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IBTEX No. 9 of 2019 January 11, 2019

USD 70.47| EUR 81.23 | GBP 89.95 | JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20526	42900	**77.59**

Domestic Futures Price (Ex. Warehouse Rajkot), January

Rs./Bale	Rs./Candy	USD Cent/lb
20750	43368	**78.43**

International Futures Price

NY ICE USD Cents/lb (March 2019)	72.85
ZCE Cotton: Yuan/MT (May 2019)	15,105
ZCE Cotton: USD Cents/lb	**100.93**
Cotlook A Index – Physical	**82.60**

Cotton Guide: The threshold for Cotton seems to be 74 cents/lb. Prices were around 73.82 cents/lb yesterday for ICE March Contract, subsequently the selling pressure drove the prices to settle at 72.85 cents/lb which is a (-28) drop. ICE May contract settled at 74.36 after touching a high of 75.13, the change noticed was -16. With the above figures it seems that yesterday the Bulls were trying their best to drive the market but the bears seemed to restrict them successfully. The total open interest increased by 1560 contracts to 225,567 contracts. An increase of 400 and 55 contracts was seen for March and May contracts which amounted to 127,579 and 38,481 contracts respectively. The OI for July contract also increased by 710 contracts to 23,145 (source cotlook). We expect the Contracts to trade in a sideways trend today, with a bias towards gains.

All MCX contracts were in negative figures yesterday. The MCX January contract settled at 20,750 RS/Bale with a decline of (-170) Rs, the February contract settled with a figure of 21,020 Rs/Bale i.e. a decline of (-160) Rs, whereas the March and April contract settled at 21260 and 21560 with (-170) and (-70) Rs decline respectively. The volume for the MCX January contract decreased by (-814) lots to 1697 lots. The open interest for MCX January contract also reduced by (-108) lots to 7982 lots.

Arrival figures are estimated to be around 174,000 lint Equivalent Bales (1 Indian Bale = 170 Kg) (source cotlook) which includes 47,000 in Maharashtra, 41,000 in Gujarat and 30,000 in Andhra Pradhesh. Shankar 6 was available to change hands at 42,900 Rs/Candy, whereas Punjab J-34 was available at 4,435 Rs/Maund. Cotlook Index A has been adjusted to a positive figure of 82.60 cents/lb with an increase of +1.55 as compared to the previous figure.

We about to witness the longest US government shutdown ever recorded. The shutdown has been there for the past 20 days. 21 days is the longest period for a US Government Shutdown ever recorded in history. A day after shutdown talks broke down once again, President Donald Trump threatened to declare a national emergency to circumvent Congress if he cannot reach a deal with Democrats to fund his promised border wall. Consequently, all important statistic figures are not available for cotton.

When we speak about Brazilian Supplies, we have seen record Brazilian Exports during December which amounted to 214,590 tonnes. China was seen to be the largest importer of Brazilian cotton accounting to 128,512 tonnes which is almost 60% of the December month’s shipment. The figure for cotton lint production is raised by 49,900 tonnes to 2,413,700 tonnes which is considered as a record crop.

On the technical front ICE March cotton is hovering in the band of 71.50-73.80. In the daily charts prices made a bullish pattern (Morning star) accompanied with the RSI above 40 suggest a short term pullback in the price. Sustainable trades below 70.50 will only resume the downtrend while the immediate resistance is at around 74.50.From the above we expect prices to trade in the range of 71.50-74.60 with sideways to positive bias. Above 74.60, 75.35 and 76.20 exits as immediate resistance levels. In the domestic markets trading range for Jan future will be 205500-20980 Rs/Bale.

Currency Guide

Indian rupee may witness choppy trade amid mixed cues but general bias remains weak. Weighing on rupee is firmness in crude oil price which has rekindled trade deficit concerns. Brent crude is holding above $61 per barrel supported by OPEC and Canada's commitment to continue with production cuts. However, supporting rupee is general strength in US and global equity market and weaker outlook for US dollar. Equity markets have managed to hold firm despite US-China trade talks ending without any concrete measures.

Hopes of lower interest rate amid Fed and ECB's dovish tilt have improved risk sentiment. FOMC minutes and comments from Fed officials have cemented market expectations that Fed may not consider rate hike in the near term as it awaits more clarity. Fed Chairman Jerome Powell Thursday said the US central bank can be patient before adjusting interest rates again as it waits to see how global risks impact the domestic economy.

Also supporting rupee are changes to GST rules to provide support to small business. As per reports, small and medium businesses with an annual turnover of Rs 40 lakh will be exempt from paying the goods and services tax. The GST Council also announced on Thursday that the turnover cap for the composition scheme — under which most small businesses pay only a 1% tax —would be raised to Rs 1.5 crore from April 1 from earlier threshold of Rs.1 crore.

Meanwhile, market players are awaiting RBI's 100 billion rupee debt purchase in open market operations which will boost liquidity. Rupee may witness choppy trade as global financial markets have turned choppy amid lack of fresh cues however general firmness in crude oil will weigh on rupee. USDINR may trade in a range of 70.2-70.85 and bias may be on the upside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	US apparel firm cuts off Chinese factory in internment camp
2	Myanmar wishes EU continues GSP
3	Vietnam benefiting from US-China Trade War with increased FDI: Reports
4	Bangladesh lifts ban on Nepali yarn import via land port
5	Asean countries to gain from ongoing trade war
6	Pakistan: Garment industry shows confidence on govt policies
7	Huge Indonesian market for Indian textile products
8	Pakistani firms receive good response at Heimtextil

NATIONAL NEWS	
1	Big relief for small businesses under GST
2	TEXPROCIL welcomes increase in GST exemption & Composition Scheme threshold limits
3	GST threshold limit increase to support growth in textile sector
4	Gujarat government declares its textile policy
5	Doubling of exemption limit will help MSMEs: India Inc
6	Gujarat comes to the aid of textile sector
7	Credit flow to exporters has nosedived by over 54%: EEPC India
8	Gujarat New textile policy 2019: State govt ends incentives for ginning, spinning sectors
9	Annual returns filing will benefit textile firms
10	₹500 cr for power loom modernisation in India's Telangana
11	India, Japan bilateral currency swap gets Cabinet nod
12	Trade deficit: India meets its match in the US as both countries now looking for local
13	SJM asks India to quit RCEP talks, says pact will hurt farm, dairy sectors

INTERNATIONAL NEWS

US apparel firm cuts off Chinese factory in internment camp

A U.S. supplier of t-shirts and other team apparel to college bookstores cut its ties Wednesday with a Chinese company that drew workers from an internment camp holding targeted members of ethnic minority groups.

In recent years, authorities in the far west Chinese region of Xinjiang have detained an estimated 1 million Uighurs and Kazakhs in heavily-secured facilities where detainees say they are ordered to renounce their language and religion while pledging loyalty to the China's ruling Communist Party.

