

Speech

by

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Chairman

at the

57th

Annual General Meeting

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TEXPROCIL

THE COTTON TEXTILES EXPORT PROMOTION COUNCIL

Speech by Shri Amit Ruparelia, Chairman at the 57th Annual General Meeting

Friends,

It gives me great pleasure to extend a warm welcome to you at the 57th Annual General Meeting of our Council.

The 57th Annual Report and Audited Accounts along with the Auditor's Report for the year ended 31st March 2011, setting out the financial statement and major activities undertaken by the Council during the year under review are already with you. With your permission, I take them as read.

EMERGING TRADE PATTERN

The last few years have seen a period of considerable change in the global trading pattern. The economic activity across the World is increasingly shifting towards the emerging economies in Asia, Far East and parts of South America. In the textiles sector, this is being manifested in a convergence between production and consumption centres as they shift tectonically from the Western countries to the Far East and China. Traditional markets in Europe and USA are expected to adjust to these changing trends. These changes are resulting not only in realignment in the flow of goods and services but also in acceleration in investments as the flow of capital covets new markets.

The shift in balance of economic power is seen largely as an outcome of globalisation and prudent policies. This "rise of the rest" is a remarkable achievement, bringing with it unprecedented improvements in living standards for a majority of people especially in developing economies. At the same time for countries like India and many such emerging economies, the challenge is to ensure that

boom-like conditions do not yield to overheating in the coming year.

Inflation concerns are likely to intensify as capacity constraints accentuate supply side pressures in the wake of high growth rates and rising demand

TRENDS IN WORLD TRADE

World trade recorded its largest ever annual increase in 2010 as merchandise exports surged 14.5 per cent, buoyed by a 3.6 per cent recovery in global output as measured by gross domestic product (GDP). Both trade and output grew faster in developing economies than in developed ones.

Exports in volume terms were up 13 per cent in developed economies while the increase for developing economies was nearly 17 per cent. The difference between the trade of the developed and developing economies was even greater on the import side, where developed economies' imports rose by 11 per cent compared with 18 per cent in the rest of the world.

World merchandise exports in volume terms rose 14.5 per cent in 2010, while world imports grew 13.5 per cent. In principle, world exports and imports should increase at roughly the same rate, with some discrepancies due to differences in data recording across countries. World trade as measured by exports grew four times as fast as global GDP in 2010, whereas trade normally grows about twice as fast as GDP.

TRADE SCENARIO IN INDIA

As we all know, Asia in the recent past witnessed a recovery that has matured as both exports and domestic demand have fuelled rapid economic growth, which reached 8.3 percent

in 2010. Growth is expected to be led by China and India, whose economies are projected to expand by 8.2 percent and 7.2 percent, respectively, in the next two years.

The Indian economy rebounded strongly in 2010-11 from the moderation induced by the global financial crisis. However, several macroeconomic factors posed new challenges in 2010-11. Both, fiscal and monetary policies worked in tandem to pull the Indian economy quickly and firmly out of the slowdown. Even as growth reverted to its trend, new challenges emerged. Despite its recovery, inflationary trends and volatility in commodity prices led to strong demand side pressures on the Indian economy. The country's economic strength was being continuously leveraged for attracting larger capital flows and foreign direct investment.

Hon'ble Minister of Commerce and Industry Shri Anand Sharma took over the additional charge of the Ministry of Textiles in the month of July 2011. The entire textile fraternity hopes that under the new leadership this vibrant sector will get the attention due to its needs in these trying times.

GLOBAL TRADE IN TEXTILES & CLOTHING

The World trade in Textiles & Clothing is estimated to grow by 10.82 per cent for the year 2010, playing a significant role in total merchandise trade with a share of around 4 per cent. The trade is estimated at a level of US \$ 584 Billion in the year 2010 marking a growth of 10.82% over the previous year's level of US \$ 527 billion.

During 2010, US imports of Textiles & Clothing showed a growth of 21.26 per cent in Textiles and 12.80 per cent in Clothing - the overall growth in Textiles & Clothing sector being 14.72 per cent. The trends in the first six months of 2011 shows that the textile and clothing sector recorded an overall growth of 12.89%.

