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Indian Cottons, Global Reach!

TEXPROCIL Enewsletter

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

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CHAIRMAN'S MESSAGE

Dear Friends,

As the festive season ended and the month of October rolled by, the pressures of the ongoing global trade disruptions continued to manifest themselves. So much so that the slowdown is expected to remain well into the first half of next year. Added to this is the steady loss in India's competitiveness on account of various internal factors like lack of scale, high utility & transaction costs including longer lead times which has also not enabled it to attract any significant investments as a result of the trade friction between China & the USA.

In textiles and garments, it is observed that Bangladesh, Indonesia, Vietnam are proving more attractive over India in attracting investments. Even in manufacturing, the reorganizing of global supply chains necessitated by rising Chinese wages is favoring these countries rather than India.

A recent UNCTAD report summarizes the present global situation and serves as a warning to undertake timely measures to avoid an economic disaster in waiting. The report points out that the ongoing "lose-lose" trade war is not only harming the main contenders, it also compromises the stability of the economy and future growth in rest of the world.

A good example of this trend is the steady decline in exports of Cotton Yarn from India. Exports of cotton yarn in the first six months of the current fiscal year 2019-20 i.e. from April to September 2019 has declined sharply by 38.80%. Exports during this period touched US$ 1276 million as against US$ 2086 in the same period in 2018-19. Cotton yarn exports have also registered negative growth in all the months since April 2019. Exports to leading markets such as China, Bangladesh, Vietnam, South Korea, Colombia, and Turkey have seen a significant drop.

The Council has, therefore, appealed to the Government to extend export benefits like MEIS, 3% Interest Equalization scheme and the ROSCTL (Rebate of State Levies & Taxes) scheme to Cotton Yarn so that the declining trend in exports can be salvaged to some extent.

India's retreat from RCEP

Friends, as you are all aware, India has been pro-actively, constructively and meaningfully engaged in the RCEP negotiations since inception. The country has always extended support for greater regional integration as well as more free trade and adherence to a rule-based international order.

Even in the case of RCEP, India was looking at greater integration through the trade deal and had

CHAIRMAN'S MESSAGE

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made efforts in that direction from the very beginning. However, in view of the huge trade deficit that India has with the 16-nations participating in the trade deal and the absence of adequate safeguards to prevent a surge in imports from China, there were growing apprehensions towards signing the treaty. Since the country's concerns were left unaddressed, India has decided not to be a part of the mega RCEP trade deal for the present. In case, India's concerns are adequately addressed the decision can always be reviewed.

We welcome the Government's decision of not succumbing to global / regional pressures and compromising economic interests by opening the Indian market through "weak FTAs". We are confident that the decision taken keeping in mind the interest of stakeholders, especially the manufacturers and the MSMEs amongst others, will lead to protection of the national interest particularly with regard to controlling trade deficit, stronger safeguards against unfair imports and better market opportunities for Indian products.

New Scheme - RODTEP

A scheme to refund certain un-refunded taxes or duties [levied at the State and Central level], was notified by the Ministry of Textiles for the readymade garment and made-ups in March 2019 (Rebate of State and Central Taxes and Levies- RoSCTL). The Government is now contemplating to formulate a new Scheme to cover other export sectors also under a similar framework so that refund of these un-refunded taxes or duties/levies, not exempted or rebated at present by any other mechanism can be done. The contours of the proposed new Scheme for Remission of Duties and Taxes on Exported products (RoDTEP) are being worked out and will be notified separately.

Meanwhile, the Government has started its exercise of working out the rates and value caps for different HS LINES. In this regard, the office of DGFT has sought data and recommendations from the Council in prescribed formats. The Council vide Circular No. EPS/37/2019-20 dated 6th November 2019 has circulated the formats to the trade.

The data will be examined by the Sectoral RoDTEP Committees (SRC) in DGFT headquarters. We request all our members to please send us the data urgently so that the Council can submit to the Government at the earliest.

