

India : 'EU FTA will be big for textiles'



U P Singh, textiles secretary.

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India-UK FTA negotiations are going on and even if an early harvest agreement is signed, textiles will be part of it, says U P Singh, textiles secretary

Free trade agreements with the European Union and the UK will be “big-ticket” deals for the textiles sector with the potential to level the playing field for the Indian industry vis-à-vis competitors such as Bangladesh, Sri Lanka and Vietnam, textiles secretary U P Singh said in an interview.

Bangladesh, Sri Lanka and Vietnam enjoy duty-free access to the UK and the EU, whereas Indian textiles attract an import duty of 9.5%. India has been doing much better than other textile exporters in markets such as the US where it is not at a duty disadvantage.

On inverted duty structure in textiles (where duties on raw material are higher than those on finished products, thus impacting domestic manufacturing), Singh said there is a need for correction but increasing GST to 12% or 18% on the entire value chain is not a solution when cotton prices are at a record high. Edited excerpts:

We are doing a raft of FTAs this year with a special focus on textile. Which markets could benefit us the most?

The EU and UK are the two big-ticket deals that we are looking forward to which will boost the domestic textile sector. The deal with the UK could happen in less than six months. Out of the two, the EU will be the most beneficial for the domestic sector as it is one of the largest markets for textiles. India-UK FTA negotiations are going on and even if an early harvest agreement is signed, textiles will be part of it.

Sri Lanka is a major textiles exporter but the economic crisis has hit production. Are we seeing new opportunities and will the gains be permanent?

China is vacating several markets. The West's China plus one strategy is working in India's favour. The West does not want to put all of its eggs in a single basket. Another factor in our favour is the situation in Sri Lanka. Tirupur exporters are getting a few of the orders that were earlier with Sri Lanka. However, making those customers permanent won't be easy. The world is looking at sustainability, be it the adherence to labour laws, environmental adherence or even pollution. We have issues in the power loom sector and there is a problem of container shortage.

Inverted duty structure has been a long-standing issue in the textile sector. What is the way out?

The inverted duty structure should of course be removed. But imposing a 12% or 18% tax on the entire value chain is not a solution. The rates have to be reasonable because cotton prices are already very high and there is an impact on the domestic market because of the same. But yes, the decision will be taken by the GST council and not us.

Can PLI (production linked incentive) schemes solve the textile industry's problems?

I won't say PLI will take care of all the objectives. There are 3-4 steps that the government has taken to offset the disadvantage that we are at. Through PLI we are trying to boost our presence in man-made fibre and technical textile. The government launched the National Technical Textile Mission, PM-MITRA textile

parks which will bring scale to the sectors. Through the Rebate of State and Central Taxes and Levies and Remissions of Duties and Taxes on Exported Products, we are trying to ensure that only goods are exported and not taxes.