USD 64.43 | EUR 72.43 | GBP 82.86 | JPY 0.58

<table>
<thead>
<tr>
<th>Cotton Market</th>
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**Spot Price (Ex. Gin), 28.50-29 mm**

<table>
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<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td></td>
<td>20270</td>
<td>42400</td>
<td>83.93</td>
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**Domestic Futures Price (Ex. Gin), May**

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<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td></td>
<td>21000</td>
<td>43927</td>
<td>86.95</td>
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**International Futures Price**

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<tr>
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<th>USD Cents/lb</th>
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<tbody>
<tr>
<td>NY ICE USD Cents/lb (July 2017)</td>
<td>77.22</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (Sept 2017)</td>
<td>15,625</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>6.94</td>
</tr>
<tr>
<td>Cotlook A Index – Physical</td>
<td>87.20</td>
</tr>
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**Cotton guide:**

Cotton market has breached the long period moving average of 100-day SMA at 77 cents while on Wednesday the counter closed at 76.98 and the same this morning is seen trading at 76.85 cents per pound. Since market has cleared the support level we believe the July future at ICE contract may remain vulnerable.

We believe now cotton price may approach to hit the recent low of 76.17 cents witnessed on 11th of May 2017. For the short term the 76.17 would be considered as strong support levels while 77.70 would be treated as resistance point. Overall now the trend looks bearish and we recommend selling from higher levels.
Currency Guide:

Indian rupee trades little changed near 64.5 levels against the US dollar. Weighing on rupee is disappointing GDP data. India’s GDP rose 6.1% in Q1 as against market expectations of 7.1% growth. The slower growth is attributed to continued effect of demonetization.

Also weighing on currency is choppiness in global equity market amid uncertainty about UK elections, China and Trump. However, supporting rupee is general weakness in US dollar amid Fed and Trump uncertainty. Rupee may trade in a range of 64.35-64.6 and bias may remain weak.

Compiled By Kotak Commodities Research Desk, contact us: mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source
# NEWS CLIPPINGS

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INTERNATIONAL NEWS

Expanding NAFTA Duty-Free Treatment is Subject of ITC Review

As the U.S. prepares to start renegotiating the North American Free Trade Agreement as soon as mid-August, the International Trade Commission has launched an investigation into the elimination of remaining tariffs on imports from Canada and Mexico.

The ITC will examine the probable economic effect of providing duty-free treatment for currently dutiable imports from Canada and Mexico on U.S. industries producing like or directly competitive articles as well as consumers.

The ITC will consider each article in HTSUS chapters 1 through 97 for which tariffs remain, taking into account implementation of U.S. World Trade Organization commitments.

The ITC will also assess the probable economic effect of eliminating tariffs on certain agricultural products imported from Canada and Mexico on U.S. industries producing those products and on the U.S. economy as a whole.

The ITC will hold a public hearing in connection with this investigation June 20.

Requests to appear at this hearing are due by June 7, pre-hearing briefs and statements are due by June 13, and post-hearing briefs and submissions and all other written statements are due by June 26.

The ITC expects to submit its confidential report to the Office of the U.S. Trade Representative by Aug. 16.

Source: strtrade.com- June 01, 2017
China the key for Australian cotton exports

China is the key to Australia’s medium-term cotton outlook, a new report says.

The Australian Cotton Outlook report, prepared by Rabobank, says China’s need for imported cotton represented a “golden opportunity” for exporters. The report cites Australian cotton’s high quality, off-cycle export year, and market access as factors giving it a considerable advantage over several other exporters.

Rabobank Commodity analyst Charles Clark said China currently held 50 million bales in reserve, equivalent to 54% of global cotton stocks.

“However, at their current destocking rate, Rabobank anticipated China could reduce stocks by close to 10 million bales per year,” Mr Clack said.

He said this would see Chinese stocks return to a more manageable 20 million bales by 2019/20.

“Although it is too early to call, it appears that a combination of both these factors will be required to fill this gap,” he said, “putting Australia in the ‘box seat’ to fulfil Chinese demand, given its geographic proximity, reputation for quality, and export focus.”

Rabobank has forecast domestic prices to remain strong – above $520 a bale during 2017/18.

The report cites currency weakness, the premium for Australian cotton (largely due to its quality) and global economic recovery as the three factors for the domestic sector’s near-term profitability.

“This is despite the anticipated softening in global cotton prices, with the recent run of high prices driving an expansion in global acreage,” Mr Clack says.

“The US is expected to drive much of the four per cent increase in global plantings that is foreseen in 2017/18, but production could also increase in India, Pakistan and China.”
Mr Clack says this would see Chinese stocks return to a more manageable 20 million bales by 2019/20. At this point, with consumption remaining at a similar level, a supply deficit of around 10 million bales per annum would need to be filled by a substantial increase in local production or a change in government policy to allow for more imports.

“Although it is too early to call, it appears that a combination of both these factors will be required to fill this gap,” he says, “putting Australia in the ‘box seat’ to fulfil Chinese demand, given its geographic proximity, reputation for quality, and export focus.”

Source: lloydslistaustralia.com.au- June 01, 2017

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**The European Union (EU) is now a member of the International Cotton Advisory Committee (ICAC)**

The European Union (EU) is now a member of the International Cotton Advisory Committee (ICAC).

The membership of the EU in the ICAC is of strategic significance to the world cotton industry and the 150 million people involved in cotton production, marketing and processing each season. Some of the most important trade and research institutions in the world of cotton are headquartered in the EU.

In the current season, the EU is the 11th largest producer and 6th largest exporter of cotton, and the EU is the largest market for textiles in the world. The European Union itself, and many individual countries and companies within the EU, are significant providers of cotton-specific development assistance in recipient countries.

Following the vote of the European Parliament on May 16, the Council of the European Union approved the accession of the EU to the ICAC on May 18, 2017, the final step needed to complete the accession process. H.E.

Ambassador Pierre Clive Agius of Malta (Malta currently holding the rotating Presidency of the EU) formally presented the Instrument of Accession to Minister (Trade) Ali Tahir of the Embassy of Pakistan and
ranking member of the ICAC Standing Committee on May 24, 2017. The Standing Committee confirmed the membership of the EU today at its 549th Meeting.