Meeting with HMOT

The Council was invited to the 11th edition of Confederation of Indian Industry (CII) led flagship initiative for Textile and Apparel Industry – TEXCON 2019 held on 4th November 2019 at New Delhi. The theme for this year's event was "Textile Industry: Driving India to a USD 5 Trillion. The Council participated at this event which has been highly successful in creating a platform for the concerned stakeholders to deliberate and outline the strategies for the growth and development of the Textile sector in India.

Along with Shri R K Dalmia & Shri Ujwal Lahoti, Past Chairmen of the Council and the Executive Director, I met Smt Smriti Zubin Irani, Hon'ble Minister of Textiles and Women & Child Development who was the Chief Guest at TEXCON 2019. We apprised the Hon'ble Minister about the various issues affecting the export sector & invited her to be the Chief Guest at the Awards Function to be organized shortly at Mumbai.

Way forward

Friends, as we have been stating in these columns, the exporting community is passing through uncertain times! The trying times beckon us to push for export growth against all the odds relying very heavily on the innate resilience of our manufacturing and trading systems.

While promises of steps being taken in a positive direction are being held out by the Government in all our meetings with them at various levels so far, we can only hope that it gets better with the times.

Dr. K. V. Srinivasan
Chairman

:: TEXPROCIL ::

COVER STORY

Mega-Regional and Bilateral FTAs – India needs to review its deals

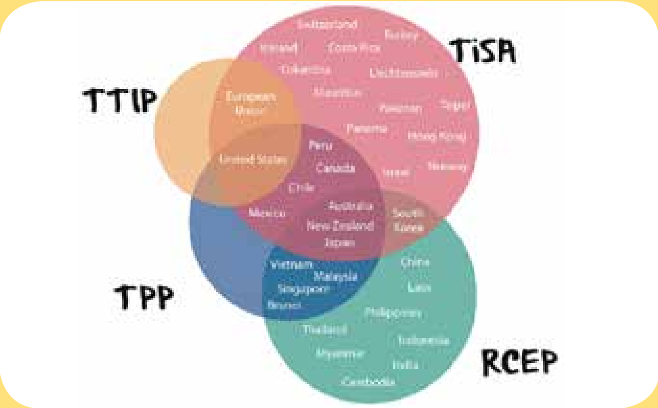

Image credit: Ana María Palacio/pacificallianceblog.com

The world has seen the proliferation of several trade deals that have been proposed to supposedly boost production, trade, and growth outside the framework of the World Trade Organisation. While some of these deals brought about a greater regional integration as well as more free trade, others have failed to protect the interest of nations signing the deal and have challenged the adherence to a rule-based international order.

Mega-Trade Agreements

Post the financial crisis in 2008, there has been a trend towards more than two countries entering and involve large shares of world trade or investment.These deals are called "mega-regionals" because they are not between two countries alone and involve large shares of world trade or investment. The following fall into this category:

- the Trans-Pacific Partnership (TPP) between the US, Japan and 10 other countries surrounding the Pacific Ocean (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru and Vietnam);
- the Trans-Atlantic Trade and Investment Partnership (TTIP) between the 28-member European Union and the US;
- the Regional Comprehensive Economic Partnership(RCEP) agreement between the 10-member Association of South-East Asian Nations (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam) and six countries ASEAN already has FTAs with (Australia, China, India, Japan, New Zealand, South Korea);
- the Trade in Services Agreement (TiSA) being hammered out between 23 countries (Australia, Canada, Chile, Colombia, Costa Rica, EU, Hong Kong, Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Taiwan, Turkey and the US);
- the Tripartite FTA (TFTA) merging three African regional economic communities: the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) and East African Community (EAC).
- the Continental Free Trade Area (CFTA), next stage of the TFTA in which all 54 African Union states are expected to be member.

The TFTA was signed in June 2015 and the TPP in February 2016, but are not yet in force. All the other deals are under negotiation.

Bilateral FTAs

On the other side, bilateral free trade agreements (FTAs) are made between the two countries. Throughout the world, many governments have signed, are negotiating, or contemplating new bilateral free trade and investment agreements.

