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TEXPROCIL Enewsletter

A fortnightly publication of THE COTTON TEXTILES EXPORT PROMOTION COUNCIL OF INDIA

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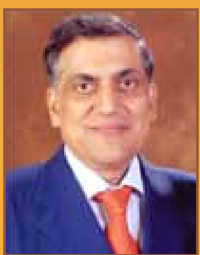
India - China : Balancing Textile Trade

CHAIRMAN'S MESSAGE



Dear Friends,

The good news that came by as we all returned from the Diwali break was the announcement of the Duty Drawback rates by the Government which has favourably addressed some of the concerns raised by the Council. Thus the rates relating to Blankets have been rationalized giving relief to Cotton blended Blankets which have got a separate and higher rate.

At the same time, the rates relating to Cotton Yarn have been retained with some tweaking in the rates for the Count group 40s to 100s. The rates for Made-ups have also been increased marginally which is an encouraging sign.

GST Rate Structure

Friends, another important development has been the consensus arrived on a four tier GST rate structure of 5%, 12%, 18%, 28%. According to the proposal, while essential items like food grains will have a zero tax rate, demerit and luxury goods will be taxed at the highest rate and will also attract a chess.

While the rate structure has been finalized with the hope as the Hon'ble Finance Minister observed that the burden of indirect tax on the common man will be reduced, the fitment of items in each basket to bring them into sync with the existing tax rate will be undertaken by a Committee of Officers/ Secretaries in the coming days.

This raises the crucial question regarding the GST rates for Cotton Textiles which at present is under an optional route since 2004 and the entire textile value chain has been out of the Central Excise net having opted for the " zero" rate. We have suggested to the Government that Cotton Textiles should be included in the 5% slab as a low rate can only motivate all the segments of the complex industry to be covered under taxation.

With the Government showing it's strong commitment to implement the GST regime by 1 April, 2017, we need to familiarize ourselves with the procedural aspects of implementation including registration and imparting training to staff.

Whichever way we look, GST is a game changer and we should all welcome it wholeheartedly, notwithstanding the teething troubles which we will face.

CHAIRMAN'S MESSAGE

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Declining trends in Export

An important concern that still remains is the declining trend in our exports. It is true that global trade has slowed to it's worst since 2008 and India's performance many analysts believe is of it's own making.

Analysts point out that while India's share of global trade fell from 1.68% in 2014 to 1.62% in 2015, the share of China, Bangladesh and Vietnam grew during this period.

In a recent study reported widely in the media, the rating agency CRISIL has stated that the sluggish performance by India even in a scenario of declining global trade is on account of it's declining competitiveness, including high logistics cost, high wages and low productivity. These issues need to be addressed if the country is to regain it's competitiveness and also create mass employment.

Stake- Holder's Meeting & Release of CII - BCG Report

In order to discuss all these aspects, the Confederation of Indian Industry (CII) organized a stake holders meeting on 9th November, 2016 at New Delhi with the Hon'ble Union and State Ministers of Textiles, Secretary, Ministry of Textiles to finalise the Textile policy. A study undertaken by Boston Consulting Group (BCG) on a "Growth Agenda for the Indian Apparel, Made ups and Textile Industry", was also released at the meeting. The report covers textile related topics including sustainability, operational costs and suggestions for the Textile Policy.

Industry wishlist for Textile Policy

With regard to suggestions for the Textile Policy the textile sector's wishlist includes some of the issues relating to improving the competitiveness of the textile industry through various measures like reimbursing the state levies to the weaving sector and also addressing the issue of cross - subsidy of electricity and reimbursement of electricity duty for the benefit of all the segments of the textile industry especially Spinning, where the power cost is an important component of manufacturing. The Government also needs to extend the labour reforms granted to the garment sector across the value chain.

On the export side there is a need to extend the benefits under the MIES to the cotton yarn sector for a short period and also grant them the benefit of interest rate subvention. For the Made- Ups sector it is required for granting of an additional 3% under MIES for exports to the European Union (EU), in order to overcome the disability of tariff disadvantage.

Need to intensify Marketing Efforts

Friends, while policy support will surely provide the much needed impetus to our export efforts, the real challenge is to keep up the entrepreneurial spirit, as in the ultimate analysis, it is us, exporters, who in spite of all the odds need to make trade happen.

For this purpose the members should participate in large numbers in events being organized by the Council in Bangladesh, Turkey, Egypt, Vietnam, China, Colombia, Paris in the coming months.

Wider participation will only enable all of us to diversify the export base and also increase it. As a measure of short/ medium strategy this would serve all of us very well and needs to be intensely pursued.