The European Commissioner for International Cooperation and Development, Neven Mimica, commented: "The EU's accession to the International Cotton Advisory Committee is an important step, coming only one month after we presented a set of focused actions to make value chains in the garment sector more sustainable.

As a member, we will continue to work for a sustainable and inclusive cotton sector, ensuring decent jobs for all. Cotton is important both to the EU's economy and our development cooperation with cotton producing countries."

**Background**

ICAC is the International Commodity Body representing cotton and cotton textiles. Formed in 1939, ICAC is one of the oldest organizations within the architecture of intergovernmental bodies.

The mission of the ICAC is to assist governments in fostering a healthy world cotton economy. The Committee achieves its mission by providing transparency to the world cotton market, by serving as a clearinghouse for technical information on cotton production and by serving as a forum for discussion of cotton issues of international significance.

The role of the ICAC is to raise awareness of emerging issues, provide information relevant to the solving of problems and to foster cooperation in the achievement of common objectives. By serving as an objective statistical observer and by bringing together producing, consuming and trading countries and all segments of the cotton industry, the ICAC serves a unique role as a catalyst for constructive change.

Source: icac.com- May 31, 2017
Pakistan: Commodities: Cotton price cut by Rs50

Cotton prices eased further on slow demand from spinners on Thursday. The Karachi Cotton Association has also reduced its spot rate by Rs50 on a maund (around 37 kilograms).

“As many as 80 spinning mills have been shifted to polyester and cotton blend fabrics from pure cotton fabrics which resulted into less consumption of cotton yarn,” a yarn broker said.

He said imports of Indian yarn have increased as the production cost of cotton yarn in Pakistan was 16.5 per cent higher as compared to India.

Besides, a sizeable quantity of cloth from Vietnam, China and India was also coming to Pakistan unchecked and thus badly affecting the local industry, he said.

He said that as many as 27 textile mills were for sale and a major portion of machinery of these mills was being sold as scrap.

“There are also reports that about 200 out of the 1,200 ginning factories will not become functional during the forthcoming cotton season,” he added.

Khawaja Muhammad Shoaib of the Farmers’ Vision Forum said the production of cotton could increase next year if the government ensures that the farmers get rates equal to international prices.

He said that while keeping in view the international rates, phutti prices should be Rs4,000 per 40kg.

“The government should have set the cotton support price at Rs3,500 in the latest budget,” he said. Major deals on the ready counter were: 600 bales from Kahnpur at Rs7,000 a maund, 800 bales from Rahim Yar Khan at
Rs7,000, 200 bales from Pakpattan at Rs6,800, 1,600 bales from Haroonabad at Rs7,100 (one-month credit), 1,400 bales from Alipur at Rs6,775, 756 bales from Jattoi at Rs6,800, 400 bales from Sanghar at Rs6,500 (conditional), and 200 bales from Liaquatpur at Rs7,000.

Source: dawn.com - June 01, 2017

Bangladesh: Cars, textiles, spices may be pricier

The government is set to offer duty benefit to local mobile phone, laptop and tab manufacturers on import of raw materials in the fiscal Year 2017-18, while some other items may be pricier.

Customs duty on the products is likely to be slashed to 1.0 per cent for helping the manufacturers compete with imports.

Customs duty on import of finished mobile set may go up with the imposition of additional duty in the budget proposal.

Finance Minister AMA Muhith may propose the changes while placing the budget proposals in parliament today (Thursday).

Customs-duty benefit for textiles sector might be withdrawn for the upcoming FY. The National Board of Revenue (NBR) is likely to levy 10 per cent duty by scrapping the SRO benefit for the sector.

Import duty on spices, including cumin seed and cinnamon, may go up.

Specific duty on imports of all products, save sugar, might be withdrawn.

Currently, most of the products, excepting six or seven, have been assessed in advaloram duty on the basis of value.

The customs wing of the revenue board fixed specific duty on import volume of some products which the officials found to be injustice as high-value products should pay higher duties.

The NBR may bring some more products under regular duty structure.
Depreciation facility for reconditioned car might be extended for used car importers. Also, duty on reconditioned cars may go up in the upcoming FY. Local motorcycle-manufacturing industries may also enjoy pared-down duties on imports of spare parts.

Import duty on reconditioned cars may be increased in the budget. Duty slab for import of basic raw materials, capital machinery, intermediate goods and finished goods may remain unchanged in the budget. Revenue-collection target for the customs wing has been set at Tk 734.36 billion for FY 2017-18, the lowest among the three wings' targets for tax collection.

Source: thefinancialexpress-bd.com - June 01, 2017

***************

Ikea pilots UK textile take-back scheme

The world's biggest furniture retailer Ikea has launched its first UK-based textile take-back pilot, offering consumers in Cardiff the option to hand in unwanted purchases to be reused, repaired or recycled

Items ranging from clothing to soft furnishings will all be viable under the scheme, which will work with WRAP to repair, recycle and donate products to the YMCA in Roath, Cardiff. The textiles will be passed on to the local community, including the homeless and low-income families.

Ikea’s store manager for Cardiff Matthew Fessey said: “With our vision to create a better everyday life for the many people, the textile take-back scheme in Cardiff will help our customers to live more sustainably while supporting people in need who are living in the local community.

“Sustainability is at the heart of everything we do and this scheme builds on our zero waste to landfill achievement last year across the UK & Ireland business. We also want to allow our customers to upcycle their unwanted goods instead of throwing them away, minimising the contribution to landfill.”

A national rollout of the scheme could commence if customer feedback from the Cardiff trial is positive.
Households and charity shops located in Wellfield Road, Albany Road and Colchester Avenue will benefit from weekly collections from the Ikea store. In-store workshops and training opportunities will also be provided to showcase how consumers can reuse old textiles.

WRAP estimates that while the UK consumes around 1.7m tonnes of textiles annually, more than 600,000 tonnes are sent to landfill or incinerated. Separate research has also found that 350 million clothing items are unused in the UK.

Ikea is working with WRAP as part of the latter’s EU Life+ funded REBus project. WRAP’s technical specialist Greg Lucas recently told edie that the project was bridging consumers and corporates in an effort to promote resource efficiency.

