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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 201 of 2017 October 06, 2017

USD 65.26 | EUR 76.38 | GBP 85.40 | JPY 0.58

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
18143	37950	**74.14**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
18180	38028	**74.29**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.27
ZCE Cotton: Yuan/MT (Jan 2018)	15,150
ZCE Cotton: USD Cents/lb	**87.80**
Cotlook A Index – Physical	**77.7**

Cotton & currency guide: The range of 67 to 70 for December future ICE cotton seems to be more confined. Cotton that was trading close to 70 cents has given up its most of gains and ended the session lower on Thursday at 6827 down by 53 points.

The major reason to attribute price correction is the flow of Tropical storm "Nate" shifting base to West away from cotton growing region. This has discouraged buyers to fresh buying in the market.

On the other hand selling near 70 cents looks very much inevitable amid expectation that the broad supplies to pull cotton price lower.

Interestingly the trading volumes were near daily average of 20000 contracts however almost half of previous day's volume.

In the meanwhile the weekly US export sales data was released which remained mostly stable. The total sales for the week ended 28th September were 213,200 bales and the shipments were 119,800 bales. Sales are 2.2 million bales ahead of last year and 43-1/2 weeks remain in the 2017/18 season.

However, trade talk continued that prices have to go lower. Cash sales and inquiries have been limited. Crop uncertainties have kept sellers from being too motivated and lower price expectations have kept buyers from being too eager. Further after the close of market the CFTC On-Call Cotton report for the week ended September 29th showed a 5th consecutive week of record unfixed on-call sales. Today's report at 136,123 contracts.

Total on-call purchases were 37,150 contracts. For comparison, total on-call positions one year ago were: 80,282 contracts in sales; and 24,961 contracts in purchases. This morning ICE cotton is seen trading slightly down at 68.17. The trading range for the day would be 67.60 to 68.50 cents per pound.

Coming to domestic market price for new crop Shankar-6, December delivery, are steady at Rs.38,000 per candy, ex-gin. At the prevailing exchange rate, equivalent value is approximately 74.35 US cents per pound. However, better quality old crop S-6 is almost unchanged at an average price of Rs. 39,000 per candy, ex- gin (76.30 cents per lb), maintaining the differential between new and old crop prices at just below 2 US cents per pound. Quotes for new crop Punjab J-34 are firm again, at Rs. 3,845 per maund or71.70 US cents per pound.

On the futures front market has been quite volatile. During the day November future had moved to Rs. 18480 which ended the session at Rs. 18310 per bale. Likewise, December also moved volatile to end at Rs. 18220 per bale.

The difference between November and December continues to maintain near Rs. 90 to Rs. 100 per bale. Overall we expect sideways trend and the trading range for November future on today's trading session would be Rs. 18070 to Rs. 18350 per bale

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

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INTERNATIONAL NEWS

USTR: Once NAFTA Trade Talks are Resolved, CAFTA's Next

Once the "problem" of trade within this America is solved, the U.S. government will be looking to Latin America to tackle imbalances there.

Trade negotiators just wrapped the third round of talks on the North American Free Trade Agreement last week, and U.S. Trade Representative Robert Lighthizer said speaking at a Latin America summit in Florida Monday that trade deals with Peru, Colombia, Panama and the Central America Free Trade Agreement will "need to be modernized, more or less," as Inside U.S. Trade's World Trade Online reported.

The news could put a slew of sourcing executives embracing more reshoring and nearshoring on edge, as relations with China get increasingly wobbly.

According to Lighthizer, among the biggest issues with current trade relations between the U.S. and Latin America is digital trade, an area he said was ripe for improvement. The region could also stand to get better at trade facilitation, he said.

"We have to make it easier for sales to happen and products to ship back and forth," World Trade Online reported Lighthizer as saying. "There's still a fair amount of inefficiency just in that process, and smaller countries tend to be less efficient than bigger countries…There's a whole trade facilitation process that has to go on."

Beyond that, Lighthizer said corruption and lacking legal standards have made it "very difficult" to ensure long-term trade benefits with Latin America.

"I mean there's just a whole lot of good government things that these countries need and I don't want to single them out because it is true not only there…" Lighthizer said, pointing to countries in Asia and Africa that suffer from the same shortfall. "I do think, though, if you don't have basic rights and you don't have property values…if you don't have those kinds of things that's going to make it very difficult to get investments."

Creating "better" and "fairer" agreements has been the Trump Administration's rallying cry for trade, and Lighthizer said it's been the driving force behind the NAFTA renegotiations and it will also inform the approach to "trade issues" with Latin America.

And despite the ruckus abandoning a trade deal could cause, Lighthizer reiterated the United States' willingness to do so if talks don't reach a suitable place.

"I think this president will walk away from deals and I guarantee you that I will," World Trade Online reported Lighthizer as saying, and adding that while leaving NAFTA and KORUS, the trade deal with South Korea, would be "very disruptive," the U.S. would have little other choice if it couldn't agree on a "good deal."

Last week marked the end of a five-day third round of NAFTA renegotiations, and though there have been allusions to sealing the deal by the end of this year, remaining challenges could put it off until 2018.

A statement by the Office of the United States Trade Representative following the Ottawa, Canada talks said negotiators made "significant progress" in several areas and narrowed some gaps in agreement.

In particular, according to the statement, "meaningful advancements were made in the areas of telecommunications, competition policy, digital trade, good regulatory practices, and customs and trade facilitation. Parties also exchanged initial offers in the area of market access for government procurement."

Beyond that, USTR said discussions related to small and medium-sized enterprises and supporting their growth and development by enhancing the benefits they glean from the agreement were "substantively completed." A draft on the contentious rules of origin, for which the U.S. wants to increase the required amount of U.S. inputs, is expected to emerge at the next round of talks.

The next round of NAFTA talks is slated for Oct. 11-15 in Washington, D.C., and though the hope is to have a deal settled by the end of the year, Mexico has alluded to talks spilling over into 2018 because of how complex the talks are.

Canada—with which relations are growing increasingly tense since Boeing accused rival jet manufacturer Bombardier of unfairly receiving government subsidies for some of its aircraft and the U.S. said it would impose a tax on those planes—may even walk away from the NAFTA talks over disagreement on the dispute settlement mechanism, Canada's foreign minister Chrystia Freeland told Reuters.

Source: sourcingjournalonline.com- Oct 04, 2017

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U.S., Korea Agree to Discuss FTA Amendments

The U.S. and South Korea have agreed to negotiate amendments to their bilateral free trade agreement after weeks of uncertainty, including a Trump administration threat to withdraw the U.S. from the agreement.

Following the second special session of the joint committee under KORUS, held Oct. 4 in Washington, D.C., U.S. Trade Representative Robert Lighthizer said he looks forward to "intensified engagement with Korea in an expeditious manner" to resolve outstanding issues with respect to implementation of the agreement. The two sides also plan to "engage soon on amendments that will lead fair, reciprocal trade."

Korean officials had previously said they saw no need for substantial revisions to KORUS, arguing that it has generated mutually beneficial outcomes in terms of trade, investment, and employment.

At the first special session in August, Seoul rejected a U.S. proposal to renegotiate the agreement and instead called for a joint study on its effects before any further decisions are made.

While it does not appear that such a study has been completed, an Oct. 4 statement from the Korean trade ministry said both sides now share an understanding of the need to amend the agreement to further strengthen its mutual benefits.

The ministry said it would begin the domestic procedures necessary to make such amendments, including consultations with lawmakers and stakeholders.

No details have yet been made available on the specific changes the two sides might seek, though there are some indications.

The U.S. has placed a priority on reducing its trade deficit with Korea, which it says has more than doubled since KORUS took effect in 2012, and particularly in the automotive sector, which in 2016 accounted for nearly 90 percent of the total deficit of $27.6 billion.

A USTR press release notes that U.S. services exports to Korea stalled between 2013 and 2016, another issue the U.S. may seek to resolve in the forthcoming negotiations. A Bloomberg article adds that accelerating Korea's elimination of tariffs on U.S. agricultural products could also be an objective.

Source: strtrade.com- Oct 06, 2017

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Brazilian cotton prices drop in Sept, as harvesting ends

Brazilian cotton growers intensified processing in late September to fulfil the previously closed contracts before harvesting comes to an end. They were also trying to close new contracts, both for this year and for the first semester of 2018, according to the fortnightly report released by the Center for Advanced Studies on Applied Economics (Cepea).