Last month an Associated Press investigation found the Chinese government had also started forcing some detainees to work in manufacturing and food industries. The investigation tracked recent shipments from one such factory, the privately-owned Hetian Taida Apparel, located inside an internment camp, to Badger Sportswear, a leading supplier in Statesville, North Carolina.

In a statement posted to its website, Badger said Wednesday it will no longer do business with Hetian Taida, nor import any goods from the same region "given the controversy around doing business" there.

"Furthermore, we will not ship any product sourced from Hetian Taida currently in our possession," the company said, adding that the supplier accounted for about 1 percent of Badger's total annual sales.

Repeated calls to Hetian Taida's chairman, Wu Hongbo, rang unanswered Wednesday. In a previous conversation with the AP, Wu said while Hetian Taida was located in the same compound as one camp that the government calls a "vocational skills education and training center," Hetian Taida was not involved in the camp's activities.

However, Wu said his company employed 20 to 30 "trainees" from the center as part of the region's efforts to alleviate poverty.

Asked about the case, Chinese Foreign Ministry spokesman Lu Kang said Thursday that while the ministry doesn't generally comment on individual business decisions, Badger appeared to have been acting on "misinformation."

The vocational training centers in Xinjiang are "totally different from so-called forced labor," Lu said, referring further questions on the camps to statements made by the regional government, which maintains that the centers help poor Uighurs gain employable skills.

"It's a tragedy for that business," Lu said.

Universities stocking Badger clothing began pulling items from their shelves and websites after the report appeared in December.

Hetian Taida was certified as complying with good business practices by Worldwide Responsible Accredited Production, which sent an auditor to a different Hetian Taida facility, not the one inside the internment camp. That factory "is not engaged in the use of forced labor," WRand Badger concluded. But Badger added that "historical documentation provided by Hetian Taida regarding their prior facility was insufficient to conclude with certainty" that it had met Badger's sourcing standards.

WRAP spokesman Seth Lennon confirmed to AP that the facility they investigated is not the same place AP wrote about.

"Our model centers around factories approaching us requesting to be audited," Lennon wrote in an email. "We do not seek out any factories whatsoever to audit unsolicited."

The Washington-based Workers Rights Consortium (WRC), which has agreements with many educational institutions across the U.S. to ensure the products they sell on campus are ethically manufactured, conducted its own investigation and found additional evidence confirming the factory supplying Badger was inside an internment camp.

WRC executive director Scott Nova said Wednesday's announcement reinforces that finding.

"There is nothing in Badger's statement, or WRAP's, that calls into question the conclusion that Hetian Taida used detainee labor while producing for Badger," he said.

Any item that is the product of forced labor is illegal and subject to seizure by U.S. Customs and Border Protection, which said in December it was reviewing the reports. A CBP spokesperson had an automatic message Wednesday that they were unable to respond to emails or telephone calls due to the government shutdown.

Source: economictimes.indiatimes.com - Jan 10, 2019

HOME

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Myanmar wishes EU continues GSP

Myanmar hopes EU does not withdraw its GSP status as the decision can have a big impact on Myanmar's reforms and growth momentum.

Thousands of workers would lose their jobs if factories close and foreign businesses leave. It is estimated more than a million workers from the garment and fishery industries could be affected if the EU decides to revoke the trade preference.

It can become hard for Myanmar producers to export their goods to European countries. The EU is planning to stop trade preferences for Myanmar for reported human right violations in three of the nation's states where ethnic people reside.

Currently, Myanmar exports enjoy tariff-free and quota-free access to the European markets, with the exception of arms and ammunition. Myanmar says maintaining GSP privileges would speed up its pace of development.

The country's businesses need trade preferences to export their goods to European countries, IT is the third largest export market of Myanmar, absorbing nearly ten per cent of the nation's total exports in 2017.

The value of Myanmar's garment exports to the EU has significantly increased from 2013 to 2017. The EU has become Myanmar's largest trade partner for garments, purchasing more than 47 per cent of the products.

Source: fashionatingworld.com- Jan 10, 2019

HOME

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Vietnam benefiting from US-China Trade War with increased FDI: Reports

Foreign Direct Investment in Vietnam increased by 9.1% in 2018, with the trend expected to continue in 2019

According to recent data from the Vietnamese government, foreign direct investment in the country increased by 9.1 percent over the past year, making Vietnam one of the more successful countries in Asia to attract FDI in 2018.

Total FDI in Vietnam reached US$19.1 billion last year, and the country reported a GDP growth rate of 7.08 percent for 2018. Many analysts see the ongoing U.S- China trade disputes as an unexpected boon to the Vietnamese economy.

A report from Asia Nikkei declares that many firms, especially in the textile and apparel industry, have shifted production from China to Vietnam to avoid the high tariffs imposed by the Trump administration for the U.S. market.

Geographically and economically, Vietnam is seen as an increasingly attractive alternative to China as a base for product manufacturing. The trend in shifting production factories to Vietnam is expected to continue over the coming year. The Mizuho Research Institute in Japan suggests that Vietnam might anticipate a further .5 percent increase in GDP over 2019.

The Mizuho Research Institute notes that Japan was the greatest source of FDI into Vietnam in 2018 with US$8.5 billion. The second highest foreign investor was reportedly South Korea with US$7.2 billion approved FDI.

The third, fourth and fifth largest sources of foreign investment were Singapore, Hong Kong, and China, respectively.

Despite the good economic turn for Vietnam's economy, the report does points out that Vietnam's economy is overly dependent on foreign companies, which could become a problem for Vietnam in the future.

Source: taiwannews.com.tw- Jan 10, 2019

HOME

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Bangladesh lifts ban on Nepali yarn import via land port

Bangladesh has decided to lift the ban on import of yarn from Nepal via the Banglabandha land port after nearly 17 years, following repeated requests from the land locked country.

According to Bangladeshi media, the National Board of Revenue of Bangladesh on December 28, decided to lift the ban on import of acrylic yarn from Nepal through the Banglabandha land port.

The move conditionally allows Nepal to export only acrylic yarn through the port with the ban initially being withdrawn for only one year.

Nepal has long been demanding Bangladesh to open the gateway for exporters of Nepali yarn. In 2002, Bangladesh imposed the restriction on yarn import through the land port seeking to safeguard the local cotton yarn industry from foreign products.

The country instead opened up its Benapole land port and Chittagong sea port for yarn import. However, Nepali traders had been reluctant to use the Benapole port, which connects Petrapole of India, stating that they faced a lot of hassles while using the gateway that passes through the Indian land customs. Likewise, trading through Chittagong makes them accrue heavy costs, according to the traders.

Navaraj Dhakal, spokesperson of the Ministry of Industry, Commerce and Supplies, said Nepal had been putting forward the issue as one of the main agendas in majority of the bilateral talks with Bangladesh. “However, the ministry has yet to receive an official letter from Bangladesh regarding the matter,” Dhakal said.