Live Lagom

The textile scheme follows on from Ikea’s existing take-back services, which include schemes for sofas, batteries and light bulbs in stores across the UK and Ireland.

Ikea has moved to champion the circular economy in recent years. The company sent zero waste to landfill across all of its UK and Ireland facilities in 2016, achieving a 90% recycling rate in the process.

Earlier this year, the retailer unveiled a new range of kitchen fronts made from recycled polyethylene terephthalate (PET) plastic bottles and reclaimed wood, eliminating the need for virgin, oil-based plastics in the range.

Ikea’s resource commitments fall under its People & Planet sustainability strategy. Under the initiative, the company has trebled the sales from its 'sustainable life at home' products, which are designed to promote sustainable living to its customers as part of a "Live Lagom" ethos that promotes the well-being of the individual alongside the protection of the planet.

Source: edie.net- May 31, 2017
Pakistan's Punjab introduces cotton monitoring system

The agriculture department of Pakistan's Punjab province has launched cotton crop monitoring system to safeguard cotton crop from pests. About 6 million acres of land will be under cotton cultivation in Punjab with the production target of 10 million cotton bales for 2017-18. Pakistan government has set a target of producing 14.04 million bales of cotton.

The newly introduced system will help cotton growers identify the presence of cotton pests through information technology, said a spokesperson from the department, according to Radio Pakistan.

Further, this system will also help the cotton growers across the province with advanced solutions to protect the crop from pests while improving cotton productivity. The information will be shared to the cotton growers via online with the help of Punjab Information Technology Board.

To encourage the cotton growers, various competitions will also be organised in the province of Punjab. The winners will also be rewarded for their outstanding performance.

Source: fibre2fashion.com - May 31, 2017

Has Bangladesh entered a period of jobless growth?

The much-awaited results of the Labour Force Survey (LFS) of 2015-16, released on May 28, hardly provide any reason to cheer about. For the economy as a whole, a total of 1.4 million new jobs are reported to have been created during the two-year period between 2013 and 2015-16, i.e., 700,000 new jobs per year. Compare this with the figure of four million jobs during the three-year period of 2010-2013 - over 1.3 million per year.

It's not that economic growth has faltered during the more recent years; if anything, there has been acceleration in the growth of gross domestic product (GDP) - from 6.2 per cent per annum during 2010-2013, to 6.8 per cent per annum during 2013-14 to 2015-16. Despite an acceleration in economic growth rate, employment growth has declined. So, what has happened? Has Bangladesh entered a period of jobless growth?
During 2010-2013, one percentage point GDP growth was able to produce an employment growth of 0.39 per cent. Between 2013 and 2015, this figure declined to 0.18 per cent. Table 1 shows that this statistic has been declining over time since 2005, but the decline is sharpest for the period 2013 to 2015-16. It may be noted in this context that the corresponding figure for Asia as a whole for the period 1999-2008 was 0.32. Even for a developed country like USA, the figure in recent years has been over 0.3.

One could perhaps argue that the decline in employment growth rate relative to output growth should be welcome because it indicates a rise in labour productivity. But could labour productivity in the economy of Bangladesh increase so fast as to produce such a sharp decline in the employment growth per unit of GDP growth? And if that really happened, shouldn't that have led to a rise in real wage growth?

If one goes into some details, more disturbing facts come to notice. Take manufacturing industries, for example. For an economy like that of Bangladesh which aspires to move into the ranks of upper middle-income countries soon, structural transformation through rapid growth of manufacturing industries has to be the key.

And that transformation has to take place not simply in terms of the composition of output but also of employment. But that's where the economy seems to be faltering. Between 2013 and 2015-16, total number of employment in manufacturing has declined - from 9.5 million to 8.5 million. As textiles and ready-made garments constitute the major industries, the spotlight has to fall on them. Total employment in these two industries together declined from 4.85 million in 2013 to 4.56 million in 2015-16 - a decline of nearly 3.0 per cent per annum.

Since the RMG industry is the major employer of women in the country, it would be interesting to see what has happened on that front. Something unusual seems to be happening there. The total number of women employed in that industry has declined from 1.7 million to 1.44 million (during the period mentioned in the earlier paragraph).

Taking the textile industry together, the number of women employed declined from 2.59 million to 2.02 million - a sharp decline of 11.78 per cent per annum.
In fact, the stagnation of employment in the RMG industry as a whole has been in news for some time (reported in details in a recent report of the Centre for Development and Employment Research). Now, data from the labour force survey confirms that news.

How does one reconcile the sharp decline in the rate of growth of employment with that of constant unemployment rate as shown by successive LFS data? There could be different ways of squaring the figures. One is overseas employment - whatever the risks involved and the plight of workers abroad. The yearly average overseas employment during 2014-2016 was 579,765 - much higher than the figure for the period 2010-13 (493,954). The external source of employment may have made up, to some extent at least, for the decline in the economy's ability to create employment.

Looking at the supply side, the labour force figures of the 2015-16 LFS imply a growth of only 1.15 per cent per annum compared to 2.3 per cent per annum for the 2010-13 period. This sharp decline in the growth of labour force over a short period of time is puzzling, especially if one remembers that those who were to enter the labour force in 2015-16 were already born around 2000; and the annual growth of population during 2000-2013 was 1.47 per cent per annum. It is possible that a good number of working age people are too discouraged to get into the labour force and to actively seek employment - a criterion that has to be met in order to be counted in the labour force.

There is of course the standard definition of unemployment prescribed by the ILO which requires one to fail the test of at least one hour of work during the reference week and also to pass the test of actively seeking work. In the context of Bangladesh, it is not easy to meet both the criteria in order to be counted as unemployed.

There are myriad ways of being employed through what is known as the informal sector, and in the absence of unemployment benefit, one simply has little choice other than doing so. Hence, it is not surprising that the sharp decline in overall employment as well as in the manufacturing sector exists simultaneously with a constant (and low) rate of unemployment.
When the 2013 LFS showed that the growth of employment in manufacturing nearly doubled from 6.34 per cent per annum during 2005-06 to 2010 to 12.34 per cent per annum during 2010 to 2013, many of us thought that Bangladesh has finally entered into the take-off stage for export-oriented labour-intensive industrialisation through which the remaining surplus labour will be exhausted soon. But the negative growth of employment in the sector after 2013 all but dashes that hope.