Meanwhile, some purchasers left the market after receiving the delivery of previously purchased product and expecting prices to drop in the coming weeks.

In late September, prices oscillated either due to flexibility of some sellers and the low bidding prices from processors, or underpinned by the firm position of growers.

During the month of September, the CEPEA/ESALQ Index dropped 1.84 per cent, closing at 2.4158 BRL ($0.7628) per pound on September 29. The monthly average, at 2.4380 BRL per pound, was a slight 0.17 per cent higher than that in August 2017.

According to Brazilian Institute of Geography and Statistics, textile production in July 2017 increased 0.37 per cent, compared to that in the previous month, but increased 4.9 per cent over July 2016. For the clothes and accessories sector, production decreased 2.79 per cent from June 2017 to July 2017, and 1.72 per cent compared to the same period of 2016.

Source: fibre2fashion.com- Oct 05, 2017

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AI enters Vietnam's textiles and garment industry

Vietnam's textile and garment industry will use technologies such as AI and robots for work replacing humans. In 10 years, 86 per cent of workers will become redundant. A Hanoi-based company has dismissed 80 per cent workers as robots now undertake the work. The revolution is expected to have a big impact not only on labor intensive industries, but in all socio-economic fields.

Vietnam's industrial production is mostly primary production which does not create high added value, with exports mostly raw materials. The production cost in Vietnam is much higher than that in other regional countries but China can make products at low cost because it has modern technology and large-scale production.

The biggest obstacle for Vietnamese enterprises is the outdated technology. It will take time and great effort but if Vietnam cannot catch up with the development pace in the world and the region, the country will have to face many risks including production decline. There might be a wave of outdated technologies from developed to developing countries including Vietnam.

The impact of the industrial revolution, both positive and negative, is unavoidable. The only thing Vietnamese enterprises can do is take full advantage of the opportunities and confront challenges.

Source: fashionatingworld.com - Oct 05, 2017

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UK's Prima Dollar helping finance Bangladesh RMG makers

UK-based Prima Dollar helps factories in emerging markets like Bangladesh with their local cash flow. The financier enables factories and buying houses give what buyers want, which is a purchase order without letters of credit and giving the buyer time to pay (60, 90 or 120 days).

Prima Dollar has been trading in Bangladesh for a year and has financed around 90 shipments in its first year, working with over 40 different buyers and suppliers. It has achieved a high level of rolling trades now, with suppliers sticking with it for repeat business.

The company has developed a new financial product that is cheaper, quicker and simpler than letters of credit. This new system saves maybe a 1000 dollars for every 100,000 dollars of export volumes.

Prima Dollar pays factories against shipping documents -- often against copies of documents where it has an arrangement with the local bank working in the shipping process. So the factory does not wait for the money, and faces no risk from the financier.

Getting buyers to pay is trickier. There are several techniques that Prima uses to persuade buyers to pay promptly.

Typically Prima works in supply chains that repeat business every month. So buyers rely upon it (as well as the factory) to ensure that shipping documents are being cleared.

Source: fashionatingworld.com- Oct 05, 2017

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Tunisia, Greece, Portugal give tough competition to Asia as sourcing hub

European brands don't always source from Asia. Many go to countries like Tunisia, Greece and Portugal. These countries have provided an ecosystem that's supporting European brands' speed to market needs. Tunisia is prominent.

The country is known for its trousers followed by intimates, swimwear and sportswear, and technical textiles.

There are 1,700 factories making textiles and apparel in Tunisia, and annual turnover in 2016 was $2.75 billion. Zara, H&M, Boss and United Colors of Benetton are some of the brands that have already picked up on that potential of sourcing in Tunisia.

In Greece, manufacturers like DMiss cater to clients like Asos, VF and Guess with fast fashion. Eighty per cent to 90 per cent of the fabrics DMiss uses in its products are made in Greece, which also keeps the supply chain short. The country is known for its jacquards and cotton quality.

More than good quality for the price, brands benefit from a much shorter supply chain, which means fewer leftovers and greater flexibility. Meanwhile Portugal is also gaining attention.

It has the know-how for apparel sourcing. Somani Sociedade Textil in Portugal produces in three main categories: toweling products, nightwear and loungewear, and baby wear and nursery products. Scandinavia is one of the company's biggest markets, followed by Germany and France.

Source: fashionatingworld.com- Oct 04, 2017

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IKEA U.S. to take lead in turning used mattresses into resources

In U.S. each year an estimated 18 million mattresses with box springs are disposed, resulting in approximately 50,000 mattresses a day ending up in landfills across America. With a goal of zero waste to landfill, IKEA U.S. announced recycling all of its used mattresses, this includes old mattresses (any brand) that are picked up when new IKEA mattresses are delivered. As much recycling as possible will take place to keep with its sustainability strategy of 'waste to resources.'

Some of these mattresses are illegally dumped adding to great landfill waste. IKEA understands mattresses need to be recycled to conserve resources such as steel, foam, and wood that is able to be used in new products.

Lisa Davis, IKEA U.S. Sustainability Manager stated that in keeping with their People and Planet Positive Sustainability strategy, IKEA has decided to take a lead in turning waste into resources. They are committed to securing recycled materials while ensuring key parts of their range are easily recycled – all contributing to a closed loop society.

At a minimum, 80% of a mattress can be recycled. The fabric and foam can be turned into carpet underlay and the felt and cotton can be recycled into new felt and insulation. The wood gets recycled into biofuel or other recycled wood products. While the plastic and steel is recycled by their respective recyclers or turned into new products.

In addition to the sustainability aspect of recycling mattresses, IKEA has also created a community donation program – a campaign called 5,000 Dreams – that focuses on supporting newly arrived refugee families in local IKEA store communities. Through three partner refugee organizations, IKEA has started to donate beds and bedding – 5,000 in total in the next two years – to refugee families who are making fresh starts with their families.

The three established refugee organizations are the U.S. Committee for Refugees and Immigrants, the International Rescue Committee and the Ethiopian Community Development Council.

Source: yarnsandfibers.com- Oct 05, 2017

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UK: Novel textile material can keep itself germ-free

Scientists have developed a textile material that disinfects itself, an advance that can help fight deadly hospital-acquired infections.

By incorporating the specially-engineered textile in a device designed to be used on hospital doors instead of the traditional aluminium door plate - the part of the door that people push to open it - they aim to bolster hand hygiene.

Researchers from the University of Leeds in the UK developed the device known as Surfaceskins.

Hospital doors are recognised as a key weak link in hygiene because of the number of times people touch them.

It takes just one person with dirty hands to pass through a door to put everyone else who follows at risk of cross contamination.

Surfaceskins antibacterial door pads work by dispensing a small quantity of alcohol gel onto the pad when it is pushed, to disinfect the surface ready for the next person to use the door.

This low-cost device, which incorporates three separate non-woven textiles is designed to be replaced after seven days or one thousand pushes, whichever comes sooner, researchers said.

The device is fitted into a plastic holster which is attached to the door. Surfaceskins contain a reservoir of alcohol gel and a membrane with tiny valves that dispense the gel onto the surface where it is pressed when opening a door, self-disinfecting it within seconds.

In the study, published in the Journal of Hospital Infection, both the Surfaceskins and control aluminium door plates were inoculated with bacteria at levels found on the hands of hospital staff.

Researchers found that the Surfaceskins door pads were more effective than standard door plates over seven days in reducing the levels of three bacteria that commonly cause hospital-acquired infections: S aureus, E coli and E faecalis.

"Our results suggest that Surfaceskins door pads can help to reduce the contamination of doors by microbes," said Mark Wilcox, a professor of Medical Microbiology at thew University of Leeds.

"They offer a new way to reduce the risk of the spread of bacteria and viruses in hospital environments and other settings where frequent contact with doors could undermine hand hygiene," Wilcox added.

Surfaceskins address a definite need, in a simple, effective and low-cost way. Designed to provide protection in many high-risk situations, the global market for Surfaceskins is immense, researchers said.

Source: business-standard.com - Oct 05, 2017

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Pakistan, Vietnam agree to share initial list for expected FTA

Pakistan and Vietnam have agreed to share initial list for initiating negotiations on bilateral Free Trade Agreement (FTA) for increasing trade ratio in both the countries.

