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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 110 of 2019 June 10, 2019

USD 69.44| EUR 78.54 | GBP 88.24 | JPY 0.64

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
21675	45300	**83.13**

Domestic Futures Price (Ex. Warehouse Rajkot), June

Rs./Bale	Rs./Candy	USD Cent/lb
21280	44475	**81.62**

International Futures Price

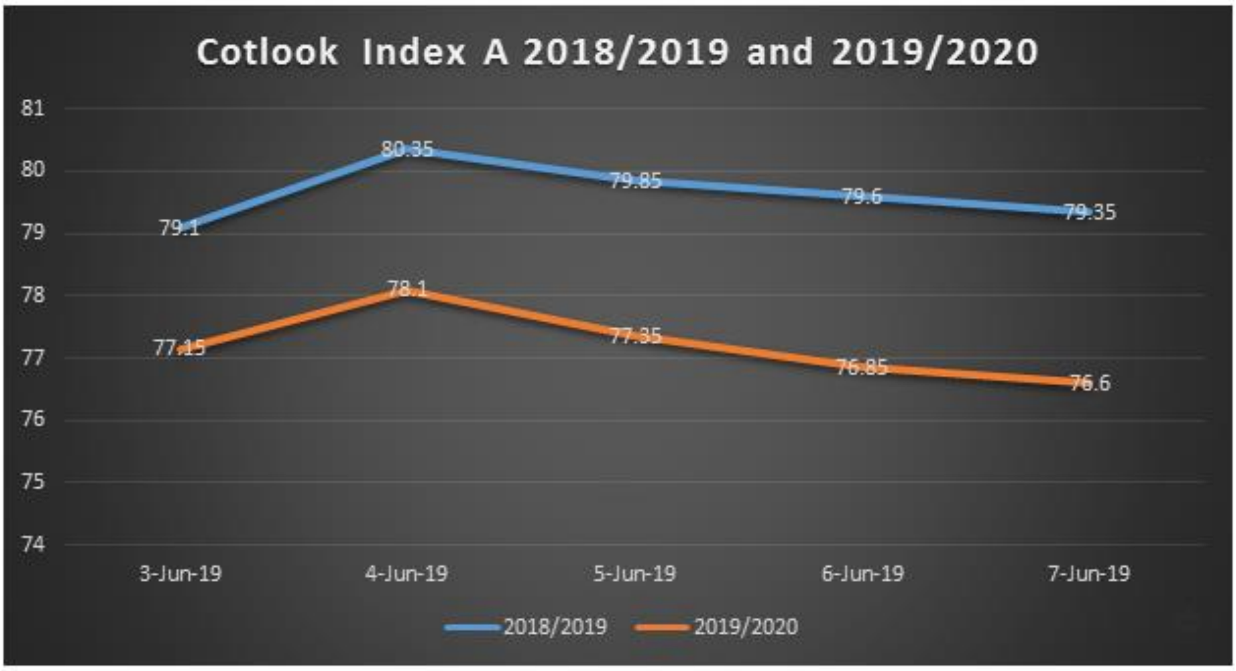
NY ICE USD Cents/lb (July 2019)	65.59
ZCE Cotton: Yuan/MT (September 2019)	12,965
ZCE Cotton: USD Cents/lb	85.11
Cotlook A Index – Physical	**79.35**

Cotton Guide: A Big, infact huge losses were witnessed on Friday. In fact this is one of the big losses noticed in the marketing year 2018/2019. The ICE July futures settled at 65.59 cents/lb with a change of -300 points. Yes, it was a 3 cent/lb decline. The ICE December contract settled at 65.51 cents/lb with a change of -116 points. The spread between the two contracts on Friday was very narrow at 8 points. The reason attributed to such a decline was First, Unhealthy Export sales data with good cancellation figures. Second, rolling over of positions from July to December. Friday was the first of 5 sessions when the largest spec fund Goldman Sachs sold July and Bought December as they have started to roll their positions forward. Third, Polyester fibre supply gut is putting immense pressure on cotton prices. The volumes seen at ICE were massive at 62,570 contracts.

The ICE contracts for the last week can be seen as follows:

On the MCX front, the futures followed the direction of ICE as always. But as compared to ICE, the MCX futures showed decent negative figures. In other words, the intensity of drop in prices was less here at MCX. The MCX June contract settled at 21,280 Rs/bale with a change of -320 Rs. The MCX July contract and the MCX August contract settled at 21410 Rs/bale and 21490 Rs/Bale with changes of -330 and -300 Rs. The volumes were however low at 3733 lots.

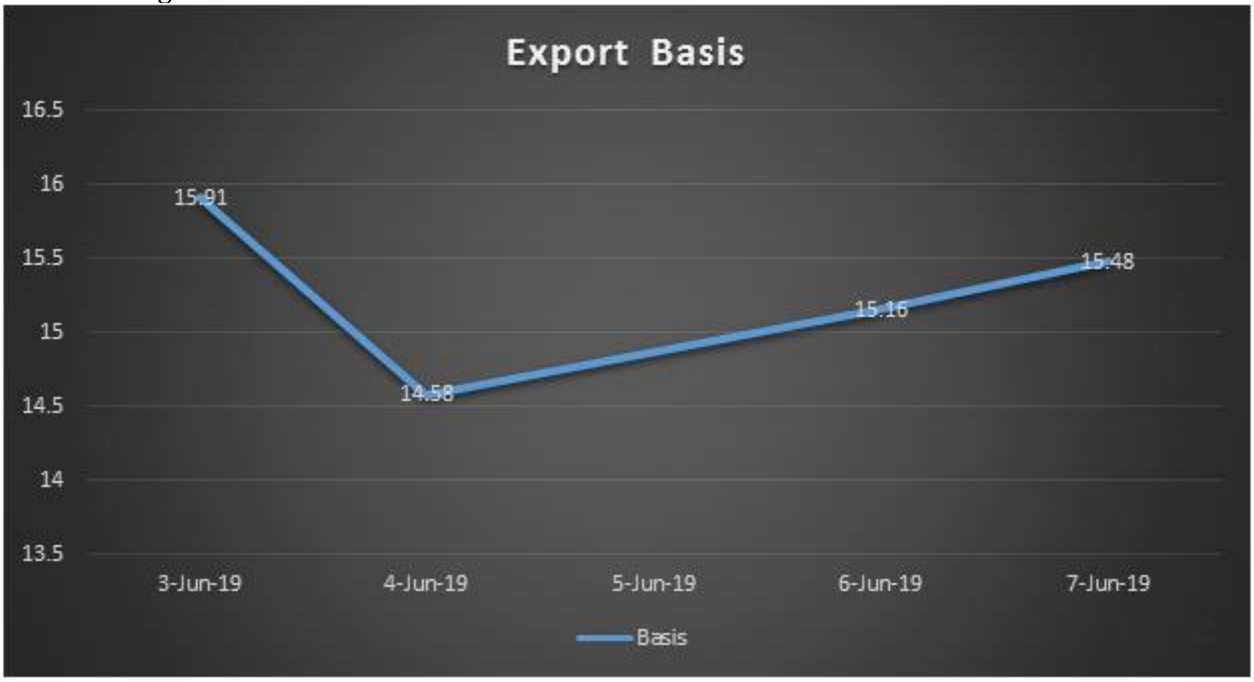
The cotlook Index A was adjusted at 79.35 cents/lb with a change of -0.25 cents/lb. Whereas the Cotlook Index A 2019/2020 was adjusted at 76.60 cents/lb with a change of -0.25 cents/lb. The prices of Shankar 6 are at 45,300 Rs/Candy.



USDA WASDE projections for June will be released on Tuesday. Acreage and weather is something to keep track on in the developments coming from the United States of America. The Chinese and US

Acreage is set for a rise this year. Monsoons in India have hit Kerala and the cotton growing belt in India is most likely to receive showers this week. For today we feel the prices internationally will remain subdued along with Domestic prices.

The following is the Basis chart for the week:



The US Department of Labor recently announced (49 year low figure of 3.6 percent) figures pertaining to Job growth for the month of May which totals to 75,000 Jobs. The expected figure was around 175,000 jobs. On the Macro front, the negotiations between the US and Mexico seem to have arrived at a deal between the two economies. Under the deal, in which Mexico agreed to take "unprecedented steps", the duties that were due to come into effect today 10th June 2019 have been suspended. That's good news for the cotton fraternity. "Mexico will try very hard, and if they do that, this will be a very successful agreement," said Mr Trump. Geopolitical tensions always cause uncertainty and is always a bearish factor for the cotton fraternity.

Fundamentally, for the week we feel the International Prices are yet to bottom out and might experience a bearish week. On the technical Front, prices have once again given a close below the support line at 66.40, after it made a Head and Shoulders formation with a neckline breakdown at 69.50 which witnessed a sell off towards 64.50 levels. Prices witnessed a pullback till the prior trend line support at 66.50 & continued its bearish movement. However, momentum indicator RSI at 33, which have retraced from the oversold zone, implying sideways to negative momentum for prices. WEMA of 5 & 9 weeks are at 67.50, $69.28 levels respectively. Immediate resistance for the prices is at 67.50, while the support is at 62.60, a 61.8% Fibonacci extension level. From the above analysis we conclude & recommend that prices would trade within the range of 62.60-68.30 with a sideways to negative bias. In the domestic market, Cotton (June) would trade within the range of 20950-21750.

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

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INTERNATIONAL NEWS

US Apparel Import Growth From China Flattens as Companies Limit Risks

The volatile state of U.S. apparel sourcing–dramatically impacted by the tariff-fueled trade war with China–has caused significant shifts in where goods are being manufactured.