In EU (27), the combined imports of Textiles & Clothing grew by 6.62 per cent. While Textile trade grew by 19.53 per cent, Clothing grew by 2.64 per cent during 2010. During the first six months of 2011, combined imports of textiles and clothing products in European Union grew by 26.63%.

While the first six months of the current year have shown reasonable good growth in imports into EU, there are concerns as to whether these trends can be sustained during 3rd and 4th quarters of the current year.

EXPORTS OF COTTON TEXTILES

During the year 2010, the World Trade in Cotton Textiles accounted for 43.27 per cent of the total Trade. Cotton Fabrics accounted for 54.25 per cent share of this trade, followed by 34.90 per cent for Made-ups and 10.85 per cent for Yarn. While Cotton Fabrics dominated World Trade in cotton textiles, Cotton Made-ups held the largest share (44 per cent) in India's Trade followed by Yarn (38 per cent) and Fabrics (18 per cent).

As per the Council's estimates the exports of Cotton Textiles (i.e. Cotton Yarn, Fabrics and Made-ups including Handloom) are expected to reach a level of US \$ 6,840 Mn, during the period 2010-11 as compared to US\$ 5,644 Mn marking a growth of 16.67 per cent in Rupee terms and 21.19 per cent in Dollar terms over the previous year.

During the first quarter of the current fiscal year 2011-12 exports of cotton textiles are reported to have registered a growth of 10% over the previous year same period.

Cotton Yarn

Within the textile basket, exports of cotton yarn reached a level of 720 Million Kgs as compared to 586.76 Million Kgs in

2009-2010. In volume terms the growth increased by 22 per cent and in dollar terms the growth was 62 per cent rising from US \$ 1614.76 Million (Rs. 75912.88 Million) in 2009-10 to US \$ 2619.16 Million (Rs. 118936.06 Million) in 2010-11. It is to be noted that in spite of quantitative restrictions cotton yarn exports recorded the highest growth amongst the products under the purview of the Council.

Yarn export has since been brought under OGL with effect from April 2011. Prices in the world market have started to moderate and the down stream industry in various textile economies is looking forward to stability in policies & prices.

As the largest supplier of Cotton Yarn to the world in value terms as well as quantity terms, India needs to be cautious of its external obligations as policy interventions imposing supply side restrictions have a significant bearing on international trade. This fact was repeatedly brought to the notice of the Council by many Overseas Textile Associations and Federations during interactions at various Fairs/Exhibitions and Meets.

Cotton Fabrics

Exports of Cotton Fabrics increased marginally by 1.64 per cent from US \$ 1221 Million in 2009-2010 to US \$ 1241 Million in 2010-11. The share of Cotton fabrics in the overall cotton textile exports was 18 per cent. This sector needs the attention of the Government to improve its competitiveness and share in India's basket of textile exports as data shows that the world trades more in fabrics (both grey and finished) than in yarns and fibres. It is hoped that the remodified TUF Scheme with its emphasis on the weaving sector will provide impetus to fabric production and exports.

Cotton Madeups

Exports of Cotton madeups reached a level of US \$ 2980 Million in 2010-11 as compared to the previous year's exports of US \$ 2808 Million marking a growth of 6 per cent in the cotton textile trade. Considerable opportunities exist to increase our exports in this segment as we streamline our efforts to augment our processing capabilities.

CHALLENGES: OLD & NEW

In the recent past, as the cotton prices soared, the chasm between reality and perception has come to dominate the textile business. The perception of a shortage not only helped to feed panic in the market, but also helped suppliers to push their customers for higher prices. The reality, however, persists that there's plenty of cotton available at a competitive price.

Infact, in India, the textile trade continues to reel under the pressures of generating orders for stock in hand, maintaining demand-supply equilibrium and increasing value added competence to improvise profits. Though the order inflows in the initial few months had raised hopes for a promising year, the prevalent fact is that the departing crisis has left many consumers increasingly price-conscious. One of the prominent issues that persists is finding the right balance between stocks, prices, domestic sales and exports of the "White Gold" viz. 'Cotton'! Instead of devolving into a war of speculations, the industry should focus more on increasing the aggregate demand so as to encourage the impulse for future growth.