In fourth meeting of Joint Commission on Trade (JCT) between Pakistan and Vietnam concluded here Thursday, in a meeting both sides were agreed to share initial list for bilateral Preferential Trade Agreement (PTA) leading to FTA for boosting bilateral trade, senior official of Ministry of commerce told APP.

He said the two sides acknowledged the importance of tariff concession in developing the bilateral trade, adding that Pakistan proposed tariff concession with same advantages as with the Association of South East Asian Nations (ASEAN) countries.

During two days negotiation, both sides discussed to enhance cooperation in a verity of sectors including textile and garments, energy, banking, air and sea connectivity, chemical, mechanical sectors besides agriculture machinery, automobile, food processing and infrastructural development.

Replying to question, he said that Pakistan and Vietnam shared current trade volume of $ 554 million as compare to only $97.6 million during the past decade.

The two sides also negotiated for competitiveness and Pakistan want to get market access in potential Vietnam market to compete with regional competitors, he said.

"We are satisfied with progress of bilateral trade dialogue between the two countries and matters are moving smoothly in perspective of boosting future trade.

Replying to another question he said that during talks the two sides also reviewed the implementation status of decision of third JCT meeting held in Hanoi for reviewing the trade volume between the two sides.

The Pakistan's side assured that all out support would be extended to Vietnamese investors in energy and other potential sectors for investment.

Source: brecorder.com- Oct 05, 2017

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NATIONAL NEWS

Can India Capitalise on China's Shift Away from Low-End Manufacturing?

India's hope that it will benefit from China's shift away from low-end, labour-intensive manufacturing, is unlikely to be fulfilled with rivals like Bangladesh, Vietnam, Cambodia, Mexico and Poland giving it tough competition.

China currently dominates the global market of textiles and apparel, footwear and furniture. But with rising wages threatening to erode its global competitiveness in labour-intensive sectors, China is moving up the value chain of manufacturing, vacating space for other low-cost producers in the developing world.

For instance, in 2010, low-value apparel and home textiles accounted for 51% and 29% of China's textile industry respectively. But in 2014, their shares came down to 46.8% and 28.6%, with the share of value-added industrial textiles rising from 20% to 24%.

Shares of apparel and home textiles in China's basket of textile products are projected to further decline by 2025, creating a$50 billion opportunity for other low-cost producers in apparel market alone, according to FASH455, a global apparel and textile trade and sourcing agency.

Apparel accounts for as much as 40% of India's textile exports. The country hopes to take advantage of China's shift away from apparel manufacturing and ramp up exports. However, data shows that rivals like Bangladesh, Vietnam and Cambodia have stolen India's thunder.

In 2000, India held 3% share of apparel export market while Bangladesh's and Vietnam's shares stood at 2.6% and 0.9% respectively.

But the scenario has drastically changed in 2016, with Bangladesh and Vietnam seeing their market shares jump to 6.4% and 5.5% respectively, zooming past India whose share modestly increased to 4%.

Meanwhile, Ethiopia too is emerging as a serious player in the global apparel market. The African country exported textile and apparel worth $7.32 billion in 2015, which it has targeted to raise to $30 billion by 2025.

Among all industries, apparel has the highest employment generation potential. For every Rs 1 lakh of investment, nearly 24 jobs are created, compared to 1.3, 0.3 and 0.1 in food processing, auto and steel respectively. Moreover, it has the highest potential to absorb women workers.

Source: thewire.in- Oct 03, 2017

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India – Europe business outlook

While mixed expression of India's positive economic growth against the momentary holdup post demonetisation and Goods and Services Tax (GST) attract global eyeballs, the trade figures with Europe, one of the most organised markets in the world depicts growth despite challenges. Will the pessimism get replaced by a recoil ushering new business avenues between Indian and Europe?

As India positions itself with an improved economic outlook, the Indian companies trying to expand their trade in Europe have gradually identified a niche demand for Indian products, according to a Federation of Indian Chambers of Commerce and Industry (FICCI) report.

The European Commission (EC) in their study finds the value of EU imports from India have also increased from EUR 22.6 billion in 2006 to EUR 39.3 billion in 2016. The textiles and clothing, chemicals and engineering goods related businesses by Indian entrepreneurs in Europe have performed the best in during the last analysed period. However, in 2015, the EU import from India was EUR 39.5 billion; and the momentary slowdown is allegedly attributed to the novel economic reforms.

The dynamic and huge market of India with 1.25 billion people is deemed as a major strategic partner of the EU according to the European Commission. The EU and India post the Free Trade Agreement negotiations launched in 2007 have further increased their bilateral trade and investment.

However, the current focus remains on the outstanding issues including improved market access for some goods and services, government procurement, geographical indications, sound investment protection rules and sustainable development, the EC report on trade policy with India summarises.

EC stats on India-EU trade

The EU is India's number one trading partner (13.5 pc of India's overall trade with the world in 2015-16), well ahead of China (10.8 pc), USA (9.3 pc), UAE (7.7 pc) and Saudi Arabia (4.3 pc).

India is the EU's 9th trading partner in 2016 (2.2 pc of EU's overall trade with the world), after South Korea (2.5 pc) and ahead of Canada (1.9 pc).

The value of EU exports to India grew from EUR 24.2 billion in 2006 to EUR 37.8 billion in 2016, with engineering goods, gems and jewellery, other manufactured goods and chemicals ranking at the top.

The value of EU imports from India also increased from EUR 22.6 billion in 2006 to EUR 39.3 billion in 2016.

Trade in services almost tripled in the past decade, increasing from EUR 10.5billion in 2005 to EUR 28.1 billion in 2015.

EU investment stocks in India amounted to EUR 51.2 billion in 2015, increasing from EUR 44.2 billion in the previous year.

FICCI survey hopes rebound

FICCI in a recent report based on an internal survey stated that there has been a considerable rise in the number of companies who have successfully been able to reduce their losses while doing business in the region.

The FICCI survey on “Are Winds of Change Bringing Good Tidings for Indian Companies Doing Business in Europe” notes that the current economic situation, though resulting in a number of procedural and regulatory obstacles for Indian companies to expand and or do business in the continent, is still providing needed returns on the investments made.

EU-India: Trade in goods

Trade in goods 2014-2016, € billions

Year	EU imports	EU exports	Balance
2014	37.1	35.6	-1.5
2015	39.5	38.1	-1.3
2016	39.3	37.8	-1.5

EU-India: Trade in services

Trade in services 2013-2015, € billions

Year	EU imports	EU exports	Balance
2013	12.6	11.7	-0.9
2014	11.7	12.5	0.7
2015	13.7	14.4	0.8

EU-India: Foreign direct investment

Source: European Commision

Considering the 27 countries (28 if we also consider the United Kingdom) as a single market, Europe is the biggest consumer base with close to 500 million potential consumers. Europe, a lucrative market as it readily embraces new foreign investment with the outlook of promoting employment and capital formation.

The FICCI report says, “The ongoing negotiations to sign an equitable and balanced FTA between India and the EU are also closely monitored by Indian industry. The issue of visas and movement of professionals in the EU still remains one of the most contentious concern areas for Indian companies.”

The developed capital market, political and social stability in most of the EU nations and a transparent trade law remains the other promising factors to inspire Indian companies to open shop in Europe.

Some of the major findings in the FICCI survey show a positive change in the mindset of the respondents. From 2015 when 75 pc of Indian companies surveyed had responded that the ongoing crisis had resulted in their business prospects in the region being adversely impacted, this year 25 pc of the surveyed companies expressed concerns about their business prospects taking a hit due to the current economic scenario in Europe.

Over 65 pc of companies surveyed by FICCI noted that even when the markets were slow in registering increased domestic demand, they have been able to register growth in their product(s) category. Most significantly 61 pc of the surveyed companies who reported an increase in their business prospects, their losses have come down from 20 pc in 2015 to less than 5 pc this year. 18 pc respondents reported an increase of 2-5 pc in their businesses.

Challenges still remain

The lesser talked about side of the story behind India's relative lack of success compared to the other Southeast and East Asian countries in the European market revolves around the failure of policies that would enable India's small and medium business owners to capitalise global opportunities.

The micro, small and medium enterprises (MSMEs) in India are still struggling to find a way to manage high transaction costs and trade facilitation issues as they lack the monetary backup or a better political network.

The lagging small and micro industries in India are still waiting for a simplified regulation while connecting to the global markets and the reduction of transaction costs allowing a more enterprise-friendly regime.