The bottom line: China's decade's long growth has come to a halt and its Asian neighbors are rapidly gaining ground as major suppliers, while the Western Hemisphere is holding its own for quick-turn, more local production for U.S. importers.

Apparel imports from China for the year through April were essentially flat (up 0.3 percent) in value to $7.25 billion worth of goods, according to data released Thursday by the Commerce Department's Office of Textiles & Apparel (OTEXA). That's a far cry from the double-digit gains sustained for many years, before the turn of events in the last year or so. While sourcing experts point to the U.S-China trade war and need to limit risks, China's economic and trade policies have also de-emphasized exports and caused rising costs.

Morris Goldfarb, G-III's chairman and CEO, discussing the impact of tariffs and sourcing shifts with analysts this week, said, "We've been seeking to diversify our sourcing network by arranging to move some production out of China and also succeeded in obtaining price concessions from our Chinese vendors. In addition, we've obtained price increases from some of our customers here in the U.S."

Goldfarb said G-III knows it needs to further reduce its production in China "to a level where we can still maintain the consistent quality and craftsmanship developed with our vendors over the past 40 years."

At Gap Inc., president and CEO Art Peck told analysts on a conference call, "We've been migrating sourcing out of China for the last several years, and we'll continue to do this responsibly going forward. As recently as three years ago, about 25 percent of our product was manufactured in China. In our most recent disclosure, that number was down to 21 percent. And if you include only apparel, our penetration is approximately 16 percent, which is significantly lower than the relevant portions of the industry."

Diversification in apparel sourcing has taken hold, with many countries taking their share of U.S. imports, which increased 5.76 percent to a value of $26.45 billion for year to date through April compared to a year earlier, according to OTEXA.

In Asia, imports from Vietnam were up 12.88 percent in the period to $4.24 billion, while Bangladesh's shipments reaching U.S. ports rose 13.91 percent to $2.03 billion. Coming in behind were imports from India, which increased 10.76 percent to $1.57 billion, and Indonesia, which rose 1.86 percent to $1.57 billion. Rounding out the top 10 suppliers to the U.S. for apparel were Cambodia, with U.S.-bound goods rising 2.45 percent to $810 million and Pakistan, which saw shipments increase 9.52 percent to $465 million.

Apparel imports from the Western Hemisphere were up 4.55 percent to $4.52 billion in the period, led by a 7.47 percent gain to $2.67 billion worth of goods from the duty-free Central American Free Trade Agreement countries. Honduras posted a 13.25 percent increase to $826 million in the period; El Salvador saw a 1.06 percent gain to $566 million; imports from Nicaragua were up 9.36 percent to $552 million, and Guatemala goods shipments to the U.S. rose 2.84 percent to $473.72 million.

While President Trump has lauded tariffs as a way to level the playing field to protect U.S. businesses against China's trade policies involving intellectual property rights infractions and government subsidies, the desired result of easing the trade deficit hasn't fully materialized.

The U.S. Census Bureau and the Bureau of Economic Analysis said Thursday that the goods and services deficit was $50.8 billion in April, down $1.1 billion from $51.9 billion in March. April exports were $206.8 billion, $4.6 billion less than March exports. April imports were $257.6 billion, or $5.7 billion less than March imports.

The April decrease in the goods and services deficit reflected a decrease in the goods deficit of $1 billion to $71.7 billion, and an increase in the services surplus of $100 million to $20.9 billion.

Year-to-date, the goods and services deficit has increased $4.1 billion, or 2 percent, from the same period in 2018. Exports increased $8.3 billion or 1 percent. Imports increased $12.4 billion or 1.2 percent.

The goods deficit with China increased $2.1 billion to $29.4 billion in April. Exports decreased $1.8 billion to $8.5 billion and imports increased $300 million to $37.9 billion.

Source: sourcingjournal.com- June 06, 2019

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USA: Trade Deficit Down on Drop in Exports and Imports

The U.S. trade deficit in goods and services fell 2.1 percent in April, according to trade statistics released June 6 by the Department of Commerce.

The monthly deficit of $50.8 billion reflected a 2.2 percent decrease in exports to $206.8 billion and a 2.2 percent decrease in imports to $257.60 billion.

For the year to date the deficit was down 2.0 percent from the same period in 2018 as a 1.2 percent increase in imports outpaced a 1.0 percent increase in exports.

The deficit in goods trade fell 1.4 percent to $71.7 billion in April. Imports of goods dropped 2.5 percent to $208.7 billion, including decreases of $900 million in semiconductors, $700 million in gem diamonds, and $600 million in passenger cars.

Exports of goods were down 3.1 percent to $136.9 billion, including decreases of $2.3 billion in civilian aircraft and $400 million each in passenger cars and pharmaceutical preparations.

The services surplus edged up 0.5 percent to $20.9 billion.

Imports were down 0.6 percent to $49.0 billion while exports slipped 0.3 percent to $69.9 billion.

Country/region	Deficit	% Change	Surplus	% Change
China	$29.4 billion	+3.9		
European Union	$15.1 billion	-4.4		
Mexico	$7.9 billion	-8.1		
Japan	$6.5 billion	+6.2		
Germany	$5.4 billion	-5.3		
Italy	$3.1 billion	+10.7		
Taiwan	$2.0 billion	0		
France	$2.0 billion	+17.6		
Canada	$1.8 billion	-14.3		
South Korea	$1.5 billion	-16.7		
India	$1.3 billion	-27.8		
United Kingdom	$0.4 billion	+100.0		
Saudi Arabia	$0.2 billion	Shift from $0.3 billion surplus		
South/Central America			$4.2 billion	0
Hong Kong			$2.4 billion	0
Brazil			$0.9 billion	0
Singapore			$0.6 billion	+200.0

Source: strtrade.com- June 07, 2019

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Chinese vendors, Mexican clients commiserate on Trump tariffs at trade expo

Huang Chao came to Mexico looking for business, not friends, but the Chinese sales manager says he found unexpected common ground with his prospective clients on one thing: Donald Trump "is crazy."

Chao, 31, was in Mexico City this week representing his textile company at a trade fair called Expo China HomeLife, whose goal is to connect Chinese suppliers with merchants in different countries around the world.

Mexico was set to be just another stop for the enormous expo -- until the US president threatened last week to impose five-percent tariffs on all Mexican imports.

The tariffs are due to start Monday and rise in monthly increments to 25 percent by October, unless Mexico slows the US-bound flow of undocumented migrants to Trump's satisfaction.

That effectively made Mexico the second major front after China in Trump's spiraling trade wars.

It also gave vendors and customers in Mexico City a new topic to discuss in stilted English as they brokered deals for mass quantities of home articles, plastic accessories, cheap decorations, cloth and other myriad products the Asian powerhouse exports to the world.

Trump's tariffs "aren't just hurting China, they're hurting the whole world," Huang told AFP.

"He is hurting both countries' feelings," said businesswoman Louisa Chin, 30, referring to Mexico and China.

"He knows how to rile up his voters," said Alejandro Becerril, a Mexican builder, after an animated conversation with a group of Chinese business executives.

"He's trying to get Mexico to toughen up its migration policies -- and it's working."

The United States is already deep into a trade and technological battle with China.

Last month Washington raised tariffs on USD200 billion in Chinese goods to 25 percent. Beijing hit back with retaliatory tariffs of five to 25 percent on USD60 billion in US goods.

Trump is threatening to expand the tariffs to essentially all Chinese imports, and has also moved to blacklist a Chinese tech giant, Huawei, over national security concerns.

The spat had been beneficial for Mexico, which has replaced China as the top US trading partner so far this year.

But now Mexico is getting a taste of what Beijing calls Trump's "economic terrorism" -- pushing the US neighbor closer to China.

"In the current global context, there are many things China and Mexico can do together," Lo Tu, deputy mayor of the Chinese city of Shantou, said in Mexico City.

"Mexico and China are friends and partners. Mexico can be stronger with China, and China can be stronger with Mexico," Mexico's Undersecretary for Foreign Trade Luz Maria de la Mora said during a visit to China this week.

This is not the first time Mexico -- long used to living in the shadow of its giant northern neighbour -- has eyed closer ties with China when its trade relationship with the US frays.

There was a similar effect when Trump threatened to rescind the North American Free Trade Agreement (NAFTA) between the US, Mexico and Canada.

Mexico sends nearly 80 percent of its exports to the US, and the countries do more than USD600 billion a year in bilateral trade, according to Washington.

The world's second-largest economy is an obvious place for Mexico to turn to try to diversify its trade portfolio.

In 2017, Mexico and China did USD80.9 billion in two-way trade, according to Mexico's central bank. But the bulk of it was Chinese exports to Mexico: USD74.1 billion.

Mexican officials will have to do more to cultivate ties with Beijing if they truly want to deepen the relationship, said China expert Enrique Dussel of Mexico's largest university, UNAM.

"Mexican officials always seem to be saying, 'China will help us out of the ditch,'" said Dussel.

"But we have to be more serious about the relationship," he added.

"Whenever Trump sticks his tongue out at us on Monday, we turn to China on Tuesday. Then Trump lifts the tariffs on Wednesday, and on Thursday we forget about China. That's not how you manage a relationship with a country" like China, he said. Still, ties are growing.

A record 1,600 companies attended the trade fair this year -- up 500 from last year.

Source: business-standard.com - June 09, 2019

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Trump Drops Mexico Tariffs After Reaching Migration Deal

The tariffs that could have upset U.S.-Mexico trade have been called off. For now.