Of course, manufacturing does not have to be only for exports; in a country like Bangladesh, with a sizeable domestic market, other industries could also act as drivers of growth and employment. But the news is not encouraging on that front either. Employment in the food products industry, which was the third most important sector in terms of total employment in manufacturing in 2013, has also declined. A couple of bright spots within manufacturing seem to be the furniture and pharmaceuticals industries.

Given the situation, it is extremely important to understand what has been going on within the manufacturing sector and why employment in major industries like RMG, textiles and food products are declining instead of growing. It may be noted in this context that the last survey of industries dates back to 2012; and without credible and detailed data, it is difficult to say what has been going on in the sector. Apart from large-scale surveys, it is important to carry out small-scale in-depth investigation for selected major sectors of the economy in order to understand their functioning and take appropriate policy measures.

One might of course point out that a degree of mechanisation is inevitable in any industry, and more so in an export-oriented industry like RMG where competitiveness means cost-effectiveness which, in turn, often leads to mechanisation. However, what is important to see is that incentives are not distorted so as to produce premature mechanisation in any sector.

This is particularly important for the RMG industry where the recent spotlight on working conditions and rights of workers may have induced them towards mechanisation as a way of reducing the dependence on labour. Given the variety of "incentives" that are granted to the industry from time to time, it is too easy to encourage the adoption of labour-saving technology even though real relative market prices may not still justify such response.
'Made in China' could soon be made in the US

Yes, you read that right. Contrary to widespread belief, China isn't the cheap place to manufacture that it once was, and rising costs have been forcing manufacturers to explore new countries to make their goods.

The U.S. may not be top of mind for all industries, but some manufacturers are taking a second look at the country — and many of them are Chinese. Throw in the possibility of lower corporate taxes under President Donald Trump, and more will likely come looking.

"The reason we want to invest in the U.S. isn't only because the Trump administration is encouraging it," Xiao Wunan, deputy chairman of Asia Pacific Exchange and Cooperation Foundation, who takes Chinese business executives to the U.S. on investment tours, told CNBC. "The U.S. has natural advantages for [Chinese] investment."

Why go to the U.S.?

The cost advantage

John Ling, president of the Council of American States in China, makes a living finding prospective investment locations in the U.S. for Chinese companies.

"In every project I help to land in the U.S., if I cannot present evidence that they can lower their costs, my chance of doing [the deal] in the U.S. is almost zero," he told CNBC. "Cost is driving this."

American workers earn a lot of money compared to their counterparts in China, but the U.S. can still come out on top when costs are taken as a whole.

For Hangzhou-based textile manufacturer Keer Group, American workers were paid on average twice as much as workers in China, according to the
firm's president, Zhu Shanqing. In aggregate, however, producing in the America is significantly less compared to China.

"In the U.S., land, electricity and cotton are all much cheaper," Zhu said. "My production cost per ton of textiles is 25 percent lower [there]."

In addition, he said, wages for him in China have been increasing 30 percent each year for much of the past decade. He has pledged $220 million to build and expand a facility in South Carolina and plans to eventually move the entire business to the U.S. where he plans to employ more than 500 people by the end of the year.

Add in the possibility of a lower corporate tax to as little as 15 percent, as proposed by Trump, and the U.S. becomes a no-brainer for many manufacturers Zhu said.

"If Trump cuts the corporate tax even by 5 percent, companies that left America a few years ago, will be back," he said.

**The stable business environment**

 Compared to many other countries, especially in the emerging world, China has been a stalwart of stability for manufacturers for decades. However, the U.S. does have some selling points that Chinese companies don't really like to talk about on record: better air, safer food, straightforward access to funding and a government that doesn't intervene.

U.S. state politicians will pitch to a foreign company to bring in the jobs, but once they've invested, it's said the American officials leave them alone. Once a company is in the U.S., Chinese or not, it is treated like any other company.

**The proximity to the U.S. consumer**

Chinese consumers are the spenders of the future, but Americans are the buyers of today. As Chinese companies grow in stature and expand their footprint overseas, many of them see the U.S. market as the holy grail. Guangzhou-based GAC Motor, which is eyeing the U.S. market, says partnering with a stateside automaker or even building its own American plant one day is in the cards.
"If we can succeed in the U.S. market, we can succeed anywhere in the world," President Yu Jun told CNBC, adding that having facilities in the U.S. makes a manufacturer more nimble to respond to a customer’s needs. "No matter if it’s a good economy or a bad economy, the U.S. is still the number one market for any company in the world," Ling explained. "So certainly, naturally you want to be closer to where your customers are."

**Who's going, who's not?**

**Capital-intensive industries:** Definitely.

All sorts of companies are interested in setting up shop in the U.S., according to Ling, but there is an emerging trend.

The most suited, he said, are capital-intensive industries such as textiles, chemicals, paper and packaging and auto parts. Chinese billionaire Cao Dewang, whose company Fuyao Glass makes window shields for cars, recently invested hundreds of millions of dollars to revive a plant in Ohio. "I don't believe we have scratched the surface yet," Ling said.

**Labor-intensive industries:** No thanks.

Labor-intensive industries such as apparel are not as keen.

China-based Austrian garment manufacturer KTC, which sells sports clothing mainly to Europe and the U.S., says its industry still depends heavily on labor. American workers are still more expensive than Chinese and the other factors wouldn't bring costs down enough to make it worthwhile for a move, says Managing Director Gerhard Flatz.

Additionally, American workers don't have the skills right now that have been developed in China over years, he told CNBC.

Ling said some high-labor businesses, though, have been able to make the transition lowering costs since, unlike in China, manufacturers in the U.S. don't have to worry about building dormitories and canteens or arranging transportation for their workers. "You only have a small canteen with a refrigerator and one or two microwaves," Ling said about the U.S.