The EC throws light on how India has embarked on a process of economic reform and progressive integration with the global economy aiming a rapid and sustained growth.

However, it also states how the country's trade regime and regulatory environment remains comparatively restrictive in terms of the World Bank's Ease of Doing Business Report or EC's report on Trade and Investment Barriers and Protectionist Trends that states, "India still features amongst the four countries with the highest number of new Relevant Measures.

Source: mediaindia.eu - Oct 05, 2017

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Reasons why exports from India cannot take off; what Suresh Prabhu needs to keep in mind

Commerce and industry minister Suresh Prabhu is going to be meeting exporters and industry bodies later today, along with representatives of key ministries like finance, to come up with measures to boost exports and to come up with inputs for the mid-term review of the Foreign Trade Policy—as compared to the target of $900 billion of exports by 2020, India's exports are less than a third at $275 billion in FY17; exports have shrunk as compared to FY14's $314 billion.

Meeting exporters regularly is important to get a sense of immediate pain points, such as the stuck refunds under GST—a solution to this is to be found in the GST Council meeting today. The larger issue that Prabhu needs to keep in mind, however, is that it is simply not possible to get an export strategy if the domestic manufacturing strategy is not right.

In the apparel sector, for instance, India's tiny manufacturing units—2 million establishments, on average, employ 1.5 persons while another 2,800 hire 118 workers each—simply cannot compete with countries like Bangladesh and Vietnam on either quality or prices since they have much larger units.

And this, in turn, is a direct result of India's labour laws that make it difficult to run larger units. Similarly, since the bulk of exports are manufactured, the small size of India's manufacturing sector acts as a constraint in all but a few sectors.

Fixing this means, for instance, changing labour laws which, for the last three years, the government has not been able to make any progress on. There are the costs of poor infrastructure—road transport in India costs $7 per km versus $2.5 in China, and it takes 21 days to deliver from JNPT to the US East Coast versus 14 days from China.

In the agriculture sector, which is very competitive, for decades, the government has not allowed an exports-focussed agriculture to develop since, the moment local prices start rising, the government imposes stocking limits on those holding supplies and either bans exports or puts a high tax.

In the case of buffalo meat exports, a fresh controversy involving gaurakshaks and not being able to sell animals for meat in animal fairs has slowed down the business. In short, if Prabhu is to get India's exports engine going, he can't do this unless the major impediments to the domestic industry are removed.

There are some solutions that involve bypassing local laws—special labour laws were cleared for the apparel sector a year ago—but this can't be a long-term solution; and as the huge delays in the Delhi Mumbai Industrial Corridor show, putting together large export zones, as suggested by former NITI Aayog chief Arvind Panagariya, won't be easy since land acquisition remains a challenge.

Source: financialexpress.com- Oct 05, 2017

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In Ethiopia, Kovind cites India's investments

Highlighting India's increasing engagements with Africa, President Ram Nath Kovind on Thursday said that India is among the three largest investors in Ethiopia, the East African nation with which New Delhi has had diplomatic ties for nearly 70 years now.

"India is now among the top three foreign investors in Ethiopia," Kovind said while addressing the India-Ethiopia Business Dialogue to commemorate the 12th anniversary of the India Business Forum here.

"Indian investment has made a mark in textile and garments, engineering, plastics, water management, consultancy and ICT, education, pharmaceuticals and healthcare.

"Indian investments in Ethiopia have had a significant presence in manufacturing and value addition to local resources. They have created jobs in this country, and they have contributed to the prosperity of Ethiopian families," he said.

Kovind said that India's relationship with Ethiopia is symbolic of its engagement with the African continent, "of which Addis Ababa is such a vital hub".

After the Ethiopian economy opened up in the last decade, business ties with India have increased significantly, especially in the area of infrastructure projects like roads, power, telecommunications and water resources.

There are over 540 Indian companies in Ethiopia that have invested over $4 billion of which about $2 billion is estimated to be on the ground, investing a wide range of sectors.

President Kovind congratulated the Indian Business Forum for playing a lead role in encouraging Indian investment and promoting trade and commerce between India and Ethiopia.

At the India-Africa Forum Summit (IAFS) hosted by New Delhi in 2015, India had announced the offer of concessional credit of $10 billion over the next five years to Africa. This was in addition to the ongoing credit programme.

"We have also committed to a grant assistance of $600 million that will include an India-Africa Development Fund of $100 million and an India-Africa Health Fund of $10 million. The Asia-Africa Growth Corridor is another initiative brimming with potential," Kovind said.

Earlier on Thursday, President Kovind held delegation-level talks with his Ethiopian counterpart Mulatu Teshome following which two bilateral agreements were signed on bilateral trade facilitation and on information communication and the media sector.

Kovind arrived here from Djibouti on Wednesday on the second and last leg of his African tour. This is his first visit abroad after assuming office in July.

His visit is a manifestation of India's growing interactions with Africa. Over the last two years, several visits have been made to African nations by then President Pranab Mukherjee, then Vice President Hamid Ansari and Prime Minister Narendra Modi.

Source: business-standard.com- Oct 05, 2017

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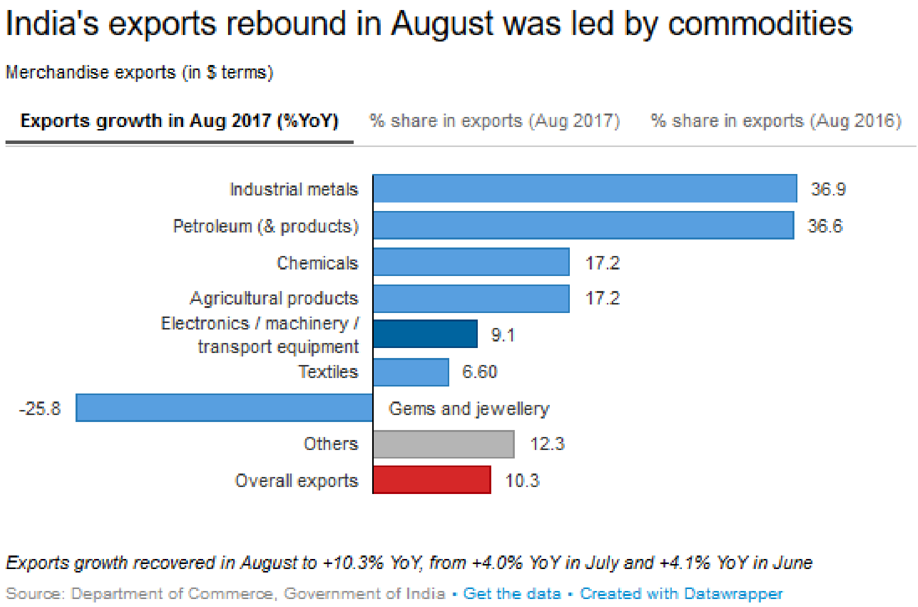
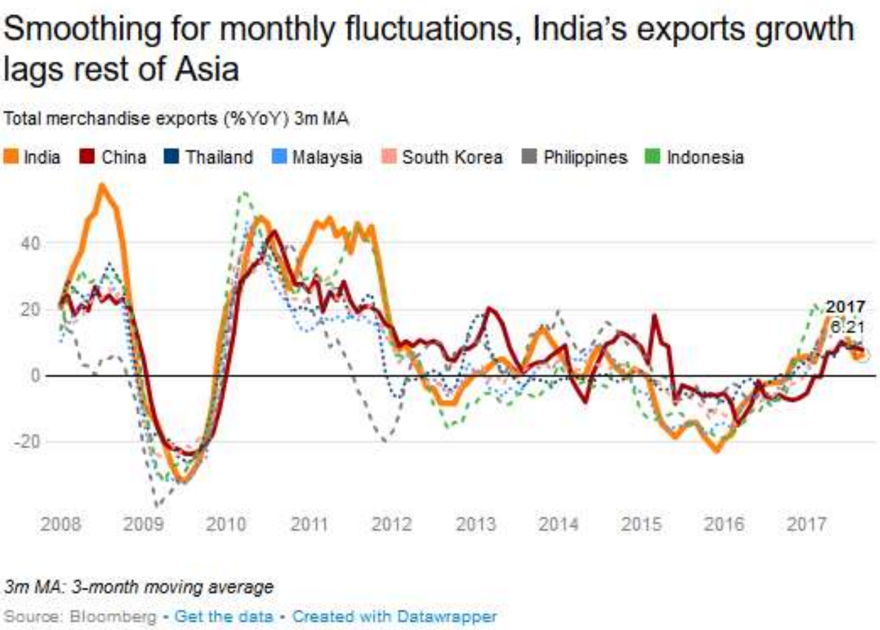
Is India missing out on global trade recovery?



