

April 18, 2012

The Honorable Pranab Mukherjee
Union Minister of Finance
Government of India
North Block, New Delhi

The Honorable Sharad Pawar
Union Minister of Agriculture
Government of India
Krishi Bhavan, New Delhi

The Honorable Anand Sharma
Union Minister for Commerce
Government of India
Udyog Bhavan, New Delhi

Subject: India's Recent Cotton Export Ban

Dear Ministers Mukherjee, Pawar, and Sharma:

On behalf of the following trade associations and member companies, we are writing to express our concern with India's recent adverse export ban on cotton. We respectfully urge you to rescind this ban in the interest of domestic producers and maintaining global market stability.

As you know, India's cotton-growing industry has experienced remarkable growth, with acreage increasing by nearly 60 percent to 122 lakh hectares and production increasing 150 percent to 345 lakh bales since 2003. As the world's second largest producer, processor and exporter of raw cotton fiber, India's policies and market interventions influence global and domestic markets alike.

Indian farmers' incomes are artificially depressed when export bans distort market dynamics and prevent them from receiving fair remuneration for their crop compared to global prices. Controls also have the potential to impair the domestic industry's growth as farmers diversify away from cotton to crops with higher returns, thus jeopardizing India's primacy in the global marketplace.

Past export bans have precipitated record numbers of contract defaults, with the most recent ban putting contracts in 19 countries, including India, at default risk. Ultimately, these defaults damage the global market and have negative downstream effects on textile consumption as price volatility exposes contracts to undue risk. Notably, least developed economies are exposed to the greatest downside risk as their export-reliant producers lose significant global market share.

We encourage the government to pursue a transparent, fair, consistent and predictable cotton export regime, and to allow cotton exports to resume. Continuing the unpredictable and disruptive export policies of the past year will only serve to harm global markets further.

Rescinding this ban will underscore India's leadership in maintaining global economic stability. We stand ready to support this spirit of commercial cooperation and look forward to your attention on this important matter.

Sincerely,

American Apparel & Footwear Association

National Council of Textile Organizations

National Retail Federation

Retail Industry Leaders Association

The Hosiery Association

United States Association of Importers of Textiles and Apparel

U.S.-India Business Council