Late Friday night, President Donald Trump said over two tweets late Friday: I am pleased to inform you that The United States of America has reached a signed agreement with Mexico. The Tariffs scheduled to be implemented by the U.S. on Monday, against Mexico, are hereby indefinitely suspended. Mexico, in turn, has agreed to take strong measures to....stem the tide of Migration through Mexico, and to our Southern Border. This is being done to greatly reduce, or eliminate, Illegal Immigration coming from Mexico and into the United States. Details of the agreement will be released shortly by the State Department. Thank you!"

The more official U.S.-Mexico Joint Declaration, released by the U.S. Department of State on Friday night, said Mexico will take "unprecedented steps" to curb the migration problem that sparked Trump's threat of 5 percent tariffs on all products on Mexico, which were supposed to escalate by an additional 5 percent monthly until they reached 25 percent if both sides couldn't come to an agreement.

But Friday's compromise saw Mexico promising to "dismantle human smuggling and trafficking organizations" and agreeing to strengthen bilateral cooperation with the U.S., including sharing information that could further shore up the countries' common border.

On Saturday morning, Trump also said via Twitter, “Mexico has agreed to immediately begin buying large quantities of agricultural product from our great patriot farmers!”

Had the tariffs in fact been implemented on Monday as scheduled, the effect could have proved a further hit to domestic competitiveness.

Ahead of this week’s negotiations between the U.S. and Mexico, the American Apparel & Footwear Association (AAFA) and the National Council of Textile Organizations (NCTO) sent a letter to the president outlining the ramifications his actions would invite.

“Every day, we export U.S. yarns and fabrics to Mexico, where they are assembled into garments and incorporated into other products to be imported back into the United States. There has been significant investment in U.S. production, design, distribution, and retail for this industry to support these critical supply chains.

An army of U.S. workers—cotton farmers, yarn spinners, fabric weavers, truck drivers, designers, textile scientists, software engineers, logistics experts, compliance professionals, customs brokers, sales clerks, and more—depends on Mexico’s duty-free access to the U.S. market for their jobs,” the letter noted.

While a new tariff crisis seems to have been averted, at least “indefinitely,” if things don’t pan out as outlined in the new deal, the U.S. and Mexico jointly said they agree to “take further actions.”

Though there’s little more on what those actions would be, failure on Mexico’s part to keep its word to Trump on migration could see the unwanted tariffs resurface.

Source: sourcingjournal.com- June 08, 2019

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Better Cotton Now Accounts for 19 Percent of Global Cotton Production

The Better Cotton Initiative (BCI) revealed in its 2018 Annual Report released on Thursday, that Better Cotton now accounts for 19 percent of global cotton production.

To date, BCI has provided training on sustainable agricultural practices to more than 2 million cotton farmers in 21 countries, which drove the volume of more sustainably produced cotton available on the global market to a new level.

BCI defines Better Cotton as having been produced in line with its Better Cotton Principles and Criteria, which includes things like promoting water stewardship, land responsibility and minimizing the harmful impact of crop protection practices, like the use of pesticides. More than 99 percent of BCI farmers are smallholders, farming on less than 20 hectares of land, according to the organization.

By 2020, BCI's goal is to support 5 million cotton farmers in adopting more sustainable agricultural practices and improving their livelihoods. To accomplish this, the organization said it will focus on the diverse social, environmental and economic challenges faced by cotton farmers around the world, from drought in Australia to flooding in China and gender equality in Pakistan.

"Our comprehensive program of training, practical demonstrations and knowledge-sharing helps farmers to raise their yields, reduce their impacts on the environment and improve working conditions," Alan McClay, CEO at BCI, said. "We address multiple environmental issues–from soil health and pesticide use to water stewardship–and raise awareness of the importance of Decent Work, focusing in particular on promoting women's empowerment and preventing child labor."

Down the supply chain, BCI's retailer and brand members, like H&M, Ikea, Gap Inc., Adidas and Nike, passed a key milestone at the end of 2018, sourcing more than 1 million metric tons of Better Cotton to set a BCI record. That represents a 45 percent increase from 2017 and, according to BCI, sends a clear message to the market that Better Cotton is becoming a sustainable mainstream commodity.

Better Cotton uptake now accounts for 4 percent of global cotton consumption, and this moves BCI closer to its 2020 target of having 10 percent of global cotton sourced as Better Cotton.

“This historic level of Better Cotton uptake is an encouraging indicator of how well BCI is progressing toward our five 2020 targets,” McClay added.

Source: sourcingjournal.com - June 06, 2019

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AGOA Deadline, How Prepared Is Nigeria?

Though the African Growth and Opportunity Act (AGOA) has been on for the past 16 years, there have been strong concerns that Nigeria has never taken full advantage of the potentials due to its over reliance on oil while other Africans are turning around their economy with this programme.

The AGOA project initiated by the United States of America in 2000 was to help develop trade and facilitate exporting over 6000 goods into America with no tariff. The trade agreement primarily set up to galvanise the African economy covered 15 years and has since elapsed in 2015. However Nigeria and other Africa countries on the programme got a second chance when the programme was extended by another 10 years to terminate by 2025.

Reacting to the lacklustre attitude of the government to tap into the opportunity AGOA provides and enable the country’s exporters the president, Nigeria American Chamber of Commerce (NACC), Chief Olabintam Famuti, at a recent meeting in Lagos affirmed that the country was now set to fully utilise the AGOA programme after under utilising its opportunities in the past. Drawing from statistics, Famuti said it was regrettable that as at 2014,Nigeria only exported $6 million worth of goods to the USA compared to $6billion accounted for by other Sub-Saharan African nations.

Famuti , who spoke at a public presentation of five books based on the art of exporting goods by Abiodun Oyefeso, the president of Success Edge Exporters Limited and a member of the Lagos Chamber of Commerce and Industry (LCCI), argued that the AGOA programme, was abused in its first term by Nigerian leaders who instead of maximising the opportunities by leveraging on the 6500 items allowed to be exported, relied only on crude oil. “It is a shame that most Nigerians rushed to the crude oil business yet they have not seen crude oil nor known what it is, we are all deceiving ourselves in this country,” he added. Also speaking , a former director-general of the National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), Dr. John Isemede, canvassed that only detailed and planned exportation strategy would take the country from the woods. According to him, there must be balance of trade between imports and exports as the country was rushing to sign partnership agreements with other countries without looking at the critical details involved.

The author of the books,Mr Abiodun Oyefeso, said for the country to be developed, attention must be paid to the solid minerals deposits it has comparative advantage of over other countries.

He noted that Nigerians must take advantage of the huge market in the exportation business to make vision 2020 achievable more so as crude oil is gradually becoming a thing of the past in developed nations.

He stated that most of other sub-Saharan African countries had benefited from AGOA, adding that Nigerian exporters should know all the requirements. “That is why we are enlightening our people on what to do to export under AGOA. “If you have a facility, and you want to export food items, your facility must be registered. But a lot of our people are not aware of that and they do not even have the special number.

Some of them feel that it is cumbersome; they cannot do it. How will they go about it? People who are not technically savvy may not want to go through the rigours of registering their facility online, talkless of getting the numbers. “That is why you have experts that will assess the facility, see what they have in place before the registration and assist them in getting their facilities registered and having the number for their products.

“We do not want to promote export of raw materials but we are promoting export of finished products, and value-added products. “Manufacturers should go more for value-added products so that they can be more competitive internationally,” he stated. Interestingly, Just recently, the Nigerian Export Promotion Council (NEPC) AGOA Trade Resource Centre, Lagos, unveiled the AGOA Textile Visa Stamp.

The Council said it would enable garment manufacturers in Nigeria to have tariff concession on textile and garments manufactured in the country for export to the United States under the African Growth Opportunity Act (AGOA).

Awolowo, who was represented at the Asian-African Chambers of Commerce and Industry's inauguration in Lagos, recently, canvassed the need for the NEPC and the Nigerian Customs Service (NCS) to synergise to ensure the Textile Visa Stamp was well utilised for the benefit of garment manufacturers in the country. The AGOA Textile Visa Stamp is an instrument established by the US government for use by the AGOA eligible countries for textiles and apparels export into USA.

The AGOA Textile Visa Stamp is an instrument established by the US government for use by the AGOA eligible countries for textiles and apparels export into USA. The instrument is to be administered by the Nigerian authorised Customs Officers on the Commercial Invoice of garment manufacturers exporting to the US under AGOA.

It is a major requirement for the export of textiles and garment under the scheme and has to be strictly adhered to by Nigerian garment exporters in order to benefit from the tariff concession provided by the Act.

Awolowo said officers of the Customs were invited to the workshop because they were the sole administrator of the Visa Stamp. "The Stamp is in their custody and they need to be informed on its application and as well as interface with the Nigerian garment manufacturers," he stressed.

click here for more details

Source: leadership.ng - June 07, 2019

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China's textile industry output up 4.1 pct in Jan-April

China's major textile companies saw their combined value-added industrial output rose 4.1 percent year on year in the first four months of the year, new data showed.

The growth rate was 0.4 percentage points faster than the same period of last year, the National Development and Reform Commission said in a statement.

In the first four months, the export of textile and garment products dropped 3.7 percent to 75.8 billion U.S. dollars, with the export of textiles edging up 0.8 percent.

Fixed-asset investment of major textile companies rose 0.8 percent in the same period, their combined revenues were up 4.9 percent, and profits rose 0.7 percent year on year, the statement said.

Source: xinhuanet.com- June 09, 2019

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Move over, 'Made in China'. It's the 'Made in Bangladesh' era now

When Chinese businessman Leo Zhuang Lifeng arrived in Dhaka 22 years ago, only one of the two luggage conveyor belts in the airport was functioning. The lighting wasn't working properly, either.