Even as the outlook on the Indian economy has darkened over the past few weeks, the rest of Asia appears to be rejoicing at the prospects of a recovery in global trade.

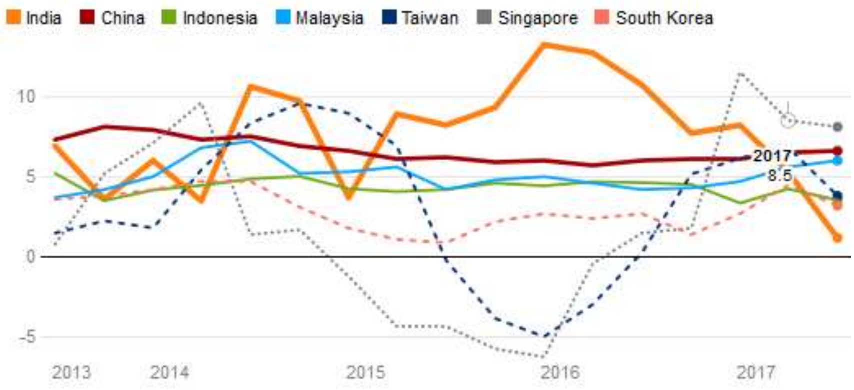
The Asian Development Bank in its recent update noted that most of the emerging economies in the region, excluding China, are witnessing a rebound in manufacturing exports, "particularly in electronics, where foreign direct investment has been strengthening". The economies of south-east Asia are also gaining from increased activity along cross-border manufacturing supply chains.



Even India witnessed a mild rebound in exports in August. But a closer look at the data suggests that the 10% year-over-year growth in India's exports in August was largely on the back of increased earnings from commodity exports – industrial metals and petroleum products – amid a global rise in prices of these products.

In two years, India's manufacturing sector has moved from being the out-performer to the laggard in Asia

Manufacturing sector (real) gross value added (GVA), %YoY



Data obtained from national income accounts; data for China refers to "industry excluding construction"

Source: Bloomberg and Mint calculations • Get the data • Created with Datawrapper

Thus, it would be premature to hail the August trade numbers. Using a three-month moving average adjustment to smooth out monthly fluctuations, we find that India has been lagging behind most major Asian economies in merchandise exports.

While the rest of Asia has witnessed a sharp rise in exports of manufactured goods, India's exports of such items has registered tepid growth. From being a leader in Asia in manufacturing exports two years back, India today is a laggard compared to its peers, as the chart below illustrates.

The twin shocks of demonetization and GST may have contributed to the exports slowdown by disrupting supply chains, hurting the small and medium scale enterprises (SMEs), as the economist Sajjid Z Chinoy of JP Morgan has argued.

Net exports subtracted 2.6 percentage points from GDP growth in June quarter

% point contribution to real GDP growth (%YoY)

	Private consumption	Government consumption spending	Investment	Net exports
2015|Sep	2.87	0.52	1.17	-0.11
2015|Dec	3.79	0.41	3.28	0.47
2016|Mar	5.26	0.33	2.51	0.47
2016|Jun	4.49	1.74	2.32	0.54
2016|Sep	4.25	1.94	0.7	1.24
2016|Dec	6.26	1.97	0.35	0.36
2017|Mar	4.15	2.4	-0.78	-0.33
2017|Jun	3.56	1.95	2.94	-2.58

Overall real GDP growth in June quarter (2017) fell to 5.7% YoY from 6.1% YoY in March quarter

Source: Bloomberg and Mint calculations • Get the data • Created with Datawrapper

The decline in domestic manufacturing output has dealt a double blow to India's external balances— by crimping exports, and raising imports. India today has a much greater reliance on imports for industrial supplies and capital goods compared to a year ago. Data from the commerce ministry shows that imports of machinery, transport equipment and electronics witnessed a 22% increase in the April-to-August period this year compared to the year-ago period.

This has worsened India's trade deficit, and pulled down growth in the June quarter.

The numbers suggest that India's economic pain is largely self-inflicted. And the climb back to a high-growth path may take some time.

Source: livemint.com- Oct 05, 2017

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GST hits textile sector hard in Telangana, AP

It's been a quarter since GST came into force, but the new indirect tax has already caused considerable damage to the textile trade in both the Telugu states with traders facing acute credit crunch and drastic fall in margins owing to abnormal increase in credit cycles.

Post the GST implementation, consumers are also coughing up 8 per cent more as textiles attract 5 per cent tax now and there is significant administration cost involved in filing returns. "With GST adversely disrupting trade credit cycle, the net margins in the textile business have drastically slipped below the tax rate i.e. 5 per cent.

Textile traders particularly wholesalers in both the Telugu states are reeling under severe credit crunch as GST has been impacting their cash flows," Ammanabolu Prakash, president, Telangana State Federation of Textile Associations (TSFTA), told The Hans India.

The industry body represents over 30,000 merchants in 31 districts of Telangana. Prakash said situation was no different in Andhra Pradesh.

According to industry insiders, the credit cycle of textile wholesalers, who operate on razor-thin margins, has already gone up to six months from the usual 90 day-period thanks the twin blows of demonetisation and GST. "Textiles business runs on wafer-thin margins and is mostly credit-based. Demonetisation has crippled our business.

Now, paying tax every month, including three returns is squeezing traders post the implementation of GST. There was no tax on fabric until GST came into force. But unfortunately, the Centre imposed tax on this business despite strong protests. We are not facing innumerable problems, including drastic fall in margins," a wholesaler at General Bazar in Secunderabad lamented. He was not willing to be quoted fearing tax authorities.

Technical glitches of GSTN portal which is used for filing returns are compounding their woes. Added to it, they have to raise an e-way bill number for transactions valued over Rs 50,000. Many traders complained that this process was time-consuming. "Under GST regime, if a trader is ferrying goods worth of over Rs 50,000 within or outside state, he will have to secure an e-way bill by prior online registration of the consignment.

To generate an e-way bill, the seller and transporter with details of purchaser will have to upload details on the GSTN portal. Then only EBN will be available to the supplier, the recipient and the transporter on the common portal. Why EBN is required, when seller and buyer both are registered with GST.

Moreover, the Rs 50,000 threshold is very less for volume-based textile business. We want the government to raise this bar," said another wholesaler. Textile merchants, nearly 40 per cent of them are under GST fold, want scrapping e-way bill as raising e-way bill number (EBN) is time-consuming process and redundant.

Source: thehansindia.com- Oct 06, 2017

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Garment exporters peeved as govt slashes duty drawback to 2%

Garment exporters are facing uncertain future with the government slashing duty drawback to two per cent from 7.5 per cent with effect from October 1. The decision has hit exporters hard as they were gearing up to start booking orders for the peak season.

Ashok G Rajani, Chairman, Apparel Export Promotion Council, told *BusinessLine* that the government has slashed the drawback on the pretext of GST but there are lots of taxes in the textile industry which are not covered under GST.

For instance, he said, there is no GST when cotton is sold to the yarn manufacturer. Similarly, the industry pays about six per cent embedded tax which is not covered under GST.

"The government cannot expect the industry to export our tax to other countries and still remain competitive in the global market. We have made a representation to the government to retain the drawback at the earlier level. Or else we will see a sharp fall in exports this fiscal," he said.

Apparel export has been stagnating for the last few months due to intense competition from Bangladesh and Vietnam. In fact, garment export from Sri Lanka is gaining ground after it was accorded the preferential treatment to tap European market duty free. Indian exporters pay 10 per cent duty to tap markets in Europe.

India's apparel exports to the US, the single largest market for India, has increased just 0.21 per cent between January and July to $2.33 billion. In contrast, exports from Vietnam to the US were up over 6 per cent at $6.52 billion during the same period.

A Sakthivel, Regional Chairman, Federation of Indian Export Organisations (Southern Region), said the industry has requested the government to continue with duty drawback and Rebate of State Levies scheme till it puts up the system for smooth reimbursement of iGST (integrated Goods & Services Tax).