As seen from the recent developments in 2011, the textile industry is confronted with a coalition of difficulties and opportunities. Despite strong buoyancy in trade, in order

to sustain growth, India needs to further strengthen its external trade. Intra-Asian exports are seen as a growing source for increasing the country's affluence in trade. To further strengthen its economic growth, India needs to focus on increasing demand from the rest of the world as domestic demand may suffer decline on account of high inflation and low investment. To emerge as the winner, the Indian textile sector needs a boost-especially in its efforts to restructure itself attract investments, and strengthening of supply chains.

This apart many old challenges remain unaddressed even as new ones have emerged. The only silver lining is that as per a recent IMF forecast the advanced economies will grow at less than 2.4 per cent in 2011 and in 2012 and the emerging and developing countries at 6.5 per cent in both years. The apparent rapid recovery of Asian economies, driven by a China-led regional economy, is supported by strong domestic demand and an increase in people's spending.

POLICY INITIATIVES

During the first half of the year 2011, the Government was engaged in an exercise to formulate the Twelfth Five-Year Plan. Different scenarios were drawn up by Sub Group on Textiles and Apparel and the various committees so formed.

In this regard the Committee on Exports under my Chairmanship made a presentation to the Ministry of Textiles. The Committee drew up two scenarios one growth on a "business as usual" basis and secondly on achieving "growth at a higher trajectory" with solid policy support. While in the first scenario exports are expected to grow at a CAGR of 10 per cent to reach a level of US \$ 52 billion by 2016-2017, in the second scenario exports can reach US \$ 65

billion at a CAGR of 15.17 per cent provided the government gives unfettered policy support.

To achieve the target of US \$ 65 billion by the end of the Twelfth five year plan there is a need to place emphasis on creating a framework of policies cutting across various segments and sub segments of the sector. The Government on its part must also ensure policy support like raw material availability at near international prices, stable export Policies, treating home textile sector at par with the apparel sector for all export benefits and simplification of procedures to minimise transaction costs.

The Hon'ble Minister of Textiles Shri Anand Sharma, after taking a composite view of the current scenario, recently announced the restoration of the DEPB benefits for cotton yarn from 1st April, 2011 and on Cotton from 1st October, 2010. The decision has provided the cotton fraternity with much needed relief.

While the step taken to restore DEPB rates on Cotton and Cotton Yarn are welcome developments, we need to constantly remind ourselves that the value added segments like Fabrics and Home Textiles should be the forerunners in our export basket and should commensurately receive due attention and support. At no stage should our competitors get the advantage of raw material supply (like cotton and cotton yarn) at a price lower than the domestic manufacturers. That is why the Council has been propagating a modular incentive based system, where the value added segment gets proportionately higher level of support than the raw materials.

The government has also embarked upon an ambitious plan to double the country's exports in next five years. Considering the export levels of fiscal year 2010-2011, the

target for this sector has been fixed at US \$ 7 billion in the fiscal year 2011-2012. The Target is extremely high considering the sharp decline in exports on account of low demand, high inventory levels and sharp drop in prices. The Council however is making every effort to achieve the target of US \$ 7 billion set for the year 2011-2012.

LOOKING AHEAD

Friends, during my first year as Chairman of the Council, I have tried to ensure that the Council strengthens its position as an authority functioning to increase the exports of Cotton Textiles from India (comprising the four important subsets of the value chain i.e. fibre, yarn, fabrics, and madeups including entire home textiles range made from cotton and cotton blends). The Council, through its wide ambit of activities, aims to improve the industry's competitiveness and brand image in the world markets.

The Draft National Fibre Policy has perceptively observed there is a need to “ensure balanced growth of the entire sector by promoting all the fibres equally and equitably”. As we strive to achieve excellence, in line with the policy, the Council requires not only reconciliation of the inherent conflicting positions faced by the sectoral subsets recognising their dynamic needs but also to work towards optimal ‘trade-offs’ which would maximize the benefits not only for the ‘subsets’ but for the sector as a ‘whole’.