The rundown airport in the capital of Bangladesh prepared many Chinese and foreign businessmen for what they were about to experience in the country, which was still an economic backwater at the time, with frequent power outages and inadequate infrastructure.

Zhuang, now 51, landed in Dhaka in 1997 to set up garment factories there, taking advantage of the low labour costs and abundant supply of workers

. "Back then, there was a lack of daily commodities. It was not even easy to buy instant noodles," said Zhuang, managing director of the LDC Group, which now employs about 20,000 workers in the country.

"But Bangladesh has gone through tremendous changes over the years, though of course you cannot compare those changes to what China has experienced."

His factory compounds were so big they resembled villages on their own. There were medical centres providing free consultation for staff and their family members, as well as day-care centres for their children.

Such compounds are now everywhere in Bangladesh, as Chinese and other foreign investors have kept coming. This investment has transformed the country into a manufacturing powerhouse with 3.5 million labourers making clothing for local and international brands such as Uniqlo and H&M. Luxury brands such as Michael Kors also have some products made in Bangladesh.

As wages soar in China, more clothing is expected to carry the tag "Made in Bangladesh" rather than "Made in China" in the years to come.

Zhuang, now the president of the Overseas Chinese Association in Bangladesh, estimated there were only 20 to 30 Chinese companies in Bangladesh 22 years ago. By his estimate, that number has since grown to roughly 400 in the relatively young South Asian country, which gained independence from Pakistan in 1971.

Chinese loans

have boosted Bangladesh's economic growth. For about a decade, it grew at an average of 6 per cent, but is expected to hit 8.13 per cent this year, making the country one of the fastest-growing economies in the world.

Bangladesh's ability to achieve such fast and stable economic growth over the years has raised eyebrows. In interviews, however, Bangladesh's Minister of State for Foreign Affairs Mohammed Shahriar Alam as well as Information Minister Dr Hasan Mahmud said the administration was able to handle the debt because the economy was strong.

Bangladesh looks for alternatives to China's belt and road loans

The information minister also made it clear Dhaka did not want to become dependent on any country, and his administration would befriend any country extending their support to Bangladesh's development. "We have a wonderful economic relationship with India," he said, pointing to the billions of dollars in loans India has granted Bangladesh. "Your question is whether we will be able to pay back the (Chinese) loans. No worries for Bangladesh."

Analysts say Dhaka has avoided the so-called Chinese debt trap because while it cosies up to China, it continues to seek economic partnerships with other countries, in particular India.

FROM CHINA TO BANGLADESH

Despite its rapid economic growth, Dhaka remains different from other Asian capitals such as Jakarta, Manila and Phnom Penh. Its infrastructure, including highways, is lacking; during peak hours, there is so much traffic that it can take three frustrating hours to navigate a distance of 50km.

But Bangladesh's ample room for development is precisely why it has drawn so many investors. Among them is Hong Kong businessman Felix Chang Yoe-chong, chairman of the Hong Kong-listed Evergreen Products Group, one of the largest wig manufacturers in the world. Since moving his factories from mainland China to Bangladesh, he now has 18,000 workers who produce 300,000 to 400,000 wigs a month in the Uttara Export Processing Zone, an hour's flight from Dhaka.

Some 20 companies, among them about six from Hong Kong , have set up factories in the 213-acre zone. There are eight such zones across Bangladesh, allowing companies to import materials needed to make their products at a reduced or zero tax rate. This concessionary tax policy applies to their exports as well.

Like many entrepreneurs from Hong Kong and mainland China who set up factories in Bangladesh, Chang, 53, did so 10 years ago because of rapidly rising labour costs on the mainland. "I had to move my factories to somewhere in Asia. It was not just the wages, the social welfare benefits we needed to give our workers in the mainland were rising as well," he said.

A decade ago, Chang's company had factories in the Chinese cities of Shenzhen , Guangzhou and Kunming, as well as in Henan province. He has shut the Guangzhou factory and drastically scaled down the other Chinese factories. Now, 93 per cent of his company's wigs are manufactured in Bangladesh.

Before Chang moved his factories there, he was paying his Chinese workers about 2,000 yuan (US$289) a month. Soon after the relocation, he was paying local employees the monthly minimum wage of just 170 yuan, or US$25.

The minimum wage in Bangladesh currently is US$95 a month, which is still lower than those in other Asian countries. It is US$182 a month in Cambodia ; US$180 a month in Hanoi and Ho Chi Minh City, though lower in other Vietnamese cities; and US$3.60 per day in Myanmar.

Click here for more details

Source: scmp.com- June 08, 2019

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Priority should be to resolve trade tensions: IMF chief Christine Lagarde

The IMF director added that global economy is showing tentative signs of stabilising and growth is projected to strengthen

International Monetary Fund Managing Director Christine Lagarde on Sunday called on the Group of 20 major economies to prioritise resolving trade tensions to mitigate risks to global growth.

“We met at a time when the global economy is showing tentative signs of stabilising and growth is projected to strengthen.

While this is good news, the road ahead remains precarious and subject to several downside risks,” Lagarde said in a statement after a meeting of G20 finance ministers and central bank governors.

“To mitigate these risks, I emphasised that the first priority should be to resolve the current trade tensions, including eliminating existing tariffs and avoiding new ones,” she said, adding that work is also needed to modernise the international trade system.

"This would be the best way for policymakers to give more certainty and confidence to their economies and to help, not hinder, global growth," said Lagarde, who took part in the G20 finance leaders' gathering in Fukuoka, southern Japan.

Source: business-standard.com- June 10, 2019

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Exports to Canada by Vietnam's Vinatex $900 mn in Jan-May

In the first five months of this year, exports by the Vietnam National Textile and Garment Group (Vinatex) to Canada hit nearly $900 million, or 6 per cent of the latter's apparel imports, according to its general director Le Tien Truong. Vinatex hopes to earn about $1.5- 1.7 billion in Canada this year, taking more than 12 per cent of market share, he said.

Vinatex will promote trade in Canada to tap opportunities arising out by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a news agency report quoted Tien Truong as saying.

Recently, Vinatex and its affiliates held a trade exchange, the second of its kind, with Canadian apparel importers and distributors.

Apart from clothing products, it also introduced knitted fabrics by domestic firms like Dong Xuan, Hanosimex, Dong Phuong and Lien Phuong.

Source: fibre2fashion.com - June 09, 2019

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Bangladesh: Gloom looms over Dhaka for lack of foresight

Tougher competition in global trade awaits Bangladesh from next year when a mega trade deal among countries accounting for over 39 percent of the global GDP is scheduled to come into effect, sans Dhaka.

Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement between the 10 Asean states and Australia, China, India, Japan, South Korea and New Zealand.

Negotiations were formally launched at the Association of Southeast Asian Nations (Asean) Summit in Cambodia in November 2012.

Following the seventh RCEP Intersessional Ministerial Meeting taking place in Siem Reap, Cambodia on March 2 this year, the deal is set to witness fruition from this year's end.

The RCEP deals with goods, services, trade and investment, technical and economic cooperation, e-commerce and intellectual property rights.

The participating countries, including Bangladesh's competitors in apparel trade such as India, China, Vietnam, Indonesia, Myanmar and Cambodia, have been gearing up local industries involving textile, yarn and garment to reap the RCEP's benefits.

While they will be able to do business among the RCEP members at zero-tariff, Bangladesh will still be counting duty on export.

"Firstly we will face disadvantages as our competitors will enjoy duty benefits on export of yarn, fabrics and garment items among the RCEP participants," said A Matin Chowdhury, managing director of Malek Spinning, a leading spinner and garment exporter.

"If the deal goes through, Bangladesh will be pushed to become solely a garment stitching nation as the local yarn and fabrics manufacturers will lose their competitiveness," Chowdhury told The Daily Star last week.

"Our current trade privilege would face further challenges if the RCEP is implemented," Ahsan H Mansur, executive director of Policy Research Institute, said over the phone.

"We have to compete in the open world. We need to enter the RCEP even if it means reforming some of our old trading policies as it is a broad organisation. We may have the chance to enter the club by fulfilling some conditions," he said.

"It is a club. Any club has some conditions for membership. We are a highly protectionist country in terms of ease of doing business. Any club notices whether prospective members can fulfill conditions for inclusion," said the researcher.

In contrast, Bangladesh's policymakers appear to be still in the process of grasping the idea for such a move.

"We have not taken any measures yet to be a member of the RCEP," said Md Shafiqul Islam, additional secretary (free trade agreement) to the commerce ministry.

"We may launch a study soon to assess the impacts of the RCEP on Bangladesh's global and domestic trade. If it is possible, Bangladesh may join the RCEP in the future," he said.

In 2017, prospective RCEP member states accounted for a population of 3.4 billion people or 45 percent of the world's population and about 40 percent of world trade.

The total gross domestic product (GDP) amounted to $49.5 trillion, more than half of it made up of that of China and India, surpassing the combined GDP of Trans-Pacific Partnership (TPP) members in 2007.

On January 23, 2017, United States President Donald Trump signed a memorandum that stated withdrawal of the country from the TPP, a move which is seen to improve the chances of success for the RCEP.

According to estimates by the PwC, the GDP of the RCEP member states is likely to amount to nearly $250 trillion by 2050.

Source: thedailystar.net - June 07, 2019

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Pakistan: Withdrawal of zero-rated regime: Govt decides to impose 17pc sales tax on export industry

With the announcement of federal budget just one day away, the last-ditch endeavours for result-oriented talks between the export industry from Karachi and Faisalabad and the government economic team held here in a row on Saturday and Sunday (today) on restoration of zero-rating regime went in vain as the government reiterated in plain words that it is under the IMF commitment and is unable to take back its decision to withdraw the zero rating.