Nepal exports polyester and viscose blend yarn worth over Rs8 billion annually. Of the total export figures, half is exported to Turkey.

The Trade and Export Promotion Centre (TEPC) statistics show that the product contributed 10 percent of the total export earnings during mid July-mid December of the current fiscal year.

India, Hong Kong, Bangladesh and a number of Southeast Asian countries including Vietnam are the other major importers of Nepali yarn.

Suyash Khanal, deputy executive director at the TEPC, said Bangladesh is a potential market for Nepali yarn. According to him, export to Bangladesh could be worth billions of rupees, provided the country allows easy access to the Nepali product.

Although Bangladesh has lifted the ban, the country however, continues to maintain stern measures before accepting the goods from Nepal.

“Bangladeshi bonded warehouse licence holding traders will be allowed to import the product from Nepal.

Customs officials will conduct physical inspection of imported consignments and take steps to conduct laboratory test of the sample of the item to be sure about the quality of yarn,” reads the Bangladeshi media.

Currently, Nepal and Bangladesh conduct bilateral trade between through two land ports namely Banglabandha and Fulbari in Siliguri of West Bengal, India. Bangladesh has considered import under bond licence duty free, but the country imposes 10 percent duty on yarn import.

Apart from the South Asian Free Trade Area (SAFTA), Nepal and Bangladesh have also joined hands in the BBIN initiative and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).

These call for improving economic cooperation along with trade relationships between the member countries.

Source: kathmandupost.ekantipur.com - Jan 10, 2019

HOME

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Asean countries to gain from ongoing trade war

Asean is expected to benefit from the trade dispute between the US and China. The impact will be felt strongly in sectors like: information and communication technology (ICT), automotives and readymade garments. These sectors also constitute major segments in US-China bilateral trade.

Bangladesh, India and Vietnam will gain from the trade tension in readymade garments. India has the potential to attract the apparel market. Mild benefits may go to Pakistan and Sri Lanka.

The US has imposed tariffs on ICT, being its largest import from China. Malaysia and Vietnam will benefit the most, especially in the manufacturing of consumer goods such as mobile phones and laptops.

Major ICT companies such as Dell, Sony, Panasonic, Samsung and Intel have their presence in these countries. The presence of a strong trade infrastructure, corporate laws, and an SEZ environment makes Malaysia and Vietnam potential locations for the ICT industry. Benefits may accrue to India, Indonesia and Thailand, given their ICT exports-oriented market.

Thailand and Malaysia will benefit most from the trade dislocation in automotives.

In Thailand, trade links in the automotive sector are well diversified with exports to the US, Japan and other Asean counterparts. The medium term benefits will be reaped by India, Indonesia, the Philippines and Vietnam.

Source: fashionatingworld.com - Jan 10, 2019

HOME

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Pakistan: Garment industry shows confidence on govt policies

The Pakistan Readymade Garments Manufacturers and Exporters Association has expressed high hopes for the government and is confident that PM Imran and his economic team will bail the country out of the economic crisis by paying special attention to the export-oriented industry.

PRGMEA Chairman Mubashar Naseer Butt said that PM Advisor on Commerce, Textiles, Industries and Investment, Abdul Razak Dawood deserves appreciation for his focus on addressing key economic issues on an urgent basis and special attention to the problems of value-added textile industry.

He vowed that garment exporters feel happy to work closely with the government with a view to enhance exports and reviving growth momentum.

Sharing his optimism, the PRGMEA leader pointed out that the incumbent government has fulfilled all its commitments made to the exporters within very short span, particularly lowering gas tariff to $6.5/MMBTU and reducing electricity rates to Rs7.50 cents/kWh for the exporting industry.

He said that Sales Tax refund payment has been cleared against RPOs while payment processing of Deferred Sales Tax refunds, which were pending for the last 15 years, has also been started.

“PRGMEA also appreciates the government to allow advance payments for imports of basic industrial raw material.” He said that the decision would enable industrial units to import items for export purposes up to $10,000.

Appreciating the government on taking serious notice of the severe issue, he said the move has raised the business community's confidence and such business friendly policies will definitely result in boosting the trade and industry.

He said that such facility’s withdrawal had severely affected the export-oriented industries of the country. The move also delayed export shipments besides scaling up the cost of production.

“This step will help revival and growth of the value-added textile industry and the industry is committed to achieve targets of increasing exports, create millions of direct jobs.

We appreciate the special efforts of PM Advisor who has pleaded the case of exporters in an excellent way as the issue of Rebates has also been resolved and payment in this regard is being started in a couple of weeks”, Mubashar Butt added.

These steps show that the government is serious in resolving economic issues as the prime minister has included reliable and honest businessmen having adequate know-how of prevalent crisis in his economic team. He said that a dedicated team is prudently guiding the government in formulating policies which have direct and indirect impact on trade and industry.

There is no doubt that the present government is serious and giving top priority to increase the export, bringing the country on the road of development and prosperity.

He said that the country’s budget deficit was Rs230 billion before this government, after coming into power it has reduced it by Rs130 billion. This government has fulfilled its commitment to the nation by taking the country out of inherited financial crisis and was successfully managing the pending external payments.

PRGMEA chairman, said that the new premier’s resolve to ensure strict accountability across the board is highly appreciated by the business community in particular and the masses in general.

Despite a lot of challenges, the government has started delivering what it has promised, he said, adding that the people will have to be patient and there will be a visible change with the passage of time.

Source: nation.com.pk - Jan 11, 2019

HOME

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Huge Indonesian market for Indian textile products

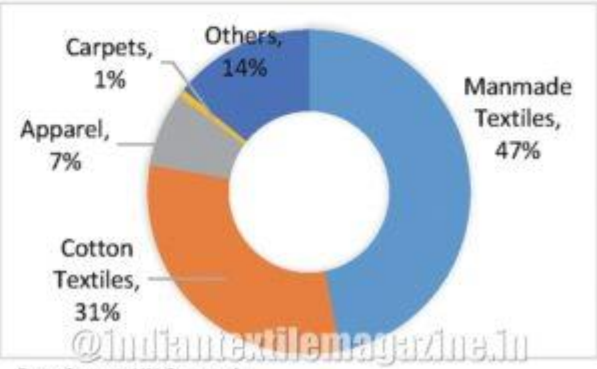
Table 1: Indonesia's Total T&A Trade (In US$ Bn.)

Year	Imports	Exports	Trade Balance
2013	7.1	12.6	5.5
2014	7.2	12.6	5.4
2015	6.6	12.1	5.5
2016	6.8	11.7	4.9
2017	7.0	12.4	5.4
CAGR	-1%	-0.4%	

Data Source: UN Comtrade

Indonesia is one of the key exporters of textile and apparel (T&A) products. Over the last five years, its T&A exports and imports remained stagnant. Whereas its exports have declined to $12.4 billion in 2017 from $12.6 billion in 2013, its imports have also come down to $7 billion from $7.1 billion during the same period.