Amidst these developments, the Council played a proactive role and commissioned a quick assessment of various products and markets of importance to enhance Indian textiles exports. Our coordinated efforts in representing the needs of Indian exporters were well accepted and we were successful to a large extent in meeting the policy objectives.

POLICY RECOMMENDATIONS

The Council continued its efforts and held a series of meetings with the concerned authorities to sensitise the Government on the current woes of the stakeholders in the textile industry. The representations made in this regard included some important issues like expressing grave concerns on the EU proposal to grant duty concessions to Pakistan; request for immediate commencement of restructured TUF Scheme and increasing the outlay for the sector; review of the current situation of exports of Cotton Yarn and the need to publish details of Contracts & Exports Registered so as to enable exporters to keep track of export performance in leading markets; representation for the Extension of Market Linked Focus Product Schemes to Made Ups/Home Furnishings covered under Chapter 63; suggestions regarding the Proposed Duty Drawback rates for the Year 2011-2012; request for an early intervention to mitigate the impact of high interest rates and transaction costs amongst others.

PROTECTIONIST MEASURES

The Council, on its part, continued to stay watchful about the efforts to impose various protectionist measures on India's textile trade initiated through Safeguard action or imposing Countervailing Duties or by simply increasing Import Tariffs, from countries like Indonesia, Turkey, Peru and Korea in recent times. The Council actively opposed Indonesia and Turkey's efforts to extend the safeguard measures on cotton yarn from India. Matter relating to ban on import of cotton yarn from India to Peru for want of Phytosanitary Certificate has also been taken up with the Peruvian authorities. Discussions were also held with the Korean Spinners Association (SWAK) recently to dissuade

them from filing a complaint for initiating anti dumping / safeguard measures on imports of cotton yarn from India.

GOVERNMENT SUPPORT

Friends, I must acknowledge herein the support received from the various policy formulations of the Ministry of Textiles, which have favored inclusive growth through participatory development. The various policies formulated with objectives to maintain the incipient export growth momentum, increase production and productivity in cotton and cotton yarn, enhance the share of value added segments, providing employment opportunities through skill development et al., have substantially enabled the exporting community to withstand the recessionary pressures and develop competencies in the global market.

I must also mention that alongside with these initiatives, it would not have been possible to overcome the various challenges faced during my tenure as Chairman, without the valuable contributions, support and encouragement received from all our members. I am confident that with the concerted efforts and continued guidance from the industry and trade, the Council will scale new heights of excellence in the years to come.

ACKNOWLEDGEMENTS:

Before I conclude, I would like to take this opportunity to place on record my sincere thanks on behalf of the Council and members of the Committee of Administration to Shri Anand Sharma, Hon'ble Minister for Commerce & Industry and Textiles for his encouraging support and benign counsel in expanding exports. Our thanks are also due to erstwhile Minister of Textiles Shri Dayanidhi Maran. I also wish to convey our deep gratitude to Smt. Rita Menon,

Secretary (Textiles), for her positive approach in resolving the various issues confronting the textile sector.

We are also grateful to Dr. Rahul Khullar, Secretary (Commerce) and Dr. Anup Pujari, DGFT for their constructive approach and positive response to the various issues relating to EXIM Policy.

We are also grateful to Shri V. Srinivas, Joint Secretary for his understanding of various issues and Shri A. B. Joshi, Textile Commissioner for his continued support to the growth of the sector. I would also like to convey my sincere thanks to Shri Manikam Ramaswami, Deputy Chairman and Shri R. K. Dalmia, Vice Chairman for sharing my responsibilities and making my task lighter and easier. I also thank my colleagues in the Committee of Administration and other Sub-Committees for their active cooperation and support.

Finally, I would like to thank Shri Siddhartha Rajagopal, Executive Director and his team of Officers and Staff for carrying out their responsibilities with a sense of dedication and commitment.

Thank you.

Indian Cottons, Global Reach

For free sourcing assistance, contact:

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