Come let us participate in large numbers.......

R K Dalmia
Chairman

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COVER STORY

India - China : Balancing Textile Trade

India and China are the two leading players in global textile production and exports. Both these countries are known for their capability of producing an extensive range of textile and apparel (T&A) products for the global market and for their reputation of meeting the quality and service expectations of the established fabric brands and retailers across the globe. The dominance of these two textile giants has forced the stakeholders to look deeply at these two countries' textile industries and thus try to map them with the changing dynamics of the global industry.

Chinese prowess

China the other major economic power in the world has been moving towards a consumption led economy. At the same time it continues to be the leading exporter to the world with a global share of 36 per cent in the exports of Textile & Clothing.

In recent times, it is being reported in various articles that China is shifting out from the textile & apparel industry making way for other types of high value consumer products. However, contrary to these reports, available evidence suggests that China is rapidly expanding its textile manufacturing capacity in the Xinjiang autonomous region in the North West of the Country.

China is building the Xinjiang province as a spinning industry hub. Around 60% of cotton grown in China comes from Xinjiang. More than US$ 440 million investment has been reported in the industrial city of Aksu in the last nine months for investment in new spindles. The installed spinning capacity of Xinjiang was 8 million spindles by the end of 2015 though not all units have started production yet. The target is to increase the capacity to 12 million spindles by the end of 2017. It has been planned to further increase capacity to 18 million spindles by the end of 2020.

The Chinese Authorities have put into place a ten point Action Plan of preferential policies to boost the textile manufacturing activity in the Xinjiang Region so as to achieve the following objectives by 2020:

- Add 18 million new spindles (incl. open-end)
- Increase Viscose fiber output to 900 million kgs
- Increase Apparel and accessories production so as to reach 500 million pieces
- Generate new employment for 600,000 people

Considering substantial increase in spinning capacity in Xinjiang, as well as relocation and new investment by Chinese textile companies in other cost competitive centres such as Vietnam, Bangladesh, South Carolina (USA) etc., Indian textile manufacturers and policy makers need to reflect on suitable strategies to enhance competitive advantage so as to achieve sustained growth in export and domestic markets.

Implications for India

Cost of production of Cotton Yarn made in Xinjiang has become cheaper by 10% compared to other parts of

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COVER STORY
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India - China : Balancing Textile Trade

the mainland, mainly because of financial and policy level supports. By the end of the year 2020, if 18 million additional spindles become operational in Xinjiang, the total output of yarn will be equivalent of volume of yarn imported into China at present, thereby leading to drastic decline in import.

Until December 2015, China was the single largest market for export of cotton yarn from India. From January 2016 onwards, India is gradually losing its market share in China to supply from Vietnam as well as Xinjiang and for the period January - August 2016, there was a decline of 40% in volume terms in export of cotton yarn to China compared to previous year similar period.

Considering substantial increase in spinning capacity in Xinjiang, as well as relocation and new investment by Chinese textile companies in other cost competitive centres such as Vietnam, Bangladesh, South Carolina (USA) etc., Indian textile manufacturers and policy makers need to quickly workout suitable strategies in enhancing competitive advantage so as to achieve sustained growth in export and domestic markets.

Need for policy level support

Expansion and relocation of spinning capacity by China is bound to affect many yarn manufacturing countries around the world. It is in our best interest to safeguard the interest of the Indian spinners by creating demand in the domestic industry as well as in emerging markets by enhancing the competitive advantage and Trade Agreements.

To maintain India's core competence in spinning segment and convert it into the competitive edge in the globalised scenario, it is necessary that the modernisation and technological up gradation should be a continuous process.

The Vision, Strategy and Action Plan of Ministry of Textiles aims at increasing the domestic market size from US$ 100 bn. (2013-14) to US$ 350 bn. by 2024-25. During this period, exports are projected to grow from US$ 40 bn. to US$ 185 bn. In order to achieve this and meet the demand for yarn and fabrics in the downstream value added sector, the spinning capacity has to be increased to over 100 million spindles in addition to extensive investments in weaving, knitting, processing, garmenting and technical textile sectors with the latest technology.

Spinning sector being the more capital intensive and the back bone of the entire textile and apparel value chain, it is essential to sustain its financial viability and maintain its core competitive edge.

In a recent report released by the Reserve Bank of India, it has been pointed out that just five sectors contribute to 61 percent of the stressed assets of the banking sector, namely: infra, steel, textiles, power and telecom.