What's stopping them from coming?
A skills shortage

China's status as a manufacturing powerhouse means it has gained decades of experienced talent — which has been drained out of the U.S. "We face pressure in the U.S. because we cannot find skilled workers. Most of the people have not worked in this [field] before in their lives," Keer's Zhu said.

KTC's Flatz sees a strong argument for investment in training and education for more China-based jobs to move to America. "Education—tradesman education," he said. "You have to make sure that you have enough educational power in the States, more or less, to bring up this entire industry."

Visas

To help train American workers, some manufacturers in China want to bring in their own managers and skilled workforce, but are having trouble obtaining the proper paperwork.

"Our technicians cannot get visas to go to the U.S. We need [our staff], but many of them have been refused," Zhu said. "We are facing a new challenge."

Supply Chain

In addition to the lack of skilled workers, Flatz said entire supply chains would have to relocate to the U.S. for some industries.

"None of us apparel manufacturers would move to the U.S. without having an ecosystem on site as we have in China," he said. The U.S. would have to do what the Chinese did decades ago, the China manufacturing veteran explained: set up economic zones, offer better infrastructure and financial incentives as a package.

"Make it the same as the Chinese," he said. "And start on-shoring."

Source: cnbc.com - May 31, 2017
A new global trade order

Global Trade is experiencing a fundamental shift. The director general of WTO, Roberto Azevêdo, reported that in 2016 world trade grew at 1.3%. This was the slowest pace since the financial crisis. In 2016, world merchandise exports were valued at $15.46 trillion, down 3.3% from the previous year.

All regions recorded declines in exports, with the smallest drop registered by Europe (-0.3%) and the largest reported by the Commonwealth of Independent States (-16.2%). On the import side, Europe saw a small increase of 0.2%, while all other regions recorded declines.

Global merchandise trade is expected to rebound, with WTO forecasting a growth of 2.4% in 2017 compared to 1.3% in 2016. Further, it is likely for global merchandise trade to pick up slightly in 2018 and grow 2.1-4%.

Global trade faces uncertainty and declining growth due to Britain’s vote to exit the EU and President Donald Trump’s resolve to take the US down a new isolationist and protectionist path.

The US is re-examining all its major trade deals and has proposed to impose huge tariffs on goods from China and Mexico, two of its largest trading partners.

The failure of WTO’s Doha round of trade negotiations is another blow to free and fair world trade, as negotiations have undermined the credibility of the multilateral system, regional trading agreements have collapsed with the US denouncing the TPP, RCEP negotiations are going slow and OBOR is mired in controversies.

Asia has remained the engine of world growth for many years and the withdrawal of the US from the TPP is a turning point in international trade for the region, especially at a time when China is increasing its presence on the world stage.

According to trade experts, the exit of the US from the Asia-Pacific region provides a golden opportunity for China to reaffirm and establish its hegemony.
Under the One Belt, One Road Initiative, China plans to spend over a trillion dollars on developing roads, railways and ports, primarily in Central Asia, Southeast Asia, the Middle East and Africa, to promote trade into and out of China.

If completed successfully, the potential gains for China are vast, both economically and politically.

Also, with the TPP off the table, China can now forge ahead with the RCEP—a trade deal comprising 16 countries including China, India, Japan and South Korea. It accounts for almost half of world's population, almost 30% of global GDP and over a quarter of world exports.

There are debates of a TPP minus one—without the US—and this idea gained ground in the recently concluded meeting of the eight remaining countries in Chile. While trade policies in the West are in a flux, Asia continues to forge ahead with both mega regional and bilateral trade deals.

In fact, India is renegotiating some of its comprehensive trade deals with countries like Korea and Japan to get greater market access and trade benefits.

Thus, there is a major contradiction and there is no dearth of economic policy options for countries wanting to follow what suits their economy the best. Another region that is in a flux due the changing trade paradigm is the African Union.

Africa has always been a strong supporter of multilateralism, led by WTO, even though it has some of the most effective and advanced forms of regional trading agreements in the world.

Africa is concerned that the Doha round that focuses on helping developing countries overcome their supply-side constraints with respect to production costs, and both quality and quantity challenges, is on its death bed.

It believes that with Brexit and America First, there would be no further negotiations or progress on the Doha agenda. Some of its bilateral trade deals with the EU are also in a limbo due to Brexit.
Africa is moving towards a massive regional agreement called the Continental FTA by the end of 2017 and an economic union by 2019.

According to UNCTAD, the CFTA would be a key driver for Africa to pursue its structural transformation and industrialisation efforts as envisaged in the African Union’s Agenda 2063, and a means to promote implementation of the UN 2030 Agenda for Sustainable Development.

It is evident that there has been a rise in protectionism across the world, especially in the US and EU, but it seems to have played a limited role in suppressing trade flows.

A lot will depend on the next ministerial of the WTO at Argentina at the end of this year. Uncertainty looms large but has been positively offset by several countries supporting multilateralism and globalisation, led by China and India.

Source: financialexpress.com - June 01, 2017
NATIONAL NEWS

Smriti Irani to inaugurate Heimtextil & Ambiente India

The 4th edition of Heimtextil India & Ambiente India, India's finest home fashion business platforms, will be inaugurated by Union textiles minister Smriti Irani on June 20 in New Delhi. Over 180 leading companies from India, Bangladesh, China, Korea, Nepal, and Thailand will present their dining, living and home furnishing collections at the 3-day fair.

The minister will address the gathering and unveil the world's largest cushion representing ‘Fabrics of India’ at the fair.

One of the central attractions at the show, the ILA Experience Zone will feature innovative concepts in interior spaces through a design face-off between product and textile designers. Live demonstrations of different art forms by specially-abled children will be held at the Special Skills Zone.

Top home fashion players, including D’décor, Welspun, Reliance, Raymond, AWKenox Steel, Flair Houseware, Organic Home (Stonemen Crafts), Lifestyles 360 Degree, Gomaads are expected to launch the latest collections aimed at Diwali and upcoming festive seasons in India.

Heimtextil & Ambiente are the world’s largest trade fair brands for the home textiles and consumer goods sector which set the trend barometer globally. In India, the sister fairs Heimtextil India & Ambiente India, organised by Messe Frankfurt Trade Fairs India, present the first-look of the new season's collections for the Indian market.