Figure 1: Category-wise T&A Imports by Indonesia (2017)

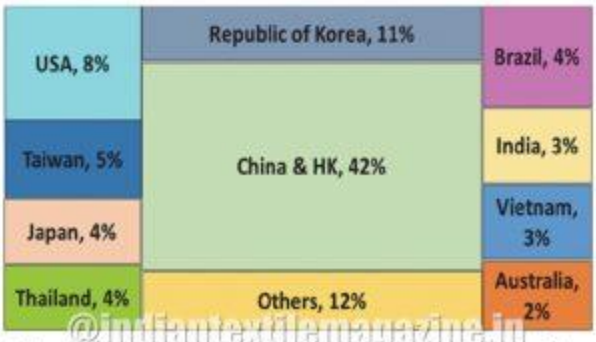


Data Source: UN Comtrade

Indonesia's textile and apparel trade balance recorded a surplus of around $5.4 billion in 2017.

Man-made textiles is the largest imported category in Indonesia, representing about 47% of its total textile and apparel imports (2017). This is followed by cotton textiles, others and apparel with a share of 31%, 14% and 7% respectively.

Figure 2: Top Suppliers of T&A to Indonesia (2017)



Note: Textiles comprises of fibre, yarn, fabric and home textiles

Top 10 suppliers accounted for around 88% of textile and apparel imports by Indonesia.

China and Hong Kong are the largest suppliers accounting for 42% share, followed by the Republic of Korea and the US with a share of 11% and 8% respectively.

India's exports to Indonesia

India is amongst the top suppliers of T&A products to Indonesia. India's exports stood at around $230 million in 2017. It has registered a growth at a CAGR of 7% over the last five years.

There was a decrease in India's exports in 2015 due to mounting competition from other countries like China, Korea, the US, etc. However, since last three years India's exports to Indonesia are again increasing.

Cotton textiles is the largest category with a share of 65% in India's T&A exports to Indonesia. This is followed by man-made textiles and apparel having a share of 20% and 7% respectively.

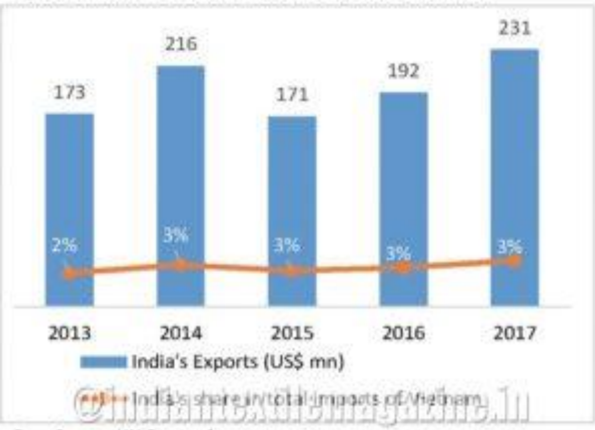
Table 2: Indonesia's Top 10 textile and apparel imported commodities — *Values in US$ bn.*

HS Code	Commodity	2015	2016	2017	CAGR
5201	Cotton, not carded or combed	1.1	1.1	1.3	8%
5407	Woven fabrics of Synthetic filament yarn	0.8	0.9	0.9	5%
5402	Synthetic filament yarn (other than sewing thread)	0.4	0.3	0.4	1%
5208	Woven fabrics of cotton containing >=85% cotton & weighing < 200 gm per sqm	0.5	0.4	0.4	-12%
5903	Textile fabrics impregnated, coated, covered/laminated with plastics	0.3	0.3	0.3	4%
5603	Nonwovens, W/N impregnated, coated, covered/laminated	0.3	0.3	0.3	-3%
5503	Synthetic staple fibres, not carded, combed	0.2	0.2	0.2	8%
5502	Artificial filament tow	0.2	0.2	0.2	-4%
5209	Woven fabrics of cotton containing >=85% cotton & weighing >200 gm per sqm	0.2	0.2	0.2	-8%
5504	Artificial staple fibres not carded, combed	0.2	0.2	0.2	0%

Data Source: UN Comtrade

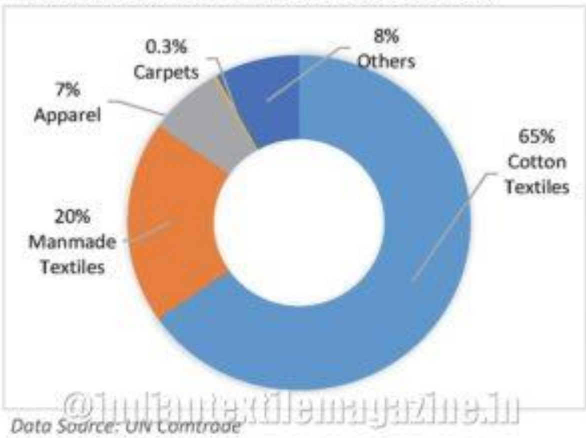
India's exports to Indonesia have increased at a CAGR of 7% over the last five years. However, the share remained 2-3% during the same period of time.

Figure 3: India's Textile and Apparel Exports to Indonesia



Data Source: UN Comtrade

Figure 4: Category-wise T&A Exports to Indonesia (2016)



Data Source: UN Comtrade

With a share of about 42%, China is the leading T&A supplier to Indonesia, but it is now focusing more on the domestic market as manufacturing costs in China are increasing.

This gives India an opportunity to grab China's share and increase its exports to Indonesia.

Cotton has been the largest exported commodity to Indonesia from India, but Indonesia is now shifting its focus from cotton-based to man-made textile. India has the opportunity to increase its share of man-made textiles by focusing on export of polyester filaments and viscose staple fibre.

Source: indiantextilemagazine.in- Jan 10, 2019

HOME

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Pakistani firms receive good response at Heimtextil

Pakistani companies participating in the Heimtextil 2019, an international trade fair for textile goods, are receiving a tremendous response.

International buyers, especially those from European countries, have expressed keen interest in the home textile, bed wear and towel products made in Pakistan.

Pakistani companies are hopeful that 2019 would be a positive year for the country's exports and the national economy, especially the textile industry, following the announcement of concessions and supportive policies by the government.

According to Gul Ahmed Textile Mills Chairman Muhammad Bashir, positive response was received right from the very start of the exhibition as a large number of international buyers expressed interest in Pakistani products.

Over 200 Pakistani firms to participate in German fair

"Owing to depreciation of the rupee, we are getting great support while the reduction in gas prices has also put exporters in a good position," he said, adding that "now the problem is only about the level of supply and we hope the issue will be resolved in a month".

He, however, pointed out that protests in France and Britain's upcoming exit from the European Union had posed challenges to the exporters, but they could overcome such problems through effective marketing and attractive prices.