Texprocil – The facilitator

In order to mitigate the present plight of Indian textile sector and also to withstand the intense competition by the Chinese textile manufacturers / exporters owing to extensive policy level support granted by their government, in particular to spinning sector, the Council has submitted representations to the government of India indicating clear roadmap to achieve export targets. Roadmap clearly indicates policy level immediate, medium & long term interventions.

While the Government has taken measures to increase exports there are certain areas that need to be addressed. In the short term, exports of cotton yarn should be covered under the Merchandise Export Incentivization Scheme (MEIS) and 3% Interest Equalization Scheme. Further, the benefit of 3% Interest Equalization Scheme should also be extended to the merchant exporters who contributes towards bulk of the textile exports.

Medium & long term interventions required include: improving the cotton supply scenario; rationalising cotton sales policy of CCI; providing loans to spinners for purchasing cotton during peak cotton season; formulation of industry favourable FTAs, reimbursement of funds under ATUFS etc. Further, in China which is a huge market for textile exports, Indian textiles attract duties ranging from 10% to 14%. The Government should engage in dialogue with China for reduction in the import duties on cotton yarn and fabrics / made ups which can lead to a substantially higher level of exports from India thereby contributing to reduction of the trade gap with China in the coming years.

Some of these steps will go a long way in reinugorating the sector & providing the much needed relief to overcome the present trying times.

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SPECIAL FEATURE

Strategies to Trade: Lessons from China

'How to deal with China as a trade partner', is an important strategic question? With a trade deficit of US$ 53 billion accounting for almost 45 per cent of India's aggregate trade deficit, a strategic approach needs to be devised.

One of the sectors which can contribute to reduction of the trade deficit is the Textiles sector. With India already accounting for 35 per cent - 40 per cent of China's requirements of Cotton and Cotton Yarn we need to scale up our trade in Fabrics, Made- ups and even Garments.

The table below gives a **Summary of China's Imports from World**.

China Import Statistics from World

Million United States Dollars

Commodity	January-December			% Change	January-September		% Change
	2013	2014	2015	2015/14	2015	2016	2016/15
Textiles & Clothing	40404.29	36022.21	32350.08	-10.19	24899.12	21099.49	-15.26
Textiles	35597.01	30396.04	26345.32	-13.33	20397.30	16493.50	-19.14
RMG CLOTHING	4807.28	5626.16	6004.75	6.73	4501.81	4606.00	2.31
Cotton Textiles	11290.97	10375.48	10048.50	-3.15	7797.46	6131.81	-21.36
Cotton Yarn	6812.65	6220.35	6368.43	2.38	5033.17	3714.23	-26.20
Cotton Yarn (Mn Kgs)	2098.48	2010.52	2345.25	16.65	1825.21	1450.93	-20.51
Cotton Fabrics	3922.78	3553.65	3120.45	-12.19	2345.10	2020.12	-13.86
Cotton Madeups	555.54	601.47	559.62	-6.96	419.19	397.45	-5.19
Raw Cotton	8655.41	5101.51	2654.84	-47.96	2107.93	1198.64	-43.14
Raw Cotton (Mn Kgs)	4346.57	2541.56	1561.03	-38.58	1221.20	728.60	-40.34

Source of Data: GTA/China Customs

As can be seen China's import of Textiles & Clothing from the World have dipped almost (-) 10 per cent from US $ 36.02 billion in Jan-Dec 2014 to US $ 32.35 billion in Jan-Dec 2015. Even the latest available statistics for the period Jan-Sept 2016 suggest a decrease in import of Textiles & Clothing at (-) 15 per cent. It is interesting to note that through all times the RMG Clothing trade has remained positive.

China's import of Cotton Textiles from the World have also decreased almost (-) 3 per cent from US $ 10.37 billion in Jan-Dec 2014 to US $ 10.04 billion in Jan-Dec 2015. Even the latest available statistics for the period Jan-Sept 2016 suggest a decrease in import of Cotton Textiles at (-) 21 per cent.

The table below gives a **Summary of China's Imports from India**.