The industry is facing huge funding problems with blockage of working capital due to delay in refunds.

"We have also appealed to the government to enhance the reimbursement of state taxes paid by exporters to 5.5 per cent (against 2-4 per cent offered now). If the government does not take a decision within a month, garments exports will fall drastically this fiscal," he added.

Source: thehindubusinessline.com- Oct 06, 2017

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Why global value chains matter to India

Lack of efficiency at various levels has kept India out. Tweaking systems could help improve this unfortunate situation

While the Government is working to resolve the working capital blockage issue of exports caused by the GST, a simultaneous effort is on to find new ways to export more.

Active participation in global value chains (GVCs) is one sure way. Inputs and products manufactured in GVCs account for two-thirds of world trade. The GVC model breaks the product life-cycle into many tasks. Participating countries complete each task sequentially under 'Just in Time' conditions.

The iPhone is a good example to understand how GVCs work. The US prepares the iPhone design and prototypes, while Taiwan and South Korea produce critical inputs such as integrated circuits and processors. Final assembly takes place in China from where the iPhones are marketed all over the world.

Small basket

Why is India out of GVCs? Everyone understands that poor trade infrastructure increases cost and time of export operations. But that it can also almost prohibit a country from participating in GVCs is not sufficiently known.

India's current export product profile confirms the poor trade infrastructure hypothesis.

To understand the impact of poor infrastructure on India's current export profile, let us divide world merchandise trade of $16 trillion into two baskets, small and large. The small basket contains products that account for 30 per cent or $4.8 trillion worth of world trade. The large basket holds the remaining 70 per cent.

A country that exports products that belong to the large basket will have higher chances to grow.

Ironically, 70 per cent of India's export earnings come from the small basket products. India has a high share of world exports in the following such products: small diamonds (19.8 per cent), jewellery (12.9 per cent), rice (39.3 per cent), buffalo meat (19.1 per cent), shrimps (17.7 per cent). Other major products are petroleum, cotton, yarn, ladies' suits, medicines, auto components.

The small size of the global basket limits the potential for future growth. Also, most products face intense competition from low-cost countries such as Bangladesh and Vietnam.

Small basket products are tolerant of less efficient trade infrastructure. Firms export most goods more on price than on delivery considerations. Some delay in shipment does not result in order cancellation.
An exporter may get away with offering a discount to the buyer in most cases.

Weak global share

Then come the large basket products that contribute to 30 per cent of India's export earnings. Electronics, telecom, and high-end engineering products are important large basket items.

India has a weak global export share in these commodities. Mobile phones (0.19 per cent), integrated circuits (0.01 per cent), computers (0.04 per cent), solar-powered diodes, transistors (0.14 per cent), LCDs (0.04 per cent).

Compare these shares with India's 1.7 per cent share of global merchandise exports. India has an insignificant presence in large basket products that have become important in world trade.

Most large basket products are infra critical products whose parts are manufactured in several countries.

An anchor firm manages the process through GVCs. Fast entry/exit through port/customs is a precondition to making such products as delay may disrupt the entire value chain. China, Japan, South Korea, Thailand and Malaysia have become part of GVCs through the quality trade infrastructure route. India could not as it does not meet the benchmarks for efficient entry/exit at the most ports/customs.

How to participate

India needs to take four steps in order to participate in GVCs:

l Policy initiative to target all parts of the GVC smile curve. The smile curve represents stages of a product life-cycle in the GVC, from conceptualisation, development of a prototype, to manufacturing, to after-sales service. Countries at the high end of the curve earn the most from GVC participation.

The US, Germany, Japan, Taiwan and South Korea with R&D expertise occupy the high end of the curve while China, where final assembly takes place, is at the bottom.

India should target all parts of the curve for selected product groups — high left end because of its expertise in R&D, system design, the low-end segment of manufacturing to provide jobs and the high right-hand section on account of being a large market.

The necessary policy package for attracting investment needs to be drawn.

Set up a National Trade Network (NTN) to enable all export-import related compliance online. NTN will allow exporters to file all information/documents online at one place; there will be no need to deal with customs, DGFT, shipping companies, sea and air ports, and banks separately.

The inbuilt system intelligence will route the required information to the appropriate agencies.

A service agreement will bind all organisations to respond within 2-5 hours, and enable users to receive permissions online. Department-centric systems improve slowly and cannot take care of end-to-end processes. India needs an NTN with a new business design and process flow.

Automate port and customs operations and allow green channel clearances for most consignments. Match the turnaround time of the ships with the global best parameters. This will shorten queues, ensure quicker transactions and allow better use of infrastructure. Trader interface with shipping companies, port operators, and CFS also needs urgent attention.

Exporters complain that many shipping companies load new charges and delay the release of cargo till these are paid. A regulation nudging shipping companies to notify all charges at the port of loading will ensure transparency.

Indian firms need to upgrade production processes and product quality to meet the requirements of GVCs. India needs to create an institution to develop standards, set up globally accredited testing laboratories, and sign Mutual Recognition Agreements (MRA) with partner countries.

These steps will reduce the cost and time of exporting and increase competitiveness. This will nudge domestic and foreign firms to invest in facilities needed for participation in GVCs. In the medium term, it will decrease India's dependence on the import of electronic and telecom goods and increase overall exports from India.

Source: thehindubusinessline.com- Oct 06, 2017

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Fear of Cotton price crash in Telangana due to rise in production

Telangana's Cotton production is expected to touch 2.8 million metric tonnes in 2017-18, nearly 13.36% higher than the production of 2.47 million metric tonnes in the previous year, according to senior officials from the agriculture department.

For the first time since Telangana's formation, the area of Cotton cultivation in 2017-18 touched nearly 1.9 million hectares, which is more than 50% higher than the previous year's 1.24 million hectares.

With an expected bumper Cotton production in Telangana, the state's agriculture department is concerned about prices decreasing in the open market this year. Cotton produce in state-run agricultural market yards will begin arriving from next week.

In view of the situation, CCI is also expected to set-up 59 additional centres (84 existing) across the state. The minimum support price (MSP) for Cotton for 2017-18 has also been revised to Rs 4,320 per quintal, against the previous year's Rs 4,160.

Cotton Growers in Telangana has fetched about Rs 5,500 per quintal last year.

Source: indiainfoline.com- Oct 05, 2017

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CCI to commence cotton procurement within a week in Punjab

The Cotton Corporation of India (CCI) has assured the Punjab government that it will start procurement of crop in the state for the year 2017-18 within a week.

The assurance was given by CCI officials to the Additional Chief Secretary (Development) M P Singh during a joint meeting held here last evening between officials of CCI, Agriculture Department and Mandi Board, an official spokesperson said here today.

The spokesperson said that the officials also discussed the issue of sale of cotton below the Minimum Support Price (MSP), in addition to the purchase to be made by CCI, at the meeting chaired by ACS (Development).

The chief minister is personally monitoring the cotton procurement process and has directed the Deputy Commissioners of the cotton-producing districts to ensure that the farmers get remunerative prices of their produce, the spokesperson said.

The chief minister has instructed senior officials of the concerned departments to regularly monitor the progress of ongoing procurement of the cotton crop, he said.

The chief minister has also directed the Punjab Mandi Board officials to ensure that the farmers get price of cotton as per its quality and gradation, he said.

The directives followed a review meeting chaired by the chief minister a few days ago to assess the progress with respect to cotton procurement, he said.

The review meeting had been attended by senior officers of the state government, besides officials of the Agriculture Department as well as the Mandi Board.

Source: businessworld.in- Oct 05, 2017

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A revamped GST without its glitches may take shape today

A major revamp of the goods and services tax (GST), which came into force on July 1, will be on the agenda of the GST Council on Friday as part of efforts to address the grievances of small-scale industries, traders and exporters, officials said.

The package of measures expected to be taken up by the apex decision-making body may include an increase in the threshold limit for the composition scheme, a more liberal exemption limit, and a lower compliance burden with quarterly rather than monthly filing apart from steps to boost exports.

The council meeting on Friday could consider raising the threshold for the composition scheme to Rs 1-1.5 crore from Rs 75 lakh to aid micro, small and medium enterprises (MSME). Under the composition scheme, an entity pays a fixed, nominal rate to avoid GST-related paperwork.

While industry is pushing for raising the threshold to Rs 1.5 crore, the council will take into account concerns of the finance ministry and some states about revenue losses.