"Large-scale exhibitions like Heimtextil help exporters gain key information about market trends," he remarked.

Umar Salahuddin, a Pakistani representative in the organising team of the exhibition, said key buyers of Pakistani products at the Heimtextil 2019 would be from the US, Japan, Europe and Britain, which would give Pakistani textile manufacturers a great opportunity to gain access to a large number of buyers.

Fazal Alwani, who had been participating in the exhibition for the past 15 years, expected Pakistan to face stiff competition from India and Bangladesh.

"Pakistani textile products are being demanded all over the world as evident from the large number of buyers visiting Pakistani stalls at the exhibition. In order to be more competitive, we need to cut our production cost for which the new government must take immediate steps," he said.

These included uninterrupted gas and electricity supply and competitive prices for raw material.

Source: tribune.com.pk- Jan 10, 2019

HOME

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NATIONAL NEWS

Big relief for small businesses under GST

Threshold limit for mandatory registration of suppliers of goods doubled to ₹40 lakh

Small businesses can breathe easy now as the Goods and Services Tax Council has decided to double the basic threshold limit for goods suppliers.

However, the Council, which took a slew of decisions on Thursday, could not arrive at a consensus on lowering the levy on under-construction flats.

The 32 meeting of the Council chaired by Finance Minister Arun Jaitley decided to raise the basic threshold limit for suppliers of goods (for mandatory GST registration) to ₹40 lakh from the current ₹20 lakh. Also, some of the north-eastern and hilly states will have a new limit of ₹20 lakh from ₹10 lakh earlier.

However, there is no change in the limit for services. The threshold for registration of service providers would continue to be ₹20 lakh, and in case of special category States, ₹10 lakh.

'States can fix threshold'

"The States will have the freedom to change the threshold," Finance Minister Arun Jaitley told reporters after the meeting. Any State, which would like to exercise the freedom, has to inform the Council's Secretariat within one week. Jaitley said that this will be a one-time concession.

Stating that there will be notional revenue loss, Jaitley added that over 20 lakh assesses could go out of the GST net.

Archit Gupta, Founder & CEO of ClearTax, said that increasing the basic registration threshold will benefit small businesses as it will reduce their compliance cost and efforts. However, suppliers selling to other businesses must continue with full compliance if they want to pass on the input tax credit benefit to their buyers, he said. "Service providers will be relieved with the composition scheme; even though the rate is higher, their compliance cost will go down significantly," he added.

The Council also decided on the new structure for the composition scheme that will come into effect from April 1, 2019. Trading, manufacturing and restaurant businesses with annual turnover of ₹1.5 crore can be part of the scheme.

Though the tax rates will be same at one per cent (trading and manufacturing) and five per cent (restaurants), such businesses will now be required to file returns annually and not quarterly. But taxes should be paid quarterly along with a simple declaration.

Special composition scheme

The Council also decided to bring in a special composition scheme for small services providers.

Any such providers with an annual turnover of up to ₹50 lakh will be eligible. Here, the GST rate would be 6 per cent. The scheme will also cover mixed suppliers such as electricians and plumbers.

Source: thehindubusinessline.com- Jan 10, 2019

HOME

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TEXPROCIL welcomes increase in GST exemption & Composition Scheme threshold limits

The 32nd meeting of the GST Council held on January 10, 2019 has raised the GST exemption threshold limit from Rs.20 lakhs to 40 lakhs effective from April 1, 2019.

For the North Eastern states, the threshold has been doubled to Rs 20 lakh from Rs. 10 lakhs. Welcoming the decision, Dr. K.V.Srinivasan, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL) said,"This decision will help the small and medium sized businesses and will encourage growth in the textiles sector".

The GST Council has also raised the existing Composition Scheme turnover threshold from Rs. 1 crore to Rs 1.5 crore effective from April 1, 2019.

Businesses under the scheme will now pay tax on a quarterly basis but returns will have to be filed annually.

"The expansion of the Composition Scheme has come as relief to a large number of small tax payers who are not in a position to file returns on time", according to the Chairman, TEXPROCIL.

Dr. K.V.Srinivasan thanked the Hon'ble Prime Minister, Shri Narendra Modi and the Hon'ble Finance Minister, Shri Arun Jaitley for these two very important decisions which will have a positive impact on the overall economy of the country.

Source: Texprocil Textile Intelligence - Jan 10, 2019

HOME

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GST threshold limit increase to support growth in textile sector

The GST council has also raised the composition scheme turnover threshold from Rs 1 crore to Rs 1.5 crore

The Goods and Services Tax (GST) council in its 32nd meeting held on Thursday doubled the exemption threshold limit of textile players from the existing Rs 2 million to Rs 4 million effective April 1, 2019.

For the north eastern states, the threshold has been doubled to Rs 2 million from Rs 1 million.

"This decision will help the small and medium sized businesses and will encourage growth in the textiles sector," said K V Srinivasan, Chairman, The Cotton Textiles Export Promotion Council (Texprocil).

The GST council has also raised the existing composition scheme turnover threshold from Rs 1 crore to Rs 1.5 crore for the financial year 2019-20. Businesses under the scheme will now pay tax on a quarterly basis but returns will have to be filed annually.

"The expansion of the composition scheme has come as relief to a large number of small tax payers who are not in a position to file returns on time.

The increase in threshold is set to boost domestic textile sector, said a senior industry official.

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

HOME

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Gujarat government declares its textile policy

The Gujarat industries and mines department on Thursday gave an adrenaline shot to the textile sector by declaring its “Scheme for Assistance to Strengthen Specific Sectors in the Textile Value Chain” policy which will be valid for September 2018 to December 2023 period.

From credit linked interest subsidy on loans, subsidy on power tariffs, incentives for complying with water conservation and environmental pollution norms to doling out benefits for setting up textile parks, the Gujarat government has intended that the new incentives will boost textile exports, production, stop migration of units towards Navapur in Maharashtra.

The power subsidy scheme, for instance, intends to give a reprieve of Rs 3 per billed electricity unit (Kwh) for textile units having low tension power connection and Rs 2 per billed unit (Kwh) for units having high tension power connection.

The scheme will provide special incentive for new units which intend to go for forward or backward integration. Another important feature of the scheme is the interest subsidy of a maximum of Rs 20 cr per annum. The interest subsidy will be eligible on loan amount disbursed for Gross Fixed Capital Investment (GFCI).

President of South Gujarat Productivity Council (SGPC), Asha Dave, said, “The textile policy will boost MSMEs in Surat and other centres in Gujarat.

The interest subsidy of 6% along with power subsidy for weaving sector will provide the much-needed boost and control the migration of units towards Navapur in Maharashtra.” Ashish Gujarati, president of Pandesara weavers’ association, said, “In Maharashtra, all textile units are eligible for power tariff subsidy and not just those engaged in forward or backward integration.”