China Import Statistics from India

Million United States Dollars

Commodity	January-December			% Change	January-September		% Change
	2013	2014	2015	2015/14	2015	2016	2016/14
Textiles & Clothing	4627.39	3565.88	2606.07	-26.92	2050.47	1117.14	-45.52
Textiles	4537.22	3457.03	2486.59	-28.07	1951.79	999.59	-48.79
RMG CLOTHING	90.16	108.86	119.49	9.77	98.67	117.55	19.13
Cotton Textiles	2083.69	1699.63	1929.33	13.52	1525.02	781.68	-48.74
Cotton Yarn	2032.02	1639.90	1867.48	13.88	1478.76	739.15	-50.02
Cotton Yarn (Mn Kgs)	626.93	540.60	702.80	30.01	547.28	302.38	-44.75
Cotton Fabrics	29.76	27.86	30.78	10.47	23.03	18.36	-20.30
Cotton Madeups	21.91	31.87	31.07	-2.48	23.23	24.17	4.08
Raw Cotton	2295.42	1559.65	381.55	-75.54	293.37	92.79	-68.37
Raw Cotton (Mn Kgs)	1243.06	853.94	260.73	-69.47	199.64	66.41	-66.74

Source of Data: GTA/China Customs

SPECIAL FEATURE

Strategies to Trade: Lessons from China

As can be seen China's import of Textiles & Clothing from India have dipped almost (-) 27 per cent from US $ 3.6 billion in Jan-Dec 2014 to US $ 2.6 billion in Jan-Dec 2015. Even the latest available statistics for the period Jan-Sept 2016 suggest a decrease in import of Textiles & Clothing at (-) 46 per cent. It is interesting to note that through all times the RMG Clothing trade has remained positive.

China's import of Cotton Textiles from India have increased at 14 per cent from US $ 1.69 billion in Jan-Dec 2014 to US $ 1.92 billion in Jan-Dec 2015. However, the latest available statistics for the period Jan-Sept 2016 suggest a meteoric fall in import of Cotton Textiles from India at (-) 49 per cent.

Changing Manufacturing Strategy

In recent times, it is being reported that China is shifting out from the low cost manufacturing like textile & apparel industry to raise wages and spur consumer demand by making way for more high-tech manufacturing, such as semiconductors and robotics.

Policy makers thus walk a fine line as they try to keep wages from rising so fast they undermine competitiveness for one type of factory work, while seeking to promote other types of factory work to boost incomes to create a more consumer-driven economy.

Labor costs in China have grown faster than consumer inflation for years, according to consultancy BMI Research, and are currently nearly four times those in Bangladesh, Laos, Cambodia and Myanmar.

The government of China, being concerned about losses of low-end manufacturers to other countries, is giving them incentives to move to lower-cost parts of China. To contain the loss of industries to lower-wage countries, it has offered subsidies and a range of incentives for manufacturers to relocate to cities in western and central China, where wages are as much as 30% lower than in eastern provinces.

Far western Xinjiang province, a major cotton-growing region, has budgeted 20 billion yuan ($3 billion) in tax benefits, rent and power subsidies to attract textile and apparel companies. Rapidly developing textile industry in Xinjiang clearly indicates that China is not vacating certain sectors of textile value chain, but simply relocating to other cost competitive regions within China and outside the mainland.

Implications on India

Until December 2015, China was the single largest market for export of cotton yarn from India. From January 2016 onwards, India is gradually losing its market share in China to supply from Vietnam as well as Xinjiang and for the period January - August 2016, there was a decline of 40% in volume terms in export of cotton yarn to China compared to previous year similar period. Indian textile manufacturers and policy makers need to reflect on suitable strategies to enhance competitive advantage so as to achieve sustained growth in export and domestic markets.

Engaging with China

India needs to aggressively pursue its engagement with China under APTA, while simultaneously dealing with them in RCEP. Another forum that can be leveraged to reduce the trade deficit with China is the India-China Strategic Economic Dialogue aimed at adopting a new theme for closer cooperation in different sectors that can lead to a substantial scaling up of exports from India contributing significantly to reduction of the trade deficit between the two countries.

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Avail of more detailed information on
EXIM POLICY
at TEXPROCIL GREIVANCE REDRESSAL CELL
email: ravikumar@texprocil.org

TRADE NOTIFICATION

MEMBERSHIP SATISFACTION SURVEY

Dear Member,

The Council has recently obtained ISO-9001:2008 Certification. As part of the ISO documentation concerning 'Customer Satisfaction' we are seeking feedback from our Members on the services offered by the Council. Accordingly kindly fill in your complete information below and respond to the questions below by tick (✓) marking appropriate response in the space provided or with suggestions in brief wherever necessary. We value your association with us and prompt feedback.

COMPANY INFORMATION

Name of the Company	:	
Contact Person & Designation	:	
TEXPROCIL Membership (RCMC) No.	:	
Email Address & Website	:	

1) **Kindly rate the following services offered by Texprocil on rating of 5 to 1. in order to serve you still better.***
5= Excellent, 4=Good, 3 = Satisfactory, 2 = Needs Improvement., 1 = Not Availed (N.A.)