The government has also refused to extend the Guaranteed Refund Mechanism to the industry saying the mechanism will be worked out later on after the budget. The economic team of the government has also told the industry that it is going to slap 17 percent sales tax on export industry of textile, leather, carpet, surgical and sports.

Earlier, the government functionaries had agreed in the presence of Prime Minister Imran Khan in the meeting that the government will impose 7.5 percent sales tax on the said export industry, but in (Sunday) today’s meeting, the economic team has refused to charge 7.5 percent sales tax, rather it vowed to impose 17 percent sales tax on the said export industry.

However, the government has decided to extend the energy package (RLNG at $6.5 per MMBTU and electricity to textile, carpets, surgical, leather and sports sectors) for another 6 months after hectic talks with IMF, but the government says it will review the continuing of energy package after 6 months, official and industry sources told The News.

According to the sources, industry representatives from Karachi in the Saturday meeting and from Faisalabad and Lahore in the Sunday meeting pleaded saying that withdrawal of zero rating at this stage would be extremely fraught with danger in so far as exports are concerned. “The momentum gained of a 20 percent quantitative increase in exports over the last 9 months would be jeopardised.”

The official sources in Finance Ministry have also confirmed to The News that IMF also did not allow the government to reduce the sales tax to 7.5 percent on export industry rather it directed the government to slap the standard sales tax of 17 percent on the said export industry. They also confirmed that the government has decided to continue the energy package to industry for another 6 months after persuading IMF on this very account.

Zubair Motiwala, an eminent businessman from Karachi who attended the meeting, when contacted told The News that the Karachi based export industry is going to stage protest today (Monday) against the withdrawal of zero rating.

Mr Motiwala also said the industry cannot believe what the government gives assurance on refund mechanism as in the past it didn't stand by its words on this front. He said that in the head of sales tax, the government owes Rs51 billion to industry, Rs82 billion in the head of duty drawback and reasonable amount in the head of customs rebate.

Mr Motiwala said that the government has said that it is helpless under IMF commitment and cannot reverse its decision to withdraw zero rating. He said with this decision, industry will automatically die down and it will face the huge liquidity crisis and more importantly industry cannot borrow the loan from commercial banks at 14-15 percent interest rate.

Borrowing from commercial banks will not be feasible for the industry. "So the industry will not be able to function and it will die down," he said.

"We are going to hold a press briefing in Karachi Press Club today (Monday) at 2.30pm and after that a protest will be staged against the government decision," Motiwala said.

Source: thenews.com.pk - June 10, 2019

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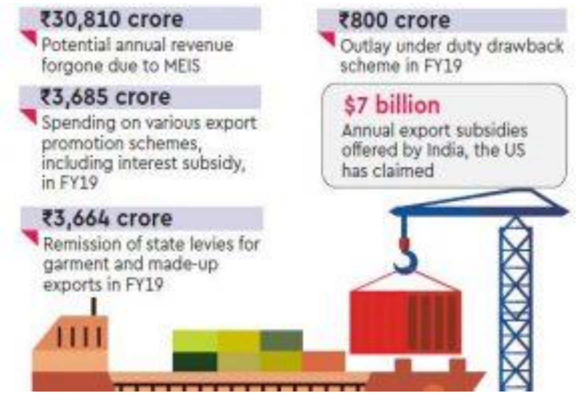
NATIONAL NEWS

Export subsidy programme to be phased out to meet WTO norms

MEIS to go; instead, tax remission scheme, now only for garments, to cover more sectors



With countries like the US having challenged India's export subsidy programmes at the World Trade Organization (WTO), the government is considering phasing out the flagship Merchandise Exports from India Scheme (MEIS), possibly over the next two-three years.

Instead, it will roll out WTO-compliant schemes that will offset both state and central levies on inputs consumed in exports, two sources who attended a marathon meeting chaired by new commerce and industry minister Piyush Goyal on June 6, told FE.

Already, a scheme for the remission of state and central levies has been implemented in garments and made-up exports; this will be expanded gradually to include all key sectors. The next foreign trade policy (FTP), which will kick in from April 2020, will likely see the revamped architecture of various export schemes. Currently, the government's potential revenue forgone on account of MEIS is estimated at Rs 30,810 crore a year.

"The basic idea is to keep exports zero-rated in accordance with the best global practices, while ensuring that all our schemes remain fully WTO-compliant," said one of the sources.

As for the remission of state levies for garment and made-up exports, the government allocated Rs 3,664 crore in FY19. However, the compensation level under this scheme was expanded in March to include central levies as well; even some embedded taxes were factored in. So the potential revenue forgone is now estimated at around Rs 6,300 crore annually.

However, government officials have made it clear that the entire allocation or potential revenue forgone on account of various such schemes (including MEIS and duty drawback) doesn't qualify as export subsidies, as in most cases, they are meant to only soften the blow of imposts that exporters have been forced to bear due to a complicated tax structure. MEIS was announced in the current FTP in 2015 by merging five different schemes.

Under this, the government provides exporters, especially in the labour-intensive sectors, duty credit scrip at 2-5% of their export turnover, depending upon products and shipment destinations. Though the goods and services tax (GST) regime has subsumed a plethora of levies, some still remain (petroleum and electricity are still outside the GST ambit, while other levies like mandi tax, stamp duty, embedded central GST and compensation cess etc remain unrebated).

The US has dragged India to the WTO, claiming that New Delhi offered illegal export subsidies and "thousands of Indian companies are receiving benefits totaling over $7 billion annually from these programmes". Indian officials have rejected such claims. However, to prepare exporters, Goyal last week asked industry to stop relying on "crutches of subsidies" and improve competitiveness.

According to the special and differential provisions in the WTO's Agreement on Subsidies and Countervailing Measures, when a member's per capita gross national income (GNI) exceeds $1,000 per annum (at the 1990 exchange rate) for a third straight year, it has to withdraw its export subsidies. According to a WTO notification in 2017, India crossed the per-capita GNI threshold for three straight years through 2015 — to $1,178 in 2015 from $1,051 in 2013.

However, India has argued that just like some others who were granted eight years to scrap export subsidies, it, too, deserves such a time frame to do so. Seeking incentives to stay competitive, exporters have also long complained about India's elevated logistics costs and inflexible labour norms, and also cried hoarse over a 'strong rupee'. India's logistics costs make up for as much as 15-16% of the consignment value (against 10% in developed countries), according to a paper by Bibek Debroy and Kishore Desai.

India's export growth has remained subdued at an average of just 3.2% in the past six months through April and the new government is seeking to contain any fallout of the global trade war on outbound shipments.

Source: financialexpress.com- June 10, 2019

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The US-China trade conflict is taking a toll on cotton prices

Cotton is bearing the brunt of the escalating tariff war between the US and China. Prices have collapsed to multi-year lows in the US, the world's largest exporter of the natural fibre, raising serious concern among market participants.

This is despite tightening market fundamentals in 2018-19, with production trailing consumption and stocks on the decline.

China — the world's largest consumer and importer — has almost stopped buying American-origin cotton, and has imposed a retaliatory tariff of 25 per cent on US-origin material.

Also, the Asian major has slightly tweaked its inventory policy, by moving to stock rotation rather than de-stocking.

In the absence of large-scale Chinese purchases, cotton prices have collapsed to a three-year low of 65.5 cents a pound from 78.5 cents by mid-May (A-Index).

Pessimism now pervades the world cotton market. Short-term oriented market participants are more pessimistic about cotton prices and are exiting their positions in droves.

This has a consequential impact on the price of the fibre in other countries, including India.
Yield estimates

From the initial exaggerated estimates, the Indian cotton crop size has been gradually scaled down as the reality on acreage, crop loss and yield set in.

In fact, the Agriculture Ministry's third advance estimate released yesterday is scary — 276 lakh bales (170 kg), sharply down from the 301 lakh bales in the second estimate, released in February this year.

It is also far below last year's (2017-18) output of 328 lakh bales (as per the official estimate). Of course, there is scepticism about the accuracy of the government estimate for this year.

But if true, it paints a picture of concern, especially for domestic consumers. It also demonstrates how vulnerable the crop can be to weather vagaries and pest attacks.

The production target for the 2019-20 season is tentatively fixed at 357.5 lakh bales. It is unclear if the target will be achieved, especially with the forecast of slightly below normal monsoon and the threat of El Nino-induced dry conditions.

We need effective strategies to manage white fly and pink boll worm attacks. Integrated pest management is critical.

Affect on growers

According to the Washington-based International Cotton Advisory Committee, production is projected to outpace consumption in 2019-20, and will add to already high stocks. This expectation too is seen exerting downward pressure on prices.

A very substantial part of US' cotton production is intended for the overseas markets, especially China. Because the trade dispute has all but closed a large market, American growers are upset.

In order to support growers hit by the trade dispute, the US administration has announced a relief or support package.

Some observers believe the support measure suggests that the US is preparing for a prolonged trade war with China.

It makes sense because the US is most likely to harvest a bigger cotton crop — possibly 20 per cent higher — in 2019 compared to the previous year, and will end up with multi-year high stocks.

Missed opportunity

Because the Indian market is integrated with the global market through the trade route, global cues impact Indian prices. Growers here have to stay motivated to produce more, especially to meet the domestic demand first. We need to generate genuine export surplus.

Late last year, the US-China trade dispute opened a window of opportunity for India to promote cotton export.

It is unfortunate that we missed that fortuitous chance to maximise export in the last six months, by not engaging with China closely. In the process, we denied growers here a good price.