Sanjay Saraogi, director of Laxmipati Group, said, “Financial assistance of 25% on capital investment and waiver of 100% stamp duty is a much needed incentive.”

A lukewarm policy, say industry players

Ahmedabad: The recently announced textile policy does not seem to have augured so well with the industry representatives, with removal of certain benefits which were available earlier.

Sharing more details, Nitin Thakker, president, Ahmedabad Textile Processors’ Association (ATPA), said, “Unlike other states such as Maharashtra and Telangana, the new textile policy does not provide any capital subsidy.

This will discourage new investments into the state in the textile sector in Gujarat. At the same time, there should have been some relief for the existing players by extending the benefit of power subsidy, which hasn’t been done.”

One good move for the Micro Small and Medium Enterprises (MSMEs) is the 6% interest subsidy provided by the government, according to industry players. However, when it comes to environmental compliances, manufacturers expected greater incentives.

“The government should not have imposed a cap of Rs 30 lakh for extending assistance for the of cost of machinery and equipment required for energy conservation, water conservation and environment compliance.

t a time when industry is making efforts for better energy efficiency and zero liquid discharge, the assistance should have been more,” said Meena Kaviya, co-chairperson – textile committee, Gujarat Chamber of Commerce and Industry (GCCI).

Source: timesofindia.com- Jan 11, 2019

HOME

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Doubling of exemption limit will help MSMEs: India Inc

The GST Council's decision to double the exemption limit for micro, small and medium enterprises (MSMEs) from ₹20 lakh to ₹40 lakh will help small businesses, according to industry players

The Council also raised the annual turnover limit for the Composition Scheme to ₹1.5 crore from ₹1 crore with the facility of quarterly payment of tax along with annual return filing. The Council had also reduced tax on many items.

This is significant given that there are almost 60 million small and medium-sized enterprises in India which play a very important role in driving the country's economic growth and development.

"This is one of the most crucial decisions of the Council and will indeed help a large number of taxpayers. It is also a step towards tax simplification and will ensure ease of compliance," said Sandip Somany, President, Federation of Indian Chamber of Commerce and Industry, in a statement.

Chandrajit Banerjee, Director-General, CII, said, "The Composition Scheme simplifies the tax regime and takes a big burden of compliance off the MSME sector. This would eventually lead to lower costs and higher competitiveness for MSME." "Initiating a composition scheme for the services enterprises will integrate these enterprises with their manufacturing counterparts," he added.

Niranjan Hiranandani, Senior Vice-President, Assocham, said the composite turnover limit is a welcome move, as the small traders and businesses will pay a small tax based on turnover rather than value-addition.

Source: thehindubusinessline.com- Jan 10, 2019

HOME

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Gujarat comes to the aid of textile sector

The assistance for the entire value chain starts where the previous textile policy left off

The Gujarat government on Thursday announced the much-awaited support scheme spanning the entire textile value chain. With incentives in the form of interests/power tariff subsidy, the new scheme will also provide assistance in a variety of areas such as technology upgradation, environmental compliance cost and for textile parks.

Named ‘Scheme for Assistance to Strengthen Specific Sectors in the Textile Value Chain’, the scheme will be operative from September 4, 2018 to December 31, 2023.

An official statement issued on Thursday said: “The government analysed the existence of all segments in the textile value chain and identified gaps in certain segments. After careful consideration, the government has decided to come out with a new scheme to strengthen the value chain and extend support to textile industry in the State.”

Local employment

Aimed at creating local employment, the scheme requires at least 85 per cent of the total manpower of an enterprise and at least 60 per cent of supervisory and managerial staff to be domiciled in Gujarat.

The previous Gujarat Textile Policy 2012 which was operational till September 3, 2018, proved successful in terms of investment and employment generation in ginning, spinning and technical textiles, it said.

The scheme comes at a time when the State’s textile industry is facing tough challenge from textile hubs in Telangana, Andhra Pradesh and Maharashtra.

Segments covered

The segments covered under the scheme include weaving, knitting, dyeing/printing, machine carpeting, technical textile, made-ups, composite units and other activities in the textile value chain such as embroidery, winding, sizing twisting and crimping.

The scheme provides financial assistance through credit-linked interest subsidy of 6 per cent for MSME and 4-6 per cent for large enterprises with an upper ceiling of ₹20 crore per annum.

A separate scheme for subsidy in power tariff allows up to ₹3 per unit for weaving and ₹2 per unit for other eligible segments. The eligibility period for these benefits is five years.

The scheme for assistance in compliance of energy, water and environment conservation covers all existing units in operation for more than three years.

The scheme provides 20 per cent assistance on the cost of machinery with a ceiling of ₹30 lakh and 50 per cent assistance for audit fees with a limit of ₹1 lakh. The benefits can be availed once in two years during the operative period of the scheme.

For technology upgradation and modernisation in textile value chain, the scheme provides one-time financial assistance of up to 50 per cent of the cost with a limit of ₹25 lakh.

The State government has also extended support for setting up textile parks with financial assistance of up to 25 per cent of capital expenditure on common facilities and infrastructure with a limit of ₹15 crore.

The park will also get financial assistance to create hostel facilities within park with minimum 100 workers domiciled in Gujarat.

The developer of Park will get complete reimbursement of stamp duty paid on purchase of land required for the new Park.

Source: thehindubusinessline.com - Jan 10, 2019

HOME

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Credit flow to exporters has nosedived by over 54%: EEPC India

EEPC India on Thursday said that credit flow to exporters has nosedived by over 54% and has urged Reserve Bank of India to resolve payment issues.

Expressing concern over a sharp annualized drop of over 54 per cent in the gross bank credit deployment in the export sector, EEPC India has said the RBI and the government need to ensure timely and less expensive credit for the exporters, along with resolving the issues like closure of over two -year old shipping bills.

“ A look at the latest RBI data upto October end ,2018 conveys the kind of issues being faced by exporters when it comes to credit. Against a gross credit deployment of Rs 434 billion till end October , 2017, the figures dropped by 54.6 per cent year on year to Rs 197 billion in 2018.

While there may be several global factors such as trade war between the US and China, uncertainties over Brexit hitting the export demand, the cost of credit remains a big concern for us, “ said the EEPC India chai ..

He , however, said that the recent decision by the Union Cabinet to include merchant exporters into the interest rate equalization scheme would provide some relief to the sector.

The Cabinet Committee on Economic Affairs , on January 2, had given its approval to the proposal of the department of commerce for including merchant exporters under the Interest Equalisation Scheme (IES) for pre and post shipment rupee export credit by allowing them interest equalisation rate of 3 per cent on such credit for export of products covered under 416 tariff lines identified under the scheme.

These products are largely in MSME/ labour intensive sectors such as agriculture, textiles, leather, handicraft, machinery, etc. The proposal would entail benefits of around Rs 600 crore to exporters on interest equalisation, for the remaining period of the scheme.