Small businesses such as traders, manufacturers and restaurants can pay tax at 1%, 2% and 5%, respectively. Businesses with a turnover of up to Rs 20 lakh are exempted from payment of tax.

Higher thresholds will ease the compliance burden and also reduce the filing load on the system. Prior to the rollout of the GST, excise duty on turnover of up to Rs 1.5 crore had been exempted. The council could extend the quarterly filing facility to small businesses with a turnover of up to Rs 1.5 crore.

Besides, an 'e-wallet' facility for exporters that will allow them to get tax credit immediately on self-declaration post exports could be taken up. "Industry has represented to us… Steps are under consideration," said a government official, adding that the final call on the measures would be taken by the council.

Kerala finance minister Thomas Isaac said GST compliance requirements were hurting the MSME sector and there was a case for raising the composition threshold to what was earlier the exemption limit.

"Small-scale industry sector is facing huge compliance issues… Composition threshold should be raised to earlier excise exemption limit level," Isaac told ET.

Among the other steps that could be taken up are including only taxable items in the Rs 20 lakh exemption limit. There is now no differentiation between exempted goods and non-exempted goods while calculating this.

Filing of returns could also be further simplified as part of the revamp of overall compliance to make it easier to do business, a key aim of the government.

Experts Seek Easier Compliance

"The composition scheme needs to be strengthened to bring relief to the small taxpayers by not only increasing the threshold limit of eligibility but also by removing the irritants of payments on reverse charge and inter-state supplies," said Bipin Sapra, partner, EY.

The scheme needs to be made more accessible to other non-restaurant service providers and those that have inter-state business. "Along with increase in threshold, the GST council should also broaden the eligibility criteria by allowing service providers (with possibly a slightly higher rate) and interstate transactions," said Pratik Jain, leader, indirect taxes, PwC.

Relief For Exporters

The council will consider steps to give relief to exporters with thousands of crores in tax refunds stuck in the system and facing acute working capital shortages.

The government has already allowed exporters intending to export goods or services without payment of integrated GST with a letter of undertaking barring those persons who have been prosecuted under GST or any other law in force, where the amount of tax evaded exceeds Rs 2.5 crore. A mechanism for swifter refunds as also the release of past ones will be taken up, said an official.

Source: economictimes.com- Oct 06, 2017

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RCEP: India may face heat over token tariff-cut offers

With pressure from the Indian industry mounting against removing import tariffs on goods under the proposed Regional Comprehensive Economic Partnership (RCEP) pact, New Delhi has made only "token" improvements in its latest round of offers extended to its 15 partner countries.

India's fresh offer is likely to attract criticism at the next round of negotiations starting October 18 in Seoul from other members including the 10-nation ASEAN, Australia and China which are pressing for greater market access, a government official told *BusinessLine*.

"Representatives from large industrial houses have been meeting Commerce & Industry Minister Suresh Prabhu to voice their unhappiness with the proposed tariff cuts under RCEP. India has therefore made some token improvements in its offers as part of the fresh round of submissions as it sees no scope of further opening up," the official said.

The Indian industry is unhappy with the offers already made by India to its other RCEP partners which also include South Korea, New Zealand and Japan.

India had earlier improved its offers by reportedly agreeing to eliminate tariffs on close to 80 per cent products for the ASEAN countries but insisted on deviations for members like China, Australia and New Zealand with which it does not have any existing free trade pacts.

On an average the tariff elimination offered by India was around 70-75 per cent, according to various sources privy to the negotiations.

"Industrialists who have been meeting the Minister have expressed their deep apprehensions about India's commitments at RCEP. They are especially concerned about India agreeing to bring down tariffs on products from China with which India already has a gaping trade deficit," the official said.

Industry body CII also highlighted the dangers of indiscriminate opening up of markets under the RCEP at a negotiating round hosted by India in Hyderabad earlier this year.

However, most RCEP members want India to improve its offers. In fact, Ramon Lopez, Trade Secretary of the Philippines, which is currently chair of the ASEAN group, said at a press conference following a meeting of Trade Ministers from RCEP countries last month, that the only acceptable re-calibration is a number that is closer to the 90 per cent to 92 per cent and anything lower or higher than that was not acceptable for ASEAN.

"Other RCEP countries were hopeful that India would improve its offers before the South Korea negotiating round. While New Delhi has made some improvements, the changes are marginal. The only saving grace is that other members, too, haven't improved their offers substantially, but their offers were higher to begin with," the official said.

New Delhi has also said that its offers in goods are subject to an over-all balance in the agreement which would include services. Most RCEP members, including the ASEAN, haven't made substantial offers in services especially in the area of facilitating movement of workers.

If approved, the RCEP will be the largest free trade bloc in the world covering about 3.5 billion of the world population and 30 per cent of the gross domestic product.

Source: thehindubusinessline.com- Oct 06, 2017

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Govt to provide fiscal stimulus to boost industrial growth: Prabhu

The government is exploring measures to provide fiscal stimulus to spur industrial growth and promote job creation, Commerce and Industry Minister Suresh Prabhu said on Thursday at the World Economic Forum's India Economic Summit.

Prabhu said that commerce and industry ministry was working closely with the ministry of finance and other departments to formulate the policy initiative by studying various sectors.

"I am personally working with the Ministry of Finance and the Niti Aayog and all other government institutions to provide necessary policy as well as fiscal support to ensure the industry can actually produce far more than what they are doing today which will create jobs," said the minister at the three day conference organised in partnership with Confederation of Indian Industry (CII).

He added that the government is studying various sectors to see where there is a scope for improvement.

Pointing out the need to bring in enabling legislation and ideas that the private sector can hold on to he said that the government is moving in that direction.

"Our aspiration is to become one of the easiest places to do business. My business is to make sure others do their business," said Prabhu, who took charge of commerce and industry ministry last month after the cabinet reshuffle.

He added that the ministry is also working on an industrial policy.

The policy, he added, assumes significance as the future of manufacturing would not be same as it is today. "So, we are working on some of the emerging industries," Prabhu said, suggesting that excess capacity utilisation can be increased by enhancing domestic consumption and exports.

Prabhu added that while a lot has been done, more needs to be done. “I will make sure that industry is able to do their business. It is my job to ensure that entrepreneurship blossoms.”

During his one month in office, Prabhu said that he has met hundreds of trade associations and bodies to discuss the creation of more jobs.

Niti Aayog Chairman Amitabh Kant, who drove the Make in India campaign said, that he expects demand to pick up in the next six months on the back of several government initiatives to build infrastructure and spur investment.

Kant added that India’s businesses need to focus on global market to get higher value of their products. “The value is 10 times in export market. India cannot grow on the back of domestic market,” he added.

He said that other sectors should follow the example of pharmaceuticals and auto. “The world was buying medicines at a high rates. It is India that has enabled them to buy at the right price,” he said. Kant added that small and medium enterprises should graduate and become bigger.

Renault Groupe’s Sumit Sawhney said that the quality of cars going out of India is second to none.

He argued that India can become the leading manufacturer of electric cars and that innovation is the way ahead. “India will be the third largest automobile market in the world.

A lot of countries exporting cars may become uncompetitive. I remain optimistic that India can become a leading country for electric cars.” He added that technology is not a challenge but an opportunity.

Sawney pointed out that technology will be a key differentiator for India as labour cost is no more to its advantage. Sawney added that India needs exports enabling infrastructure like ports and roads. “Logistic cost in India is 16-17% as against 8-10% in China,” he said.

Prashant Ruia, director of Essar Group said that as more surplus capacity gets consumed, giving rise to more demand, private sector can look at reinvesting in all sectors.

Source: business-standard.com- Oct 06, 2017

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Why exports from India continue to underperform; states have much to do with it

Concerns about trade deglobalisation continue to grapple policy-makers globally. Global trade-to-GDP ratios have remained stagnant since 2008, after growing impressively for decades.

Several emerging markets like India have also experienced a similar export drag after a brief rebound from the global financial crisis.

Data from RBI suggests that India’s merchandise exports during the post-Global Financial Crisis phase dipped to about 12% of GDP in 2016-17, the lowest since 2005-06, after peaking at 17% of GDP in 2013-14. India’s merchandise exports represented just 1.7% of world merchandise exports in 2016-17 and have hovered around the same range since 2011-12.