Membership	**Rate Here**	**Trade Development**	**Rate Here**	**Trade Promotion**	**Rate Here**	**Trade Services**	**Rate Here**	**Trade Intelligence**	**Rate Here**
Procedure for New Membership		Publication: E-Newsletter		Intl. Fairs & Events		Certificate of Origin		Interactive Website	
Membership Renewal		E-serve		Seminars & Workshops		Grievance Redressal Services		E-News Clippings	
RCMC Amendment		Circulation Trade Enquiries Award		MDA/MAI Schemes		Information on Exim policy/Amendment DBK		Information Disseminated	

2) a. Are you generally satisfied with the services actively availed by your company and marked above? **Tick (✓)**	**YES**		**NO**	
b. If you have replied 'no' above, please suggest how the Council can improve the services *(use additional sheet if required)*	**Suggestions:**			
3) How is your company benefitting from the Exhibitions / BSMs being organized by the Council? **Tick (✓)**	Accessing new Markets		Generating additional business	
Others (Pls. Specify):	Making new Contacts (Trade Enquiries)		Any Others	
4) How is your company benefitting from the Export Facilitation services being provided by the Council?	Information on Export Policy / Procedures		Responses to various EXIM queries	
Others (Pls. Specify):	Redressal of Trade related grievances		Any Others	
5) Have you recommended TEXPROCIL Membership to other companies? **Tick (✓)**	**YES**		**NO**	
6) Do you have any other suggestions to offer regarding TEXPROCIL Member Services? *(use additional sheet if required)*	**Suggestions:**			

***Kindly ignore this feedback form, if you have already responded.**

TRADE NOTIFICATION

TEXPROCIL MEMBERSHIP
ANNUAL RENEWAL SUBSCRIPTION

The annual renewal subscription amount for the financial year 2016-2017 (due from 1st April, 2016) is as follows: -

1) MEMBER EXPORTER - RS. 11,500/- (MEM FEES 10,000 + S. TAX 1,500)

2) REGISTERED TEXTILE EXPORTERS (RTE) - RS. 5,750/- (MEM FEES 5,000 + S. TAX 750)

Special Discount: Texprocil is announcing a special discount scheme for those who wish to renew their membership for a period of 3 or 5 years as follows:

Period	Membership Fees		Discount Slab	Discounted Fees		Benefit to Exporters	
	RTE	Member		RTE	Member	RTE	Member
For 3 years	15,000	30,000	10%	13,500	27,000	1,500	3,000
For 5 years	25,000	50,000	15%	21,250	42,500	3,750	7,500

[RTEs and Members have to pay service tax on the discounted amount at the rate of 15%.]

Note for Members:

Members are also requested to submit the CA Certificate as per the format given below certifying the Export Turnover for the financial years 2014-2015 & 2015-2016 i.e. the amount of actual FOB value of exports of Cotton Textiles excluding Readymade Garments and Handloom Textiles.

Members may note that the eligibility criterion of annual export turnover is minimum Rs. 2 Crore. Those not fulfilling the criteria will automatically be renewed as RTE i.e. Registered Textile Exporter.

RTEs are not required to submit the CA certificate.

Format of Chartered Accountant Certificate to be submitted by Members only:

CHARTERED ACCOUNTANT CERTIFICATE
(on C.A.'s Letter Head)

TO WHOMSOEVER IT MAY CONCERN

This is to certify that M/s. ______________________________ (Name and full address of the Member) having IE code No. ______________ have exported Cotton / Cotton Yarn / Cotton Fabrics / Cotton Madeups (Excluding Handloom Items / Readymade Garments and Silks, etc.) during the financial year 2014-2015 & 2015-2016 as follows:

Sr. No.	Description	2015-2016 (Rs. FOB Value)	2014-2015 (Rs. FOB Value)
1	Cotton		
2	Cotton Yarn		
3	Cotton Fabrics		
4	Cotton Made-ups		
	TOTAL		

(Stamp & Signature of Chartered Accountant)
(Membership No. of Chartered Accountant)
(Firm Registration No. of Chartered Accountant)

PLACE:
DATE:

Note to Members & RTEs whose RCMC is expiring on 31.03.2016:

Please apply immediately for renewal of RCMC with the following documents:

[1] Copy of your Import-Exporter Code (IEC)

[2] In case of Manufacturer Exporter, a copy of Manufacturing Licence

[3] In case of changes in Partners, a copy of revised deed of partnership

[4] In case of changes in Directors, a copy of Form 32/DIR-2 or Board Resolution for those who have resigned or newly appointed.

(For any further queries please write to Mrs. Smita Dalvi on email : smita@texprocil.org)