“ Subdued flow of credit is also seen in the engineering segment as well, as per the RBI data. The year on year growth of the bank credit to the engineering sector itself could grow merely by 4.6 per cent by the end of

October, 2018. Credit is the lifeline of the industry and exporters and the situation needs to be addressed sooner than later, " said Mr Sehgal.

Besides, exporters are facing a lot of problem arising out of the RBI instructions to banks not to honour shipping bills , older than two years, under the Export Data Processing and Monitoring System.

"Ironically, these irritants are surfacing at a time when the going is difficult in the global market due to trade tensions between the US and China and other issues like Brexit," Mr Sehgal said.

Source: economictimes.com - Jan 10, 2019

HOME

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Gujarat New textile policy 2019: State govt ends incentives for ginning, spinning sectors

Ginning and spinning have been struck off from a list of over eight manufacturing activities that will be eligible for incentives under various schemes, including credit linked interest subsidy of 6 per cent for MSMEs and 4-6 per cent for large enterprises.

Under the state's new textile policy 2019 announced on Thursday, the government has removed incentives for two crucial activities — ginning and spinning — that occupy an important role in the textile value chain.

Ginning and spinning have been struck off from a list of over eight manufacturing activities that will be eligible for incentives under various schemes, including credit linked interest subsidy of 6 per cent for MSMEs and 4-6 per cent for large enterprises.

"Sectors like ginning, spinning and technical textiles saw tremendous growth during Gujarat Textile Policy 2012…

The state government analysed the existence of all segments in the textile value chain and identified gaps in certain segments.

After careful consideration, the government has decided to come out with a new scheme to strengthen the value chain and extend support to textile industry in the state of Gujarat," states a copy of the new policy accessed by The Indian Express.

The move to exclude spinning and ginning units is significant, considering that in the 2012 textile policy — that remained in force till September 3, 2018 — credit linked interest subsidy of about 7 per cent was provided to spinning units, which included those using 100 per cent cotton or blended with any textile fibers.

Ginning activities were also covered under this subsidy. The government while providing these incentives five years ago had pointed out that "due non-availability of spinning activities, over 90 per cent of Gujarat's cotton goes to other states for further value addition, and therefore there is a need to transform the state cotton industry as the leader in manufacturing yarn, fabric and garment with a policy to work on five Fs — Farm, Fibre, Fabric, Fashion (Garment) and Foreign (Export)."

Garments and apparels have also been excluded from incentives scheme under the new policy as these two sectors have been given a separate incentive scheme under the Gujarat Garment and Apparel Policy, 2017 issued in October, 2017.

Commenting on the exclusion of ginning and spinning units from the incentives scheme, veteran textile expert Dr P R Roy said, "This is a mistake many governments have made in the past. If you study the textile value chain, ginning and spinning are starting points and ginning takes care of raw material (cotton), which is the most valuable for the country.

For some years to come — till India switches over to man-made fibres — cotton would be key area that must continue to get support. So I feel these groups should get continued support." Saurashtra region has a sizable concentration of ginning and spinning units.

The new policy — that mentions that Gujarat has more than 30 sanctioned textile parks, the second highest among states — also offers incentives for establishing more textile parks in the state, which includes financial assistance of 25 per cent of capital expenditure for common facilities up to a maximum of Rs 15 crore.

The developer of such parks will also be eligible for a reimbursement of 100 per cent stamp duty paid on purchase of land required for the new park. “In the last couple of years, we have not seen that from textile parks. The intention to set up parks was good, but it has not been fulfilled,” Roy said.

It also provides power tariff subsidy to weaving activities and assistance for technology acquisition and upgradation.

The Gujarat Chamber of Commerce and Industry (GCCI) that had presented a host of suggestion for the new textile policy described it as a “mixed bag”.

The industry body expressed dissatisfaction with the incentives provided in a single slab of 6 per cent to MSMEs. It also said that the move of the state government to make EPF registration mandatory for units to avail interest subsidy could prove to be “difficult” as the “textile industry is a seasonal industry, which significantly relies on contract labour.”

Source: indianexpress.com - Jan 11, 2019

HOME

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Annual returns filing will benefit textile firms

The Centre’s move to allow companies under composition scheme to file GST returns annually will improve ease of doing business for small textile companies, according to the Cotton Textiles Export Promotion Council. The GST Council on Thursday raised the existing Composition Scheme turnover threshold from ₹1 crore to ₹1.5 crore effective from April 1.

Companies under the scheme will now pay tax on a quarterly basis but returns will have to be filed annually, said KV Srinivasan, Chairman, Texprocil. The expansion of the Composition Scheme has come as relief to a large number of small tax payers who are not in a position to file returns on time, he added. The increase in GST exemption threshold limit

will help small and medium sized businesses and will encourage growth in the struggling textiles sector, he said.

Source: thehindubusinessline.com - Jan 10, 2019

HOME

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₹500 cr for power loom modernisation in India's Telangana

India's Telangana state has allotted ₹500 crore for modernisation of power looms in the textile town of Sircilla to boost the textile industry and weavers in the region, state handlooms and textiles joint director Purnachandra Rao said inaugurating a four-day buyer-seller meet in Hyderabad organised by the state textile ministry recently.

Hyderabad Cut Piece Cloth Merchants Association president Subhash Agarwal stressed the need for modernisation of state's textile industry in a big way.

Though government schemes are to some extent helping the market, lack of processing units and inadequate marketing opportunities are an impediment, a news agency report quoted Agarwal as saying.

Source: fibre2fashion.com - Jan 11, 2019

HOME

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India, Japan bilateral currency swap gets Cabinet nod

The Union Cabinet on Thursday gave its nod to the $75-billion bilateral currency swap arrangement between India and Japan.

It may be recalled that this arrangement — another milestone in mutual economic cooperation and special strategic and global partnership between two countries — was concluded in October last year during summit level meeting at Yamanashi, Japan between Prime Minister Narendra Modi and Japan's Prime Minister Shinzo Abe.

The arrangement is expected to bring stability to foreign exchange and capital markets in India. It would also further strengthen and widen the depth and diversity of economic cooperation between the two countries.

The Union Cabinet also gave its approval for the MoU between India and Japan on development of 'advanced model single window' to facilitate investments into India.

It would be operationalised in Central and State Governments in India for taking administrative procedures necessary for business operations, and to develop a structure in which those procedures are completed in an expeditious manner, so as to accelerate India's effort to promote Ease of Doing Business.

More AIIMS

The Cabinet also approved setting up of 3 new AIIMS at Vijayanagar in Samba in Jammu and Awantipur in Pulwara in Kashmir and Rajkot in Gujarat.

The Cabinet also gave its nod for a Memorandum of Understanding between India and Denmark.

