

## **Modi govt raises import duties on 328 textile products by up to 20%**

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The government on Tuesday raised import duties on 328 textile products by up to 20 per cent in the fourth such instance of higher tariffs being placed on inbound goods in 2018. India had raised basic Customs duties on 43 broad categories of goods, including electronics, in this year's Budget. Last month, apart from announcing higher safeguard duties on solar cells imported from China and Malaysia, it had also raised import tariffs on 76 textile products, including jackets, suits, and carpets, to 20 per cent. The government has also acknowledged an official panel under the Cabinet Secretary, which will aim at reducing India's dependence on imported televisions, refrigerators and washing machines by placing further import duties on the sector. The import bill for these items amounted to nearly USD 2 billion in 2017-18.

Tuesday's duty hike for products across the textile value chain is expected to give a further edge to domestic manufacturers and boost the sector, currently employing an estimated 105 million people in the country. Modi govt raises import duties on 328 textile products by up to 20% It is also aimed at pulling out textile exports from the doldrums they have been stuck in since October 2017. Export of the largest segment within textiles — ready-made garments — continued to drop in June, contracting by 12.34 per cent to USD 13.5 billion. This was lower than the 16.62 per cent fall seen in May. India is also mulling raising import duties on 29 items (mainly agricultural) from the United States. New Delhi's move is in "retaliation" to the US hiking tariffs on aluminium and steel.

Economies across the world have adopted protectionist measures over the past year since the United States and China began locking horns in a global trade war, involving hundreds of billions of dollars. India has also been in the line of fire of developed nations at the World Trade Organization (WTO) for its protectionist moves in this backdrop. According to a report released by the WTO in July, India has been shown to have implemented the highest number of measures that are widely considered to be "trade restricting". Between mid-October 2017 and mid-May 2018, India led the pack among G-20 nations in imposing tariff increases, stricter Customs procedures, and imposing taxes and export duties. The report shows it initiated restrictive measures on 16 separate occasions while China and the US each took two similar measures. India has been under pressure to discontinue incentives for direct exports to the textile sector, so such policy measures aimed at supporting domestic manufacturing will only get more frequent in the future, a senior textile ministry official said.

### **Curbing imports**

The latest move is also expected to reduce the surge in imports of textile products, which grew by 16 per cent in 2017-18. "A substantial drop in the import duty was observed after implementation of the GST which has encouraged cheaper imports. Tuesday's decision does not positively impact the issue of imports from Bangladesh where there is a full exemption of basic customs duty and hence Chinese fabric is easily coming to India duty-free through Bangladesh in the form of garments," said Sanjay Jain, chairman, Confederation of Indian Textile

Industries. Imports of apparel from Bangladesh have increased 44 per cent from USD 140 million in 2016-17 to USD 201 million in 2017-18, he added. On the other hand, imports of textile yarn, fabric, and made-up articles grew by 8.58 per cent to USD 168.64 million in June.

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