Northern India Textile Mills' Association
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Shri Piyush Goyal **Date: 18.09.2019**
The Hon'ble Union Minister of Commerce & Industry
Ministry of Commerce & Industry
Udyog Bhawan
New Delhi -110011

Sub: FTA agreements with Indonesia & Vietnam leading to closure of textile mills

Respected Sir,

NITMA (Northern India Textile Mills' Association), formed in 1958, is the apex Association of North Indian Textile Mills. All the large textile mills in north India are a part of this organization & the combined turnover of its members is Rs. 50000 Crores (USD 7 billion) employing close to 2 lacs workers directly & many more indirectly. It is also responsible for the consumption of Indian farmers cotton produce which is expected to be around 40 million bales this year valued at around Rs. 80,000 Crores.

Currently, the mills are in huge trouble due to FTA agreements with Indonesia & Vietnam.

- The finished product of the mills, that is, polyester yarn is included in the list of items being cleared with SAFTA/AIFTA certificate @ ZERO duty.
- Whereas the raw material for this product, that is, polyester staple fibre (PSF) is not included in this list & hence cleared at full duty rate of 5%. As a result of this combined with the fact that PSF production is controlled in India largely by Reliance Industries Ltd. (accouting for more than 50% of the total production), the domestic prices of PSF are calculated taking into account the landed rate of PSF from Indonesia.
- Besides, Reliance Industries Ltd has successfully made the case for imposition of anti-dumping duties on the raw material of PSF that is Purified Terephthalic Acid (PTA). As Reliance itself is the largest producer of PTA in India, it benefits immensely from this & is able to pass on the effect of this anti-dumping duty in the domestic price of PTA which in turn makes the price of PSF even higher.
- Pre-GST, there used to be some protection against the influx of imports under these FTA's as imported yarns were subject to CENVAT @ 12% & a special additional duty (SAD) of 4% whereas the domestic yarn was exempt from CENVAT. Only PSF was subject to CENVAT. Therefore, domestic yarn had the benefit of 12% CENVAT on the value added component during yarn production as well as the benefit of 4% SAD. This was sufficient to protect against the clearance @ ZERO duty under FTA's.
- However, post-GST, with the removal of CENVAT & SAD, polyester yarn is being cleared at ZERO duty.
- This has led to ASTRONOMICAL increase in the quantity of imported yarn being imported from these countries which can be seen in below figures.

Period	Imports from Indonesia (in Tons)	Imports from Vietnam (in Tons)	Total from these 2 countries (in Tons)
1st July, 2015 to 30th June, 2016	7,111	370	7,481
1st July, 2016 to 30th June, 2017	6,243	543	6,786
1st July, 2017 to 30th June, 2018	22,470	1,002	23,472
1st July, 2018 to 30th June, 2019	25,360	2,283	27,643

Period	Total from these 2 countries (in Tons)
Month of July, 2019	6,000
Month of August, 2019	4,800

- The average total monthly import from these 2 countries in the PRE-GST period was 6,786 tons/12, that is, 565 tons. From the above table, we can see that the average monthly import in the last 2 month period has been 6,000+4,800/2 = 5,400 tons which is an increase of 4,835 tons per month in % terms being a whopping **855%** increase in quantity in a period of just 26 months. (If we extrapolate this trend, imports will reach 50,000 tons per month or 600,000 tons per year by October, 2021 valued at $1.02 billion per year)
- The size of the spinning mills in Indonesia are huge & if left unchecked, this figure will surely increase threatening the survival of not just the North Indian textile mills but of textile mills all over the country.
- Sir, the domestic MMF industry must clock double digit growth rates if India is to achieve its goal of being a $5 trillion economy in 2024.

Sir, the only way according to us to prevent this from happening is

- By increasing the Basic Custom Duty on Polyester Yarns (55092100) from the current level of 5% to 10%.
- By modifying the FTA's to exclude this item from the list of items that are being cleared at ZERO duty in India or alternatively by including the raw materials of the yarn, that is PSF & PTA in this list so that domestic textile mills get a level playing ground.

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The mistakes of the UPA-II regime in signing the FTA's without due dilligence in 2010 & without keeping any exit clause has left a very challenging goal for your government but the fact that your efforts have resulted in the first ever review of the FTA's with the ASEAN countries has given us hope that you can protect the domestic mills from this extremely unjust trade imbalance which is also resulting in huge loss to the exchequer by giving an advantage to the importers rather than the domestic manufacturers. Sir, we read your very insightful remarks in the media last week regarding the RCEP that '**to protect industry from irrational spike in imports, the government will resort to appropriate trade remedies**' which has given us a lot of hope that this anomoly will be corrected very soon by your ministry.

Thank You.

Kind Regards

Sanjay Garg
President