Source: thehindubusinessline.com - Jan 10, 2019

HOME

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Trade deficit: India meets its match in the US as both countries now looking for local

The US has, reportedly, raised the issue of trade deficit with India once again. This subject figured in a recent telephonic conversation between US President Donald Trump and Prime Minister of India Narendra Modi. It is clear that notwithstanding the strategic warmth with the US on geopolitics and regional issues such as the Indo-Pacific, India can't expect leniency from the US as far as trade deficit is concerned.

On this subject, the US has not discriminated between allies and adversaries. The country has been as vocal about deficits with Europe, Japan, Canada and India, as it has been with China.

Trade surpluses and deficits are not engineered outcomes. These are natural outcomes of what countries buy and sell from each other. Countries run trade deficits with other countries if they buy more than what they sell. Such transactions, again, are not forced. These happen because of insufficient domestic availabilities of what countries require at affordable prices.

Excess of imports over exports results from various factors, including domestic demand, endowment of natural resources, the ability of domestic workforces in producing various goods and services, and even local and global factors influencing the cost of production, primarily transport and intermediation costs.

The result of the US running trade deficits with most countries of the world is due to specific combinations of these various factors. The US is the world's largest consumer market simply because it buys much more of what the rest of the world produces, than the latter does from it. This 'natural' determination of trade relations is scientific, market-driven and logically rational.

Forced correction of deficits means dictating trade patterns in a manner that goes against market principles. The US would want other countries to buy more of its goods and services, while forcing its own consumers to buy less of goods and services produced by other countries. Countries would, therefore, be 'forced' to buy American products when they might have access to other cheaper substitutes.

On the other hand, American consumers would also be deprived from buying cheaper substitutes from the rest of the world. This peculiar reformation of trade might eventually push America's trade relations with its major partners to points where they reflect a completely non-market 'managed' character. And such a character, over time, might come to influence trade relations between other countries as well.

India's case

India, however, does not have much to complain on the subject of trade deficit. Multiple analysts and experts in India have vented their ire and frustration over the trade deficit India has with China and several other countries.

They fail to consider the fact that while some parts of these deficits might be corrected through greater market access for Indian products, the substantive parts of the deficits are market-driven. Correcting these deficits would mean depriving Indian consumers from buying cheaper global products, in pretty much the same way the US action on deficits would deprive its own consumers.

Paranoia over imports has, time and again, forced India to adopt defensive postures in the free-trade agreements (FTAs) it negotiates. There has not been any shortage of outrage over the allegedly greater imports generated by India's various FTAs, while conveniently overlooking the fact that the usage rates of these FTAs are remarkably low in the first place. Such outrages continue to prosper opinions resisting India's participation in the 16-country Regional Comprehensive Economic Partnership (RCEP) and other potential FTAs.

India has finally met its match on trade deficit, with the US steadfastly pressurising it to buy more of its products. This is a new trade policy dilemma for India. Capitulating to the American pressure might mean it yielding greater market access to US imports of automobiles and food products—items on which India has been reluctant to lower tariffs for not just US imports, but those from anywhere.

Going ahead, US pressures on greater market access are unlikely to be confined to goods. India is one of the rare trade partners of the US with which it runs trade deficits in both goods and services. India's data localisation policies and e-commerce regulations aiming to provide greater flexibility to domestic players are certainly not amusing for US businesses. India can expect the US to keep hammering away at the need for relaxing these policies.

India and the US have always been poles apart on the subject of trade. Both have learnt to live that way. Bilateral trade has continued to grow, notwithstanding differences. But for the first time India encounters a US trade administration that is determined to wipe out trade deficits. Such an attitude is much different from responding to challenges that are regulatory in nature, like intellectual property, and those on which India and the US have agreed to disagree for long.

Until now, India doesn't seem to have found a solution to responding to the US pressure. Contrasting strategies, such as threatening the US with retaliatory tariffs—which were never imposed—or inviting the US President to the Republic Day parade, have not worked. The strategy of playing a waiting game might not work with the current US administration that is keen on quick solutions. How India handles the US's 'nudges and pushes' will be interesting to watch.

Source: financialexpress.com - Jan 11, 2019

HOME

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SJM asks India to quit RCEP talks, says pact will hurt farm, dairy sectors

The RSS-affiliate Swadeshi Jagran Manch (SJM) has called for a clear decision by the Centre to quit the ongoing Regional Comprehensive Economic Partnership (RCEP) negotiations as it will worsen India's trade deficit and hurt the vulnerable agriculture and dairy sectors.

"Of the 15 partner countries in the RCEP, India already has free trade agreements covering 12 countries. Since these pacts were signed, our trade deficit has increased with all, including the ASEAN, South Korea and Japan.

If we extend this to New Zealand, Australia and China (as part of the RCEP), one can imagine what will happen to the overall trade deficit," said Ashwani Mahajan, co-convener, SJM, in a discussion on RCEP and India organised here on Thursday.

RCEP member countries account for $104 billion of India's total annual trade deficit of $162 billion, Mahajan pointed out.

India is under a lot of pressure to provide market access for goods, pointed out Bipin Menon, Director, Commerce Ministry, but it is trying to be as conservative as possible in its negotiations with China and is taking into account all domestic sensitivities. "It is a very big agreement. We have to also see if it will hurt our exporters if we are not part of the agreement. We need to collectively decide how to move forward," he said.

Menon said RCEP members were working towards concluding the pact by November this year. Since this could be the biggest regional free trade pact, India needs to have a cautious and balanced approach, he said.

Growing trade deficit

According to JNU Professor Biswajit Dhar, the government has to try and understand why the country had not benefited from the free trade pacts signed so far. "We have to ask why can't we get increased market access in countries with which we have free trade pacts while our imports are increasing sharply resulting in a galloping trade deficit. The answer is that our industry is failing to stand up to competition," he said.

He said that over the past year, the government has increased import tariffs on a variety of items to protect the domestic industry, and it was not logical to drag them into the RCEP agreement which could result in zero tariffs for 90-92 per cent items.

Dhar said the threat to India does not come only from China, but also countries like Australia and New Zealand which are desperate for a market for their wheat, rice and dairy products.

Agreeing with Dhar, Mahajan said that Australia's export competitiveness in wheat, dairy and meat products, and New Zealand's role as a major global dairy exporter accounting for 30 per cent of global dairy exports, make Indian agriculture and dairy sectors totally vulnerable.

"It is clear these countries will ask for specific access to these markets. After India-ASEAN FTA, our deficit with ASEAN, especially in plantation products, has already increased and destroyed several plantations in the South, making workers unemployed. This process will accentuate further under the RCEP," he said.

In a letter to Prime Minister Narendra Modi, ahead of the RCEP Summit in November last year, SJM had said that India should quit RCEP as it would not benefit any section or constituency. "Given the impending elections in 2019, it will be a disaster for the government to sign or even make commitments giving concessions on specific chapters," it said.

Source: thehindubusinessline.com - Jan 10, 2019

HOME

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