Source: thehindubusinessline.com- June 07, 2019

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Manufacturing sector's 'missing middle'

There are a few large firms, many tiny ones and nothing in between, causing joblessness. Factory clusters can create a balance

The contribution of manufacturing to GDP in 2017 was only about 16 per cent, stagnating since the economic reforms began in 1991. In India, manufacturing has never been the leading sector in the economy other than during the Second and Third Plan periods.

But no major country managed to reduce poverty or sustain growth without manufacturing driving economic growth. India needs an Industrial Policy, which it has not had since 1991.

India's manufacturing sector has been characterised by the missing middle: a concentration of small/micro firms at one end of the spectrum, and some large firms in each sector at the other. One purpose of an industrial policy is for the government to encourage scale economies, by encouraging growth of small firms into bigger ones — to fill the missing middle.

India has almost 5,000 clusters spread across the country — where most unorganised segment manufacturing employment is concentrated. It accounts for 40 per cent of manufacturing GDP and over 50 per cent of exports.

If India is to create manufacturing jobs for the 5-7 million joining the labour force each year, there will be very few in large capital-intensive sectors, and most of them will be in the micro, small and medium enterprises. But for that to happen, India needs a serious policy for modern industry clusters, with a focus on brownfield (not just greenfield) sites.

Policy fragmentation

Also, cluster programmes are administered by several ministries (Textiles, Leather, Food, MSME, Heavy Industry (auto)) under different terms and conditions. This fragmentation of policy must end. Serious planning for clusters requires industrial planning, both at the Central and State levels.

There are at least four sets of actions required for cluster programmes by the Centre — technology upgradation, skill development, market information facilitation, and design improvement.
Stimulation cell

For this purpose, the Planning Commission (2013), in the 12th Plan, made an excellent recommendation to set up a Cluster Stimulation Cell at the apex level in the MSME Ministry, that will work to promote cluster associations. But this kind of cell will need replication at the State level, and mechanisms to make them operationally effective at the district level.

This requires funds. Effective cluster development has been very important to China's industrial development (as well as in late-industrialiser Italy). There are as many as 100 clusters in China only producing socks!

About 1,234 manufacturing clusters are in urban locations mostly, and as unorganised segment enterprises. In addition, there are others: handicrafts and other manufactures — 3,110; handloom — 573, thus a total of 4,917. They are mostly in small towns (< 0.5 million population) or in small (0.5-1 million) and medium cities (1-4 million).

So poor infrastructure in these urban locations has to be addressed. In other words, focus AMRUT funds to towns with manufacturing clusters. This should include digital infrastructure, which can help small firms eliminate intermediaries, thus raising firms' revenues.

Second, India's Cluster Development programme, which took off only in 2005, will need much more than the ₹1,000 crore per annum, the budget of the Ministry of Micro, Small and Medium Enterprises, for the 5,000 clusters in India. Also notable is the biased nature of the MSME Ministry's incentives, financial and non-financial — which favour micro and small capital investment enterprises to the detriment of their growth into medium-sized enterprises.

Third, the modern industry clusters will need much greater access to institutional sources of credit. The limited resources of the Small Industries Development Bank of India (SIDBI) cannot suffice.

The public sector banks are diffident in lending to micro and small establishments (on account of lack of trust, low capacity of firms to prepare bankable projects and the high transaction costs of dealing with a large number of small borrowers).

From the mid-2000s onwards, commercial banks in India increased their lending to large-scale industries (especially to the power and telecom sectors). This eventually led to rising non-performing assets; banks were not used to such long-term lending.

However, the shares of agriculture and industry in the credit by commercial banks declined from the 1990s onwards. As a share of non-food gross bank credit, lending to SSIs fell from 15.1 per cent in 1990-91 to 6.5 per cent in 2005-06, 5.7 per cent in 2010-11, and only 4.9 per cent in 2017-18.

This is over and above the high cost of interest (11 per cent versus 4 per cent in China).

But government needs to employ blockchain technology to help SMEs in such clusters in financing. Thus Mahindra Finance, currently uses blockchain in SME financing — by connecting suppliers, OEMs, and financiers — for sharing data securely over the network chain to request and approve transactions.

The skills factor

Fourth, raising cluster productivity requires skills. At local cluster level there are few vocational or training centres available. If new vocational education/training were focussed at cluster level, newly educated youth will get employment at cluster level, close to their homes.

This equally applies to girls, as for cultural reasons their parents will not let them live away from home; gender parity at secondary level with GER at 80 per cent now requires a new focus on vocational training at cluster level to make these boys and girls employable.

With rising education levels, the government should promote other opportunities.

Online trade

These brownfield clusters could benefit hugely from the spread of internet and online sales to utilise the educated youth in rural/semi-urban areas. Online trade is an example of how technology shapes the geography of jobs. Technology can enable clusters of business to form in under-developed and rural areas.

For instance, in China, rural micro e-tailers began to emerge in 2009 on Taobao.com Marketplace, one of the largest online retail platforms in China owned by Alibaba. These clusters — referred to as “Taobao Villages” — spread rapidly, from just three in 2009 to 2,118 across 28 provinces in 2017. India’s 50,500-odd clusters can benefit from similar activities.

India’s smartphone users are upwards of 350 million at present, and e-commerce can enable MSMEs to access larger markets and source cheaper inputs.

Apart from Central interventions, States with an Industrial Policy (Karnataka, Andhra Pradesh, Kerala, Telangana, Tamil Nadu, Chhattisgarh, Punjab, Madhya Pradesh, Uttar Pradesh) should focus on job creation through cluster development.

Source: thehindubusinessline.com- June 09, 2019

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Decline in export credit a concern: Goyal

Expressing concern over decline in export credit, particularly to MSME players, Commerce and Industry Minister Piyush Goyal on Friday said steps will be taken to ensure timely availability of funds to exporters.

“Timely and efficient availability of export credit is critical for any trade activity and is one of the key drivers that boosts growth of export,” he said.

He was speaking at a meeting called to discuss issues related to export credit.

Goyal said in the last few years the share of export credit has come down and this is a “cause of concern”, especially for the MSME sector that suffers due to demand of collateral from lending institutions.

“Today’s meeting with stake holders has been called to address this significant challenge and to redress the situation based on the inputs given by participating organisations and institutions,” he added.

Goyal said the time has come to move away from subsidies and provide easy availability of cheaper credit to exporters.

To ease the burden on exporters and to make exports competitive and at par with global best practices, he said there is a need to first develop a framework with a stable policy that is an internationally acceptable, consistent and robust and then look for solutions within that framework.

“Greater transparency has to be brought into the work being done by government organisations, export promotion councils and financial institutions,” the minister added.

Goyal hoped that the result of the meeting will lead to export credit tripling in the next five years and allow India to be at par with the rest of the world where credit is cheaper and interest rates are lower.

Exporters have time and again raised issues related to credit as it impacts outbound shipments.

The meeting was attended by representatives of Ministry of Finance, RBI, State Bank of India, Canara Bank, Punjab National Bank, HDFC Bank, Kotak Mahindra Bank, Axis Bank, Barclays Bank, Citi India, Bank of America, EXIM Bank, ECGC, and Indian Banks' Association.

Exporters, export promotion councils and industry chambers including FICCI also participated.

Source: thehindubusinessline.com- June 07, 2019

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GST Council to meet on June 20

To curb evasion, Council may fix Rs 50 cr turnover threshold for e-invoice under GST

The Finance Ministry is likely to propose Rs 50 crore as the turnover threshold for entities to generate e-invoice on a centralised government portal for business-to-business (B2B) sales as it looks to curb GST evasion, an official said.

The GST Council, which will meet on June 20, will take a final decision on the turnover threshold for issuance of e-invoice for B2B sales after consultation with states.

Analysis of return filing shows that as many as 68,041 businesses have reported a turnover of over Rs 50 crore and accounted for 66.6 per cent of total GST paid in 2017-18. Further, while these businesses account for just 1.02 per cent of GST payers, they make up almost 30 per cent of the B2B invoices generated in the system.

"The turnover threshold for entities to generate e-invoice for B2B sales is likely to be fixed at Rs 50 crore if the GST Council agrees. With this threshold, big taxpayers who are better placed technologically to integrate their software would have to generate e-invoice for B2B sales," the official told PTI.

With e-invoice generation, entities with turnover above Rs 50 crore would be saved from the twin activities of filing returns and uploading invoices. From the government's side, this would help in curbing invoice misuse and tax evasion.

The official further said that under the current system, there is a gap between the time of generation invoices and filing of sales returns. The number of entities filing monthly summary sales return GSTR-3B and paying GST is higher than those filing outward supply return GSTR-1, in which invoice-wise details have to be filed. The analysis suggests the gap could be either because of genuine difficulty in uploading invoices or with the intention of misusing Input Tax Credit (ITC), the official said.

The Ministry is planning to roll out the e-invoice system by September.

The official further said that data analysis shows that as many as 3.9 crore B2B invoices worth above Rs 50,000 are generated every month, which works out to be 12 lakh per day. The number increases to about 1 crore per day if all B2B invoices generated irrespective of amount are taken into account.

The official said 1 crore invoice generation per day can be handled by GSTN/NIC as this would be similar to the number of e-way bills currently being generated on the portal.

“The Ministry feels that the e-invoice would increase ease of doing business if it becomes part of using business process and there is no need for additional reporting,” the official said.

AMRG & Associates Partner Rajat Mohan said, “Government must develop a risk profile of all the taxpayers and it can be easily figured out that big corporates are rarely involved in activities of tax avoidance, thereby anti-tax evasion measures should be eyed at tier-II and tier-III taxpayers in a phased manner.”