India is carving a distinct place for itself in home textile and interior décor space worldwide. The country accounts for 7 per cent of global home textiles trade with Indian products gaining a significant market share in the past few years. Spanning virtually across all the categories of textiles in the world markets, the country has emerged as the second largest supplier of home textile products only after China while domestic demand is constantly on the rise.

Source: fibre2fashion.com- May 31, 2017
Textiles industry wants uniform GST for whole value change

The consensus in the non-handloom part of the organised textile industry seems to be for a uniform goods and services tax (GST) rate. The GST Council meets this Saturday to discuss it.

At present, the sector doesn’t have fibre neutrality in taxes. Cotton fibre has no excise; synthetic fibre has 12.5 per cent; fabric has nil. Branded garments have the option of a low rate if no input credit is claimed. The average is five to eight per cent.

Says S C Kapur, director-general, Association of Synthetic Fibre Industry, “A 12 per cent GST is advisable for the whole value chain. Cotton and manmade fibre need to be taxed at the same rate. The government has been talking of fibre neutrality since long and implementation of GST is the right time.”

He explains that if the entire industry is taxed at the lowest GST rate of five per cent, then input credit can't be fully claimed. Garments, being value added items, are likely to be taxed at 12-18 per cent, it is reported. Then, 80 per cent of fabric is a blend of cotton and synthetic yarn. To ensure full compliance and avoid GST arbitrage, the rate of tax for both segments should be equal, Kapur said.

The Clothing Manufacturers Association of India has, however, proposed a five cent GST rate across the value chain. This, it says, will increase the compliance from all segments which are at present out of the tax net. Those who disagree say differential rates allow scope for mis-declaration.

Narain Agarwal, chairman, Synthetic and Rayon Textile Export Promotion Council, said: “Bangladesh, Vietnam and China had implemented a 15-16 per cent GST several years ago and they are growing much faster than Indian textile industry.

Hence, a uniform 12 per cent GST should not hinder growth.”

Source: business-standard.com- June 01, 2017
Recycled PSF producers seek tax advantage in GST

The All India Recycled Fibre & Yarn Manufacturers Association, which represents 35 recycled polyester staple fibre (PSF) producers, has requested the Union finance ministry to maintain the current excise duty cost advantage of recycled PSF vis-à-vis virgin PSF, while finalising the GST rates. GST Council is scheduled to discuss this at its meeting on June 3.

In the current tax regime, virgin PSF manufacturers are levied 12.5 per cent excise duty, while recycled PSF attracts 2 per cent concessional excise duty. As a result, spinners get the cost advantage of 10.5 per cent if they opt to buy recycled PSF.

Because of the concessional rate of duty given by the Indian government to producers of recycled PSF, the industry has continued to grow. The association has requested the finance ministry to maintain the tax advantage for the recycled PSF industry in the GST regime, in order to continue their work of recycling PET bottles and thus helping protect the environment.

According to the association, if the existing differential is not maintained, operations of the whole PET recycling industry will become unviable. It is because PSF buyers would prefer to buy virgin PSF if the cost benefit is lost. This would also lead to closure of PET bottle recycling companies, leading to job losses in addition to increasing harm to the environment.

The PET bottle recycling value chain provides direct and indirect employment to around 500,000 people, which includes rag pickers, scrap dealers and employees working in the industry. The industry has grown in the last ten years and the current production of recycled PSF is around 660,000 metric tons per annum, turnover around Rs 5,000 crore.

The industry currently recycles around 700,000 metric tons of used PET bottles. “These PET bottle recyclers are directly helping the ‘Swach Bharat’ mission initiated by Prime minister Narendra Modi by recycling billions of PET bottles per year, which otherwise would have been strewn all around or ended up in landfills, posing grave risks to the environment, as it takes 500 years for a PET bottle to decompose,” the association said in its press release.
“First we were hit by the ban on import of PET bottle scrap, which led to a steep increase in prices of locally available PET bottle scrap and now if GST on recycled PSF is at parity with virgin PSF, this will make the survival of the PET bottle recycling industry very difficult,” BP Sultania, president of the All India Recycled Fibre & Yarn Manufacturers Association said.

“Under the circumstances, we urge finance minister Arun Jaitley to consider our demand of continuing the tax cost advantage, when finalising GST rate on recycled PSF. We also seek intervention of textiles minster Smriti Irani to convince the finance ministry to accept our valid demands and thereby safeguard and promote the PET bottle recycling industry,” he added.

Source: fibre2fashion.com- May 31, 2017

Apparel exporters seek continuation of ROSL under GST regime

Apparel exporters body AEPC today demanded the rebate on state levies scheme for the sector should be continued under the GST regime, arguing that it gave a boost to exports.

The Apparel Exports Promotion Council (AEPC) said it has made a presentation to Finance Minister Arun Jaitley last week to continue ROSL in the current form post the roll out of the Goods and Services Tax.

Indias apparel exports grew 31.7 per cent in April as against the same month last year.

"The data of the apparel exports shows that after the commencement of disbursement of ROSL, the apparel sector has been registering double digit growth," AEPC said.

During March-April 2017, Indian garment exporters were able to increase production by around 30 per cent and employed at least 5 per cent more workers during the same period.
The revenue department began operationalising the Rs 5,500-crore ROSL scheme from September 20 last year, under which exporters are compensated for state levies. The Cabinet had cleared Rebate of State Levies (ROSL) on exports of garments to refund the state levies which are not given so far.

Union Textiles Minister Smriti Irani earlier informed that funds to the tune of over Rs 1,900 crore have been given to the apparel industry under the rebate of state levies to boost exports from the sector.

"The big jump in apparel exports is the result of recently implemented incentive called ROSL on export of garments, as it helped the industry increase the production at very competitive rates for a larger share of global markets. It is important that ROSL is continued even in GST era to ensure sustained growth momentum," AEPC Chairman Ashok G Rajani said.

With GST to be operational from July 1 2017, any dilution in the ROSL scheme will hit the apparel export sector badly, impacting the job growth, the apparel exporters body said.

Source: indiatoday.in- May 31, 2017

Higher GST will make Surti sari costlier

If the central government implements 12 per cent GST on fabrics made of MMF and 18 per cent on branded textiles, the cheapest sari sold at Rs 200 will become costlier by Rs 95 for the end consumers.