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COVER STORY

Mega-Regional and Bilateral FTAs – India needs to review its deals

But these agreements must be seen in a global context as stepping stones towards full integration into a global free-market economy. They are another way to ensure that governments implement the liberalization, privatization and deregulation measures of the corporate globalization agenda.

Indian FTAs

FTAs are an important tool to enhance trade and investment amongst nations. In view of same India has signed a number of trade agreements with various countries or groups. In fact, India is one of the top countries in Asia with the maximum number of FTAs either in operation or under negotiation or proposed.

According to the Asian Development Bank Institute, as of now, India has 42 trade agreements (including preferential agreements) either in effect or signed or under negotiation or proposed. Out of this, 13 are in effect, one is signed but not yet implemented, 16 under negotiation and 12 are proposed/under consultation or study. Most of India's existing FTAs are with Asian countries which are quite different from each other in terms of the level of their economic development.

The major FTAs that India has signed and implemented so far include South Asia Free Trade Agreement (SAFTA), India-ASEAN Comprehensive Economic Cooperation Agreement (CECA), India-Korea Comprehensive Economic Partnership Agreement (CEPA) and India-Japan CEPA.

Analysis of FTAs

A broad analysis of trade between India and its major FTA partners, shows a significant increase in trade since the agreements have become operational. However, with the exception of SAFTA, India's experience in trade with its major FTA partners has not been very encouraging.

While India has gained substantially in terms of exports from its FTA with SAFTA countries, CEPA with Korea and CECA with ASEAN have been more beneficial to those economies. In the case of CEPA with Japan, however, bilateral trade has either declined or stagnated after the 1st year of implementation but there has been a substantial rise in trade deficit with that country also.

Apart from a range of domestic factors that have tested the competitiveness of Indian exports and prevented India to leverage the preferential market access in these partner countries, there exist a number of FTA related issues that are seen to be responsible for less than favorable development in India's trade relations with ASEAN, Korea, and Japan. Some of these issues include faulty commitments, stricter rules of origin, lack of awareness about the FTAs and high cost of compliance.

Conclusion

In the case of RCEP, India was looking at greater integration through the trade deal and had made efforts in that direction from the very beginning. However, in view of the huge trade deficit that India has with the 16-nations participating in the trade deal and the absence of adequate safeguards to prevent a surge in imports from China, there were growing apprehensions towards signing the treaty. Since the country's concerns were left unaddressed, India has decided not to be a part of the mega RCEP trade deal for the present. In case, India's concerns are adequately addressed the decision can always be reviewed.

In a meeting held on September 10, 2019, at Bangkok in Thailand, India and the group of ten members of the Association of Southeast Asian Nations (ASEAN) have decided to initiate the review of the ASEAN-India Trade in Goods Agreement that has been in operation since January 2010. The main objective of the proposed review is to make the agreement more 'user-friendly, simple, and trade facilitative for businesses'.

It is an important development for India as there has been a growing concern in different quarters including the industry that the benefits for India have been very limited from the Free Trade Agreements (FTAs) that the country has signed and implemented so far, including that with the ASEAN.

Experts are of the view that India should also not remain satisfied with the initiation of a review of India-ASEAN FTA but the existing provisions of CEPAs with Korea and Japan should also be evaluated to make them more trade and business-friendly. It is equally important, however, for India to simultaneously take all the necessary measures to remove the obstacles that hinder the overall competitiveness of exports in the country.

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PRESS RELEASE

Persistent decline in exports of Cotton Yarn

– A matter of deep concern : Chairman, TEXPROCIL

Exports of cotton yarn in the first six months of the current fiscal year 2019-20 i.e from April to September 2019 has declined sharply by 38.80%. Exports during this period touched US$ 1276 million as against US$ 2086 in the same period in 2018-19. Exports of cotton yarn have registered negative growth in all the months since April 2019.

"The continuous fall in exports of cotton yarn is a matter of deep concern", said Dr. K. V. Srinivasan, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL). Exports of cotton yarn to leading markets such as China, Bangladesh, Vietnam, South Korea, Colombia, and Turkey have dropped significantly, pointed out Dr. Srinivasan.