Source: thehindubusinessline.com- June 07, 2019

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Timely port clearance, credit availability key to boost exports: TPCI

TPCI said identifying new product basket which can easily find world market would have inherent advantage over India’s global competitors

The government should take six concrete steps such as reducing cost and time of port clearance for goods and enhancing credit availability with a view to boost exports, Trade Promotion Council of India (TPCI) said on Sunday.

Suggesting the six point agenda to push exports, TPCI said identifying new product basket which can easily find world market would have inherent advantage over India’s global competitors.

Besides, it asked for promotion of Indian products to new and emerging markets creating a national portal for global trade inquires and providing incentives to exporters based on their performances.

“Indian port charges should be reduced as it make exports less competitive compared to rest of the world. India has one of the highest port charges, number of days for port clearance and delivery as compared to our major competitors,” TPCI Chairman Mohit Singla said in a statement.

The logistic cost per kilometre of road transport for India is high as compared to China, Bangladesh, Vietnam and Sri Lanka, he said.

“The custom and port clearance takes six days for India, 1.5 days for China, six days for Vietnam and three days for Sri Lanka,” he said.

Singla said availability of credit at competitive rates would significantly increase competitiveness.

Calling for external outreach and promotion of Indian products to new and emerging markets, he said, India could utilise 80 trade promotion offices for promotion of various products and brands.

He added that in terms of products, processed food alone has huge scope after value addition and can fetch forex exchange.

On phasing out subsidies for exports, he said, the government need to take a cautious view to deal with this matter as the buyers also negotiate and demands some part of the subsidy.

Since 2011-12, India’s exports have been hovering at around $ 300 billion. During 2018-19, the shipments aggregated at $ 331 billion.

Source: thehindubusinessline.com- June 09, 2019

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Middle East, China drive India's export growth: Maersk India

Indian exports grew 6 per cent in the first quarter of this year driven by higher shipments to the Middle East and China, while imports logged a marginal decline during the period, logistics company AP Moller Maersk said Thursday.

Exports were driven largely by the east and west of India with commodities including plastic, rubber, textile, vehicles and vegetables as the key drivers, integrated logistics company Maersk said.

"India's containerised exports to the world witnessed a stable growth of 6 per cent in the first quarter of 2019 propelled by robust performances in refrigerated cargo, engineering and pharmaceuticals sectors, while imports declined slightly in the same quarter registering a market growth of -2.2 per cent in Q1," the company said in a statement.

The Middle East and China have driven India's export growth, it said.

The import demand was buoyed by pharmaceuticals, metal, appliances and kitchenware, paper, chemicals and fruit and nuts, mainly from northern Europe, South Asia, China and Russia, it said.

Commenting on the overall growth in containerised trade, Steve Felder, managing director, Maersk South Asia, said, "Enabling and facilitating trade is an integral part of our business, and it contributes to prosperity and development, globally and locally. Considering the tensions in the global trade environment, we are off to a positive start to 2019 on exports, and the market is expected to strengthen after the elections."

Indian exporters today, are expanding their geographical range and product diversification, with a visible shift towards higher value-added manufacturing and technology-driven items, he said adding, exports have remained strong even as the rupee appreciated against the dollar, which shows a strong demand for Indian exports.

The statement said the export trade with Saudi Arabia, China and Egypt was driven by commodities like plastic and rubber, tile, stone, glass, textiles and seeds, beans, cereals and flour leading the growth curve in dry cargo segment.

While vegetables drove refrigerated cargo exports to Saudi Arabia, the statement said the imports were primarily driven by Germany, South Korea, and Russia.

In contrast to the previous quarter, metal and paper imports saw a decline.

Refrigerated cargo saw a stable 6 per cent growth in exports in Q1 2019, with commodities like vegetables, fruit and nuts, fish, meat, pharmaceuticals and chemicals driving the reefer import-export trade.

Saudi Arabia, USA, Germany, Belgium and Spain were among the highest export countries for India's refrigerated cargo with chemicals, pharmaceuticals, meat and vegetables driving this demand; while Russia (chemicals) and Italy (fruit and nuts) remained the strongest partners from the refer imports standpoint.

As the Indian logistics sector gears itself for a deeper implementation of new emerging technologies like blockchain and artificial intelligence, the industry needs to focus on skill development to enhance the export growth, the statement said.

Source: business-standard.com- June 07, 2019

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Textile industry aims to become $350 billion by 2025

'It is high time that the industry changes its approach to move into the second growth phase and aim for exports of around $100 billion from the current $40 billion,' Textiles Secretary Ajit B Chavan said at the CII Texexcel 2019, the National Textiles 4.0 Summit here.

India, which is emerging as a global textile hub with huge potential, needs to develop man-made fibre to remain competitive in the global market and it aims to be a $350 billion industry by 2025, industry officials June 6 said.

"It is high time that the industry changes its approach to move into the second growth phase and aim for exports of around $100 billion from the current $40 billion," Textiles Secretary Ajit B Chavan said at the CII Texexcel 2019, the National Textiles 4.0 Summit here.

"We need to come up with detailed plans that can take the industry to its next level. All these years we have focused on more production scale, but now the focus has to be on quality and other aspects to improve our competitiveness," he added.

In view of the US China trade war, India needs to create a level playing field for local players and protect the domestic industry.

"India needs to create trade barriers for China to prevent it from dumping cheap textile products into India. The textile industry aims to be a $350 billion industry by 2025 from the current $137 billion," said Chairman, CII National Committee on Textile & Apparel & Managing Director, Grasim Industries Dilip Gaur said.

"We immediately need to address the issue of being cost driven rather than innovation driven. India needs to develop and grow man-made fibre to remain competitive in the global market," Gaur added.

In order for manufacturers to attain competitiveness, it will be a boon to integrate the concepts of Textile 4.0 with manufacturing excellence, said Prashant Agarwal, Joint Managing Director, Wazir Advisors.

He said, the country needs to make itself competitive in the global market and that is the only way, all other means are temporary.

"The US China trade war holds a lot of opportunities for India, but we need to be competitive. We need to have smart factories," Agarwal added.

He said, there is a lot of emphasis on sustainability and the world is looking at factories to reduce the use of resources and water.

"Companies should also look at reducing carbon footprints. India should look at presenting itself as a competitive manufacturing nation," Agarwal added.

Source: moneycontrol.com- June 07, 2019

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India, Nepal to amend trade treaty

To include waterways for cargo transport

The Indo-Nepal Treaty of Trade and Transit will be amended soon to include waterways as a mode of cargo transport to enhance connectivity between the two countries.

According to Pravir Pandey, Chairman, Inland Waterways Authority of India, currently the Indo-Nepal treaty of 1991 only allows movement of cargo by road and rail between the two countries.

Need for amendment

"We are working on enhancing the waterway connectivity between India and Nepal. Currently, the cargo that comes to Kolkata or Vizag has to go by road or rail to Nepal. This is because the trade treaty recognises only these two modes of transport.

The clause is being amended to include waterways," Pandey told newspersons on the sidelines of the Inland Waterways Summit organised by the Indian Chamber of Commerce here on Friday.

The Commerce ministries of India and Nepal have taken the lead in bringing in the amendment. "A couple of meetings have already been held and they have drafted the amended clause. It will see the light of the day very soon," Pandey said.

Routes identified

A high-level delegation of officials from Customs, and Commerce and External Affairs ministries visited Nepal in April to discuss the routes that can be taken for transit of cargo using waterways.

The routes identified are Kolkata-Sahebganj by waterway and then to Nepal's Biratnagar by road; Kolkata-Kalughat near Patna by waterway and then to Birgunj by road; and Kolkata-Varanasi by waterway and then to either Nepalganj or Mahendra Nagar by road. "Three water routes have been accepted by both the countries. There is in-principle approval of all these agencies of India and Nepal on the three routes," he said.

These apart, the Nepal government has requested India to explore whether the Gondak river could be used as a waterway right up to the border of these two countries. However, this will call for technical studies to understand if ships of larger size can move through Gondak up to Nepal, Pandey said.

Source: thehindubusinessline.com- June 07, 2019

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Committed to synergise export promotion and internal trade: Piyush Goyal

Genuine difficulties like increased cost of credit, easy availability of liquidity etc will be resolved expeditiously

The Union Minister of Commerce and Industry & Railways, Piyush Goyal, chaired a joint Meeting of Board of Trade and Council of Trade Development & Promotion and held a day long interaction with the industry and Agriculture Ministers of the States, industrialists, Export Promotion Councils, and representatives of the economic and infrastructure Ministries of the Central Government for boosting exports and domestic manufacturing and reducing trade deficit.

Briefing media at the end of the meeting, Piyush Goyal said that ministries/departments can no longer work in isolation for effective outcome of government policy. The Commerce and Industry Minister further said that action on many of the decisions arrived at today's meeting will be taken in next 45 days. He also announced that the next follow up meeting would be held in 45 days.

He said, easier availability of credit at cheaper rates to exporters will be resolved expeditiously and customs clearances will be made quicker by installing X Ray scanners at all major Ports. Robust mechanism for Track & Trace in Pharma sector will be implemented in three months, a new scheme to rebate state and central taxes and levies will be rolled out in 3 months and will be implemented in a phased manner for all sectors, the Minister added.

During the day-long deliberations, exporters spoke about trade disputes between US and China, ongoing negotiations under Regional Comprehensive Economic Partnership, difficulties in availability of export credit. Specific action points for the implementation of new Agricultural Export Policy, reducing logistics costs, improving ease of doing business in all States, increasing domestic manufacturing and reducing imports were identified.