Around 40 per cent of the Indian man-made fabric (MMF) is manufactured in Surat and major part of the production of saris and dress material is supplied throughout the country.

The city manufactures cheapest range of saris and fabrics mainly for the poor and lower middle class consumers. It is estimated that around 40 per cent of the production of saris and dress-material is done targeting this section in the country. At present, the MMF centre in the city manufactures around four crore metres of fabric per day on more than 6.5 lakh powerlooms.
There are around 165 textile markets housing over 65,000 wholesale textile shops, having daily turnover exceeding Rs 120 crore.

Industry experts said that an average of one kilogram of yarn can manufacture three saris of 5.50 metres each, which are sold not less than 200 per sari. The higher range of saris cost more than Rs 1,000 and beyond, which generally has value addition in the form of embroidery, etc.

At present, the cenvat, excise duty at 12.50 per cent and 5 per cent and VAT put together on one kilogram of yarn comes to around Rs 16.31 and tax forgone on dyes and chemicals comes to around Rs 7.42. However, the total tax on fabric and yarn comes at Rs 23.73 per kg.

As per the industry calculation, if the government fixes uniform GST of 5 per cent on the entire textile value chain then the GST revenue on one kilogram of fabric and saris would be Rs 30. Thus, the government is getting more revenue in the new GST regime than the present level of revenue.

However, if the GST slab of 12 per cent on fabrics and 18 per cent on branded textile is fixed then the wholesale sari valued at Rs 200 will attract GST of Rs 95 and it will be passed to the end consumer, making the cheapest sari costlier.

Talking to TOI, chairman of Synthetic and Rayon Textile Export Promotion Council (SRTEPC), Narain Aggarwal said, "Textile sector in Bangladesh, China and Vietnam is growing at the CAGR of 20 per cent, while the Indian textile sector is growing at less than 5 per cent.

Most of the cotton fabric is used by the upper class, while the government want to tax the lower class using the MMF."

Source: timesofindia.com - June 01, 2017
Cotton seed sales pick up on brisk sowing

With sowing of cotton beginning on a strong note in key growing regions including Punjab, Haryana, Rajasthan and some parts of Karnataka, the sale of cotton seeds has picked up. According to the National Seeds Association of India (NSAI), cotton seed sales are likely to cross 5.5 to 6.5 lakh packs (each of 450 gms) this season. According to Kalyan Goswami, executive director, NSAI, over 6 crore to 6.5 crore packs of seeds are available with companies and one can safely say there has been a rise of around 10 lakh packs this season.

The indigenous verities of seeds have not picked up as much because of availability issues and therefore majority of the farmers are still opting for BT Cotton, he said. Moreover, the previous season has been good for farmers and enthused by the high prices, farmers are expected to bring a larger area under crop this season.

Even if there is a sharp increase in the area under cotton in Punjab, Haryana and Rajasthan, the overall increase in the acreage will be around 10-12% over last year, Goswami said. Seed sales in 2017 are estimated to cross 5.5 crore packs, which was 4.6 crore in 2016. Seed sales stood at 5.12 crore in 2015 and at 4.1 crore packets in 2014.

Goswami pointed out that there has not been much impact of pink bollworm in Gujarat or Karnataka and therefore good growth is expected in acreage this season. Pink bollworm has been a major problem in the main cotton growing regions of Karnataka, Andhra Pradesh, Maharashtra and Gujarat. Moreover, seed prices remain the same at Rs 800 per pack and there have been no changes so far, he said.

MG Shembekar, vice president of the association, said that during a normal season, around 4.5 crore packs are needed and around 1.5 crore to 1.6 crore packs are required in Maharashtra. However, this time there could be a 10-15% rise in acreage which means that more than 4.5 crore packs would be required for sowing across the country and 1.6 to 1.65 crore packs may be required for Maharashtra, he said.

As per the latest estimates by the agriculture ministry, cotton output has been pegged for the 2016-17 season at 325 lakh bales of 170 kg each over previous year’s 300 lakh bales.
Predictions of a good monsoon by the India Meteorological Department (IMD) as well as good prices have buoyed hopes of farmers for a good crop for the season of 2017-18. In northern states of Punjab, Haryana and Rajasthan, cotton sowing began on a brisk note and by May 15 60-70% of the cotton sowing has been completed, according to the Central Institute of Cotton Research, Nagpur.

“Initial indications are that during the current season the cotton area sown would be around 6 lakh hectares in Haryana (as against 4.98 lakh hectares during 2016-17) and 4 lakh hectare in Punjab (as against 2.56 lakh hectares in 2016-17),” he said.

Source: financialexpress.com- June 01, 2017

Can’t get jobs till rural India blooms

Trust journalists to get it wrong. Stories about layoffs in the IT sector were conflated with fears of robots replacing humans in certain kind of jobs and exaggerated to the point of suggesting the sector’s years of job creation were behind it. Naturally, this was contested—ex-TCS chief N Chandrasekaran, currently Tata Group chairman, wrote an article pointing out that the story of lack of jobs creation in a business newspaper was next to an advertisement looking for UX/UI designers, full stack web developers, data scientists, data visualisers and Java coders!

What has got lost, in the bargain, is the story of a definite slowing in employment intensity—employment per one million rupees of turnover—not just in the IT industry, but in the entire economy. Faced with this reality, not surprisingly, the government has also changed its narrative. Even if India’s manufacturing sector grew to Chinese levels, NITI Aayog member Bibek Debroy pointed out at a FICCI meeting a few weeks ago, it wouldn’t give India anywhere near the kind of jobs it needed.

Not surprising since, as Crisil pointed out, the jobs-intensity in manufacturing is down a fourth—from 0.78 in 2000-05, employment elasticity in manufacturing fell to 0.57 in 2005-12. So, Debroy talked of the need to create more employment in the informal sector.
While the government has put together a task force to see how India can get better data on jobs creation, the narrative now includes converting job-seekers to job-creators through more loans to entrepreneurs through the Mudra scheme—according to data presented at the government’s 3rd anniversary, 7.45 crore people got `3.2 lakh crore loans under this. While that would suggest India has already fixed its jobs-creation problem, the fact that the government is still worried means it doesn’t believe its own rhetoric.