Quantity-wise, exports of Cotton yarn have declined every month from 90 million kgs in April 2019 to 67 million kgs in September 2019 which is a very serious situation for the spinning sector. In fact, the export quantity of 59 million kgs in June 2019 was the lowest monthly export in the last five years.

India's Export of Cotton Yarn - Quantity

Year --->	2018	2019	2019/ 18
Month	**Million KGs**		**% Change**
April	107	90	- 15.89 %
May	111	77	- 30.13 %
June	120	59	- 50.83 %
July	103	60	- 41.50 %
August	111	68	- 38.80 %
September	101	67	- 33.60 %
(Apr-Sep)	**654**	**422**	**-35.40 %**

Source: DGCIS/MOC

Further, exports of value-added products such as Fabrics and Made-ups have grown only by a marginal 1.87% in the current fiscal year. This combined with a lukewarm domestic demand has further aggravated the situation for the cotton yarn spinning sector, according to the Chairman, TEXPROCIL. Many of the spinning mills are reportedly on the verge of closure which may cause unemployment.

Cotton Yarn is the only product which has not been granted export benefits such as MEIS & 3% Interest Equalization Scheme. In addition, exporters of Cotton Yarn are at a serious disadvantage vis-á-vis competing countries due to differential Import duties in leading export markets. There is an import duty ranging from 3.5% to 5% on Cotton Yarns imported from India into major markets like China, EU, Turkey, and South Korea as against imports from competing nations like Bangladesh, Cambodia, Pakistan, Indonesia, and Vietnam which enjoys the benefit of zero duty in these markets.

Cotton Yarn also bears the incidence of State & Central taxes on inputs, which are not being rebated as in the case of Made-ups & Garments. This has adversely impacted its competitiveness in export markets.

Dr. K. V. Srinivasan said, "Cotton yarn is a value-added product with substantial value addition taking place within the country and its exports need to be encouraged". He also pointed out that only about 27% of the total production of cotton yarn is being exported and there will not be any shortage of cotton yarn in country both for export and domestic production if exports increase.

Dr. K. V. Srinivasan appealed to the Government to include Cotton Yarn under the MEIS, 3% Interest Equalization scheme and the ROSCTL (Rebate of State Levies & Taxes) scheme so that exports of cotton yarn can increase and achieve its true potential which in turn will benefit the cotton farmers.

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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,

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 1 to 5. in order to serve you still better.***
1= Excellent, 2=Good, 3 = Satisfactory, 4 = Needs Improvement, 5 = 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 for the financial year 2019-2020 for existing members has become due for payment from 1st April, 2019, as follows:

Type of Membership	Amount (Rs.)	GST @ 18%	Total Amount (Rs.)
Member (with Voting Right)	**11000/-**	**1980/-**	**12980/-**
Registered Textile Exporter	**6000/-**	**1080/-**	**7080/-**

Note: GST Invoice will be issued on receipt of payment.

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 2017-2018 & 2018-2019 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 2017-2018 & 2018-2019 as follows:

Sr. No.	Description	2018-2019 (Rs. FOB Value)	2017-2018 (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 has expired on or before 31.03.2019:

Please apply immediately for renewal of RCMC with the following documents (self-attested copies) on mail or upload them online through member login from TEXPROCIL's website:

[1] Copy of Importer-Exporter Code (IEC) of the company
[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 DIR-12 or Board Resolution for those who have resigned and newly appointed.

Members may obtain RCMC & Renewal documents online through member login on TEXPROCIL's website. The procedure is as follows:

- Go to the Membership Login Menu and click on 'Enter Now' at Membership Management Program
- Since you are already registered member of the Council, you need to choose Registered Member at Member login page between New Member and Registered Member.
- Once you click on Registered Member, you should type your email id registered with the Council for the login purpose as User Name and type company's Importer Exporter Code (IEC) code as password.
- You can view all the details of your company and can get RCMC, renewal documents etc. by clicking on 'Company Details'.
- You can also upload your export returns online.

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