Flagship initiatives such as Make-in-India and a slew of measures by the central government packaged as part of the Foreign Trade Policy (FTP) 2015-20 are aimed at trying to reverse this slackening in exports, though results to date have been disappointing.

For instance, the FTP set a target of increasing India’s share in global trade to 3.5% by 2020 and nearly doubling the value of its exports of both merchandise and services from around $465 billion in 2013-14 to $900 billion by 2019-20.

If anything, exports are moving in the opposite direction and the FTP targets currently look rather unrealistic.

Concentration of exports

A closer look at the data reveals a heavy concentration of exports from a handful of states in India. Eleven states—Maharashtra, Gujarat, Tamil Nadu, Karnataka, Andhra Pradesh, Uttar Pradesh, Haryana, West Bengal, Delhi, Kerala and Punjab—contributed to over 90% of India's exports between 2002 and 2014 (latest available state-level data). The composition of the leading exporting states has remained more or less the same over the years.

Focusing on the top four states, Maharashtra has been consistently the highest contributor to India's overall merchandise exports, with an average share of just over 27% between 2002 and 2014. Gujarat is the other major exporter, contributing an average of 22% of India's overall exports (up from 11% in 2002). Maharashtra and Gujarat made up about half of India's exports in 2014. The southern states of Tamil Nadu and Karnataka together contribute another 18% on average to India's overall exports. While Tamil Nadu's share declined from 15% to 10% during the period 2002-14, Karnataka has maintained an average share of 7.5%.

Drivers of exports

What factors drive exports from these states and, in particular, what has ailed India's exports? Intuitively, one can think of at least three important factors that could impact exports: The first is world demand. We expect to see a positive relationship between higher demand for India's goods in the world market and its merchandise exports.

The second and arguably the one that receives the most attention in India is relative price competitiveness captured by movements in real effective exchange rates (REER). The impact on exports could be different depending on whether we are looking at REER movements in levels or fluctuations/volatility. If we go by the conventional understanding, we would expect a REER depreciation to boost exports (and vice-versa) as a weaker currency could boost price competitiveness.

Similarly, higher REER volatility should deter a country's exports to the rest of the world as it increases the uncertainty of revenues from exports and could lead to higher transaction costs.

However, these traditional relationships may not always hold true. Increasingly, in the world of global value chains, any positive impact on exports of a weaker currency could be dampened if such depreciation raises the cost of imported inputs. Similarly, negative effects of REER volatility may be moderated if, for instance, well-developed financial markets allow exporters to hedge.

Beyond exchange rates, a crucial driver of exports relates to the supply capacity of the country. In India, where exports are concentrated in a few selected states, it becomes even more important to have a state-level measure of supply capacity.

Exchange rates versus supply capacity

In our latest research, we empirically examine the importance of each of these factors that can potentially determine exports from these top-exporting states. For the holistic measure capturing supply capacity of the states, we construct a sub-national competitiveness index (which we have been tracking since 2000) that measures competitiveness across multiple dimensions.

Our findings are noteworthy. Starting with world demand, consistent with our priors, we find that world demand has a positive and highly significant impact on real exports.

What about exchange rates? Our results show that REER movements in levels produce no statistically significant impact in driving exports, but volatility of REER does generate a significant and negative result. The finding that REER movements, by themselves, do not matter as much as volatility largely aligns with India’s current exchange rate regime and its recent move towards inflation targeting, whereby RBI focuses primarily on its inflation target but does intervene in the foreign exchange market to manage “excessive volatility” and “disruptive movements” in the rupee.

However, the single most significant policy variable that affects exports is state competitiveness. A one unit increase in our measure of state competitiveness index boosts real exports to GSDP by 0.06 percentage points, underlining its significance.

As a policy exercise, we also zoom in on the physical infrastructure dimension of state competitiveness and simulate the magnitude of improvement in exports with upgraded physical infrastructure. We observe notable increases in states' exports as a result, reiterating the need for policy-makers to focus on enhancing the quality of physical infrastructure.

Overall, while India's exports may be expected to recover somewhat with global growth and RBI can do more to smoothen rupee volatility, to a large extent, India's continued export under-performance is due to supply-side factors. Beyond what we have studied, while measures like demonetisation, rising global protectionism and relatively high domestic cost of credit have clearly not helped the exporters, on a structural basis, policy-makers can do much more on the supply-side such as addressing logistical bottlenecks to help revive exports growth. Much of these fixes need to be implemented at the state level.

Source: financialexpress.com- Oct 06, 2017

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GST Council meets today: Relief for exporters, SMEs on the cards

The Goods and Services Tax (GST) Council, in its upcoming meeting on Friday, is likely to give a major relief to exporters as well as small and medium enterprises (SMEs).

These segments have been affected the most by the new indirect tax regime, which has depressed the economic growth numbers in the first quarter of the current financial year because of destocking on account of uncertainties before the GST was introduced on July 1.

The meeting comes after three most powerful persons in the current political dispensation — Prime Minister Narendra Modi, Bharatiya Janata Party (BJP)

President Amit Shah, and Finance Minister Arun Jaitley — huddled together to discuss economic and political issues. Shah cut short his visit to Kerala to attend the meeting. Jaitley also skipped a World Economic Forum event in Delhi to attend the meeting.

Growth declined to 5.7 per cent, the lowest in any quarter since the BJP came to power three years ago.

The Council is likely to make filing returns for SMEs easier. Those with an annual turnover of up to Rs 1.5 crore will be allowed to file quarterly returns.

Also, the composition scheme, which allows a flat rate and easy compliance, may be relaxed to rope in those with an annual turnover of up to Rs 1 crore against the current Rs 75 lakh. About 540,000 taxpayers opted for the scheme under the new window of about a fortnight till September 30, compared to one million as of August 16 (the earlier deadline). The number of taxpayers under the composition scheme, at 1.5 million, is about a sixth of the 8.9 million assessees under the GST.

Under the scheme, a trader pays the GST at one per cent, a manufacturer at two per cent and a restaurant owner at 5 per cent, but they are not allowed input tax credit. They are permitted to file quarterly returns. The meeting is likely to discuss a report of a committee, headed by Revenue Secretary Hasmukh Adhia, to address the problems of exporters.

Based on that the Council is likely to recommend some relaxation for them so that their working capital, locked up in refunds, is released, according to officials. Also, the Central Board of Excise and Customs will inform the Council that it is ready to release integrated goods and services tax (IGST) refunds to exporters from October 10.

The government has allowed exporters to furnish letters of undertaking (LUT) instead of bonds, which will ease the compliance burden and stop the locking up of capital.

Exporters say more than Rs 65,000 crore of capital is stuck because they have to first pay the IGST and then file for reimbursement paid on imports that are accounted for in exports. This was not the case in the earlier tax regime. Two months after the roll-out of the GST regime, the order books of exporters are said to have taken a hit, with estimates pegging the impact at up to 15 per cent across industries and product categories.

According to an assessment by the Federation of Indian Export Organisations (FIEO), the large drop was for export orders that were meant to be delivered until October. Beyond October, this may rise to 20 per cent, as exports during Christmas and New Year may be affected.

The share of exports in GDP declined to 18.2 per cent in the first quarter of the current financial year from 19.3 per cent a year ago. After growing in single digits in the previous three months, exports in August rose by 10.29 per cent, up from 3.94 per cent in July. But exporters and economists are sure that the coming months would prove to be the real challenge for merchandise exports.

Besides, the Centre is likely to release Rs 8,500 crore to states as compensation for losses incurred by them in the first two months of the GST roll-out. This will come up for discussion during the meeting. The cess to be distributed by the Centre to states would be about more than half of the Rs 15,021 crore collected as compensation cess during July and August, Rs 7,198 crore and Rs 7,823 crore, respectively.

“The compensation demand by states is lower than the cess collected. This indicates that the scale of revenue loss feared by states is much lower. However, these are early days. In a few months, the actual picture will emerge,” said a government official.

The government’s overall GST collection stood at close to Rs 95,000 crore in July, and Rs 90,669 crore in August.

Neither BJP sources nor officials were willing to comment on the details of the meeting (attended by Modi, Jaitley, and Shah). However, sources said they discussed GST hassles for exporters and SMEs, besides political issues. Modi is scheduled to be in poll-bound Gujarat on October 7 and 8. Meanwhile, traders in Surat met Adhia on Wednesday.

Source: business-standard.com- Oct 06, 2017

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