Under normal circumstances, policies aimed at getting GDP growth up would help—FY17 GDP grew 7.1% vs 8% in FY16—but that helps only if the growth is in job-creating sectors. While the IT and financial services sector, Crisil pointed out, employ 1-2 people per one million rupees of real value added, this is 9 for education and recreation services, and it is 12.2 for construction. Manish Sabharwal of Teamlease points to a nine-fold increase in the number of sales/customer-service/logistics posts he is being asked to fill over the past three years in consumption-driven services.

To that extent, government policy is broadly in the right direction. In the last three years, for instance, there has been a lot of emphasis on getting investment up in roads and railways; the interest-subvention schemes on housing are also the right policy.

While it is rural roads more than expressways that will create jobs—expressways tend to be quite capital-intensive—demonetisation has really dampened the potential of the housing sector since it is primarily cash-driven. As Q4FY17 GDP data shows, demonetisation also hit manufacturing very hard, and the brunt was probably borne by the informal sector—construction growth fell from 6% in Q4FY16 to minus 3.7% in Q4FY17.

Since the bulk of India’s work force is in agriculture, it is important to get growth back here. Apart from the monsoon-driven revival, there have been no structural reforms to really boost growth.

Indeed, ensuring greater food processing will also push jobs growth. In this context, given the 3 million employed in the leather industry, the spate of curbs on cattle/buffalo slaughter is certain to hit employment.
In macro-terms, it is important to bring the terms of trade back in favour of agriculture since it is only then that true demand can return to this sector. S Mahendra Dev and N Chandrasekhara Rao had estimated the terms of trade for farmers had worsened from 100.15 in 2009-10 to 95.55 in 2013-14.

While the government is having a problem with comprehensive labour reform, this is probably the biggest reason for slow jobs growth. In the absence of that, sectoral initiatives will have to be pushed in employment-intensive sectors. One such was worked on by CEA Arvind Subramanian and textiles secretary Rashmi Verma for apparel.

It included lower interest-bearing loans, higher rates of duty drawback given to exporters, including the sector under Section 80JJAA to allow it to get tax benefits, allowing fixed-term employment, etc. The plan was to created one crore direct and indirect jobs and $30 billion additional exports in three years—this has yet to yield full results, but the ministry estimates 7.5 lakh extra jobs were created last year.

The budget announced a similar scheme would be created for the leather and footwear industries—how this pans out, however, needs to be seen given the turmoil in the sector. Labour laws, as Subramanian and Verma point out, are at the heart of everything.

Around 78% of Indian apparel firms, they say, employ less than 50 workers and just 10% have more than 500 workers—the comparable numbers in China are 15% and 28%—and that is what leads to poorer quality and competitiveness, and poor jobs-creation.

Source: financialexpress.com- June 01, 2017
B2C e-commerce exports by MSME clusters pegged at $26 million

At a time when global online platforms, such as eBay, Amazon and Alibaba, are engaging with medium, small and micro enterprises (MSMEs) to push their products, policy-related discrepancies need to be removed to boost exports of ‘Made in India’ products via e-commerce, says a FICCI-IIFT study.

The study estimates $26 million B2C e-commerce export potential, of which $3 billion can be achieved in the next three years from 16 product categories.

<table>
<thead>
<tr>
<th>MSME profile in select sectors</th>
<th>Approximate No of units</th>
<th>Share in exports %</th>
<th>Exports ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel</td>
<td>30 lakh</td>
<td>5</td>
<td>15,000.09</td>
</tr>
<tr>
<td>Leather</td>
<td>1.5 lakh</td>
<td>1.3</td>
<td>4,000.00</td>
</tr>
<tr>
<td>Sports goods</td>
<td>1.0 lakh</td>
<td>0.01</td>
<td>8.16</td>
</tr>
<tr>
<td>Gems &amp; Jewellery</td>
<td>2.5 lakh</td>
<td>13.7</td>
<td>41,381.09</td>
</tr>
<tr>
<td>Auto parts</td>
<td>1 lakh</td>
<td>11</td>
<td>11,000.09</td>
</tr>
<tr>
<td>Handicraft</td>
<td>70 lakh artisans</td>
<td>&gt;1</td>
<td>450.00</td>
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<tr>
<td>Hosiery</td>
<td>10,000</td>
<td>&gt;2</td>
<td>1,500.00</td>
</tr>
</tbody>
</table>

“There is an urgent need for the government to recognise retail e-commerce exports as an industry and work towards removing regulatory barriers, including reviewing of the Foreign Trade Policy (FTP) in terms of its limitation to certain categories and of a limited amount (like in the case of gems & jewellery), simplifying customs duty procedures and allowing exporters to claim duty drawbacks,” says the report, ‘Exploring Potential of E-commerce for Retail Exports of Indian MSMEs in Manufacturing Sector’, by industry chamber FICCI and Indian Institute of Foreign Trade (IIFT), released here on Tuesday.

Noting that the huge potential for Indian exports through an online mode has not been “exploited to its fullest due to lack of conducive policy environment”, the report said policy strategies need to be aimed at motivating Indian MSMEs to migrate to an e-commerce platform.

There is need to reduce the distance between the producer and consumer and e-commerce can help in bridging this gap. Besides, it will also reduce the cost of products, said SN Tripathi, Additional Secretary & Development Commissioner, MSME Ministry. Sanjay Bhatia, President, FICCI-MSME, said:
“There is no way we can undermine the contribution of MSMEs to our economy and it is in fact very important that we continue to explore synergies to integrate this very important sector with the latest emerging trends. E-commerce is one such trend which is massively changing the mechanism of global businesses”.

Commenting on the report, Navin Mistry, Director Retail Exports, eBay India, which supported the study, said: “Since 2012, eBay India has always been proactively driving the agenda for Cross Border Trade in India.

We are happy to have contributed to the study given our understanding of working with over 25,000 small and medium entrepreneurs who actively leverage our platform to sell across 200+ countries.”

Source: thehindubusinessline.com- June 01, 2017