Textile exports deserve the highest incentives but the reality is just the opposite.

Set up boxes and push button phones with predominantly imported components being assembled get 300% more than Textiles. Assembled / manufactured mechanical goods and Pharma Chemicals get over 200% more than textiles.

This needs to be corrected and the funds available for export promotion should be deployed as per stated policy to maximise employment generation and net foreign exchange earnings of the country.

The 3 EPCs of TEXPROCIL, AEPC and SRTEPC will continuously strive for a transparent implementation of the stated policy on incentives to get the vehicle of inclusive growth and the biggest job creator, the textile exporting industry get the incentives it deserves so as to enable the textile industry to create millions of new jobs and increase exports be several billions.

If the industry gets the incentives it deserves, TEXPROCIL , SRTEPC and AEPC can together promise another 4 to 5 billion more exports and creation of half a million jobs in one year.