States were urged to finalise their export strategies at the earliest keeping in view their state specific requirements and advantages. Commerce and Industry Minister exhorted the State Governments to adopt GeM, a one stop online procurement portal for better transparency and efficiency. State Government agreed to take steps in strengthening the entrepreneurship and start up ecosystem. A number of decisions were taken during the meeting which includes:

. Investigations on imports under the anti-dumping mechanism will be expedited, particularly products of the MSMEs with the help of industry associations

. Steps to boost exports of organic produce, and ways to rationalize the mandi fees across states would be examined

The top 50 tariff lines, which constitute 60% of India's import to be examined in detail for possible ways to reduce import dependence

. ECGC would fast track the disposal of claims and put in public domain the pending claims for the benefit of the industry

. Meetings with State Export Commissioners to be held on pre-announced fixed dates to discuss issues related to export infrastructure and state specific export strategies

. Government would work with the States to develop product specific clusters for 50 sectors with high manufacturing potential.

. To leverage the railways real estate and use less utilized railway stations, the Ministry of Commerce will explore the possibility of setting up warehouses

. The concept of deemed approval for establishments, which currently require annual renewal of licenses will be explored in consultation with States.

. DPIIT/DOC will evaluate State Governments on a ranking framework on support provided to industry for manufacturing, exports and logistics support.

. DPIIT will encourage States to leverage public procurement by implementing Make in India in Public Procurement Order.

. DPIIT will work with Industry (including apex industry association like CII, FICCI, ASSOCHAM and PHDCCI) for organizing a National investor promotion event in next 6 to 9 months.

. Development of clusters for specific sectors especially for job creating industries will be pursued with States and Industry.

. APEDA will create a portal which will host the FPOs all over the country and link them to exporters.

Earlier in his opening remarks the Commerce & Industry Minister recalled the vision of Dr Shyama Prasad Mukherjee, first Minister of Industry of independent India, who laid solid foundation of India's industrialization through the Industrial Policy Resolution of 1948. He highlighted that this time, meeting with Industry has been combined with the meeting with States in order to have holistic discussion in the true spirit of cooperative and competitive federalism.

He emphasized that Industry should move away from the mindset of government support and subsidy because there are larger issues which need to be addressed at a structural level.

He urged the industry to focus on the root cause of the problem and increase competitiveness in terms of quality and efficiency.

He assured the industry that wherever there are genuine difficulties like increased cost of credit, easy availability of liquidity etc, will be resolved expeditiously.

He highlighted the achievements of the government in terms of exports crossing half trillion mark for the first time with goods exports at all time high of US$ 331 billion, Ease of doing business rank improving to 77 and logistics rank improving to 44th. Procurement of more than Rs 25000 crore has been undertaken by Governments resulting in huge savings.

Hardeep Singh Puri, Minister of State (Independent Charge) Housing and Urban Affairs and Civil Aviation and Minister of State, Commerce & Industry and Som Parkash, Minister of State for Commerce & industry also participated in the deliberations.

Amitabh Kant, CEO NITI Ayog, Ramesh Abhishek, Secretary, Department for Promotion of Industry and Internal Trade and Anup Wadhawan, Commerce Secretary were also present during the conference.

Source: business-standard.com - June 07, 2019

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TEA seeks alternative WTO compatible scheme

Tirupur Exporters Association (TEA) has requested the Union Commerce and Industry Minister Piyush Goyal to come out with an alternative WTO compatible scheme with equal benefit of MEIS (Merchandise Exports of India Scheme) till inking Free Trade Agreement with EU, UK, EAEU.

The request comes after the remarks by Goyal that the industry and export councils should stop depending on crutches of subsidies and grants from the central government and strive to make industry more competitive and self-reliant.

Though the knitwear garment exporting units, 80 per cent in MSMEs in Tirupur, are striving hard to be competitive and self-reliant, their major concern was the absence of level playing field in the global market, TEA President, Raja M Shanmugham said in a statement today.

The subsidy like MEIS was actually introduced for offsetting the infrastructural inefficiencies faced by exports of specified goods, including ready made garments (RMG) to provide a level playing field, he said adding that higher logistics cost and increasing wages compared to competing countries are also deterrent factors in enhancing our competitiveness.

India is competing with nations like Bangladesh, Vietnam, Cambodia, Ethiopia, Myanmar and Sri Lanka, apart from China which are all enjoying duty free status in European Union due to either being least developed country status / Free Trade Agreement, with India at a disadvantageous position, he pointed out.

Moreover, Ethiopia is enjoying duty free status in USA and Bangladesh and Cambodia are also enjoying duty free status in Canada and due to intense competition in the world textile trade, manufacturers in India are operating in wafer thin margins, Raja Shanugham noted.

Expressing apprehension that the immediate removal of subsidy given to RMG sector at this juncture will straight away lead to reduction of our competitiveness in the global market, he said that once the buyers leave the country and settle in with competing country then it would be difficult to bring them back immediately.

He said RMG sector is providing more employment to the downtrodden people, that too 60 per cent women workers and it is required to protect this industry and also cotton farmers, as the fortune of industry is linked with them directly.

Against this background, TEA has sent a requisition letter to Union Minister of Commerce and Industry to come out with an alternative WTO compatible scheme with equal benefit of MEIS till inking Free Trade Agreement with EU, UK, EAEU and other promising countries for the sustenance of exports.

The copies of letters were also sent to Prime Minister, Union Ministers of Finance, Textiles and MSMEs, he said.

Source: covaipost.com- June 08, 2019

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Chief statistician to head NSO: Govt modifies restructuring order

The previous order had mentioned the secretary of the MoSPI as the head of the NSO and had not mentioned the chief statistician anywhere

Days after drawing flak, the Union government clarified on Thursday that the chief statistician will continue to be the reporting head of the statistical system which was restructured last month.

The Ministry of Statistics and Programme Implementation has partially modified its May 23 order to say that the newly-constituted National Statistical Office (NSO) will be headed by “chief statistician of India-cum-Secretary (Statistics and Programme Implementation).”

The previous order had mentioned the secretary of the MoSPI as the head of the NSO and had not mentioned the chief statistician anywhere, inviting criticism from some experts.

“This makes a lot of sense and is an important step. If you just say the secretary will head the body, it gives an impression that the government wants to have more control over an institutional body,” ex-chief statistician Pronab Sen said.

He, however, added that the government still needs to clarify the role of National Statistical Commission (NSC) which was envisaged as a governing council of the NSO in the original decision taken during the United Progressive Alliance government in 2005.

In a bid to streamline and strengthen the statistical system, the government has decided to merge the Central Statistical Organisation (CSO) and the National Sample Survey Office (NSSO) to form NSO. The move was based on recommendations of the report of the National Statistical Commission, headed by former Reserve Bank of India governor C Rangarajan in 2001.

Both the wings were previously part of the Ministry of Statistics and Programme Implementation (MoSPI). While the NSSO used to come out with various sample surveys such as on consumption expenditure, employment and unemployment, the CSO released data such as GDP and IIP.

Talking to Business Standard, chief statistician Pravin Srivastava had assured that the notification in no way dilutes “the independence of statistical bodies” but “strengthens the system” and the NSC will “continue to work as an overarching body and at an arm’s length.”

The Rangarajan committee had recommended setting up of the NSC, headed by a person with a Minister of State-level designation, to serve as a nodal and empowered body for all core statistical activities of the country. However, it had sought NSC as a statutory body reporting directly to the Parliament.

In its present form, the NSC is an executive body and after its chairman P C Mohanan and member J V Meenakshi resigned in January over allegedly being sidelined on key statistical decisions and withholding of the periodic labour force survey 2017-18 results, the government is yet to reconstitute the body.

According to the Rangarajan commission, the NSC was supposed to operate through the NSO, an official agency to implement policy decisions of the NSC. However, the May 23 notification hasn't mentioned the role of the NSC.

Source: business-standard.co- June 07, 2019

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Cotton acreage to rise in 2 States

Punjab, Haryana farmers expecting better returns on produce

Farmers in Punjab and Haryana have sown more cotton this season as against the corresponding period last year on expectation of better returns on the produce, experts and officials told The Hindu.

In Punjab, cotton crop has been sown in nearly 4 lakh hectares and may go up by 10,000 hectares as the sowing is still going on, according to the State Agriculture department. The acreage was nearly 2.84 lakh hectares in 2018.

In Haryana, farmers had sown cotton in 6.35 lakh hectares till June 6. Last year the total area under cotton was 6.61 lakh hectares.

"The area in Punjab and Haryana has seen an increase this year as farmers are expecting to fetch better price. Last season the yield was good and incidence of disease was less, which has motivated the farmers to opt for cotton this year," India Cotton Association Limited president Mahesh Sharda told The Hindu.

Bt cotton

In Punjab and Haryana, Bt cotton is sown in over 95% of the total area, the rest 5% cotton are usually the indigenous (desi) varieties. Cotton is usually planted from mid-April till late May in most parts of the States.

Punjab Agriculture Secretary K.S. Pannu said that cotton acreage is likely to surpass the 4 lakh-hectare mark as the rise in the minimum support price last year had helped farmers fetch better returns.

“After the whitefly attack in 2015, the farmers were a little reluctant to sow cotton, but after reaping a good yield last couple of years their confidence has increased,” said Mr. Pannu.

Haryana Agriculture department Joint Director Jagraj Dhandi said, “the area under cotton is likely to remain the same as last year or could even surpass it as the sowing is still going on.

This year the cotton sowing has been delayed as the wheat crop was harvested late on account of intermittent rains.”

Source: thehindu.com- June 10, 2019

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