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IBTEX No. 219 of 2019 November 13, 2019

US 71.68 | EUR 78.96 | GBP 92.10| JPY 0.66

Cotton Market (Nov 11, 2019)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19426	40600	**72.49**
Domestic Futures Price (Ex. Warehouse Rajkot), November		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19220	40170	**71.72**
International Futures Price		
NY ICE USD Cents/lb (December 2019)	64.72	
ZCE Cotton: Yuan/MT (January 2020)	13,020	
ZCE Cotton: USD Cents/lb	84.42	
Cotlook A Index – Physical	**75.40**	

Cotton Guide: The ICE futures have moved almost half a cent higher with the release of the WASDE report. Last week's WASDE report [November] USDA decreased the domestic and the World ending stocks to 900 thousand and 2.8 Million Bales respectively. Now, the ending stocks are predicted at 6.1 million bales and 80.8 million bales. Domestically, USDA's production figures are estimated to be 20.83 million bales.

The volume figures were thus noted at ICE was 80,783 contracts which is the highest number seen in 2019. The ICE December contract settled at 64.72 cents per pound with a change of +37 points. The ICE March 2020 contract settled at 66.57 cents per pound with a change of +53 points, whereas the ICE May 2020 contract settled at 67.77 cents per pound with a change of +42 points.

The MCX contracts on the other hand took a deep dive of figures around -200 Rs. The November 2019 contract settled at 19,220 Rs per Bale with a change of -190 Rs whereas The MCX December 2019 contract settled at 19,110 Rs per Bale with a change of -220 Rs.

The Cotlook Index A has been updated at 75.40 cents per pound with a change of +70 points. Whereas the prices of Shankar 6 have declined and at some places are even available at 39,000 Rs per Candy.

On the Fundamental front, we expect the International prices to show a sideways trend. Whether MCX will be negative or sideways is something to discern. We presume that MCX will be negative by around 50 Rs for today.

On the technical front, ICE Cotton after giving an Inverse Head & shoulder pattern breakout is trading within an upward sloping channel. However, price have retraced back after taken support of the lower end of the channel at 63.40, which coincides around 50% Fibonacci extension level (62.98). Meanwhile, price have moved above the daily EMA (5, 9) at 64.47, 64.40, implying positive bias. The momentum indicator RSI is at 57.45, still indicating sideways bias for the price. The immediate resistance for the price would be at 65.70-66.00, which are the recent high's. Thus for the day we expect price to trade in the range of 66.00-63.40 with sideways bias. In MCX Nov Cotton, we expect the price to trade within the range of 19200-19500 with a sideways to bearish bias.

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	China factories are exporting lower prices around the world
2	US fashion ignores trade war: exports grow 2.7% until September
3	USA: Trade Turmoil is Grounding Global Air Freight Demand, and the Decline Will Continue
4	For US Cotton Growers, Sustainability Is the Goal and Synthetics the Enemy
5	Indonesia hasn't been able to capitalise on the trade war as much as its neighbours
6	Chinese cotton prices move up
7	Alibaba generates $38.4 bn GMV at Global Shopping Festival
8	Philippines clothing exports down six per cent
9	Indonesia imposes textile product import tariffs up to 67 percent
10	Canadian firms explore investment opportunities in Egypt
11	Vietnam: Textiles and garments exports face difficulties by the end of the year
12	Bangladesh: RMG exports to US grow by 9.96pc in 9 months
13	Razak, Chinese commerce minister discuss relocation of Chinese industry to Pakistan

	NATIONAL NEWS
1	Crisis in WTO, breather for India
2	Exclusive: Latest GST circular puts an end to confusion over new input tax credit rules
3	Home textile exporters' body writes to PM Modi seeking release of RoSCTL dues
4	India can gain from US-China trade war: RBI study
5	Government unveils draft e-commerce rules
6	Czech Republic keen to partner with Indian MSMEs for skill transfer, digitalisation
7	WTO ruling against export incentives: Should Indian exporters be worried?
8	As rates fall, cotton farmers seek minimum support price
9	Slowdown blues: SBI cuts FY20 GDP growth forecast to 5%
10	Enable MSMEs to grow and create jobs
11	India blames US-China trade war for cotton sector slowdown
12	Factory output contracts 4.3 per cent in September to 7-year low

INTERNATIONAL NEWS

China factories are exporting lower prices around the world

Chinese factories are again threatening to drag down prices around the world as the cost of their goods decline by the most since 2016.

In a fresh challenge to the ability of global central banks to revive inflation, China's slowest growth in almost three decades and cheaper energy costs have left manufacturing prices declining since July.

While cheaper goods may be a boon to foreign consumers as Christmas nears, the overall effect is a potential spiral of falling prices worldwide as companies everywhere are forced to compete with Chinese rivals to protect profits. That would add further tension to the US-China trade war.

"Inflation is increasingly driven by global factors, and in particular, by waves of disinflation emanating from China," according to Stephen Jen and Joana Freire at Eurizon SLJ Capital. "This is related to China exporting its overhang of capacity" which has been exposed by weak domestic demand, trade tensions with the US, and lack of economic stimulus.

They expect the recent worsening of the producer price index to weigh on inflation rates in the US and Europe, similar to what happened in 2014-16. Producer prices in Germany, Japan, South Korea and the US are already negative.

Data released on Saturday underscored the problem, with Chinese producer prices dropping for a fourth month in October. Input costs and energy prices have fallen since June, reducing costs for producers. However, those savings haven't boost companies' margins as demand isn't strong and there's plenty of excess capacity, so manufacturers have also cut asking prices.

"Deepening factory deflation highlights sluggish demand, and depresses profits for industrial firms -- limiting capacity to hire workers and invest in facilities." Weakening commodity prices are still the main cause for the deflation, and this is weighing on prices of related downstream industries, such as chemical materials and chemical fabrics, according to economist David Qu.

A key problem is that while prices deflate, loans don't, making it harder still for China's indebted industrial sector to make ends meet. Chinese private companies are already defaulting on their bonds at twice the rate this year compared with 2018, and the government is worried about the health of the banking sector.

"The US-China trade war is paralyzing global capex spending and delivering a massive deflationary shock," according to Chua Hak Bin at Maybank Kim Eng Research Pte. in Singapore. US tariffs are diverting China's excess capacity and supply to third countries, and more companies and nations are likely to feel the deflationary pressures, according to Chua.

The deflation risk reflects China's heftier role in the world economy and how for many industries it is a price setter. It made up 12 per cent of total global trade in 2018, the largest single country. Chinese price shocks accounted for about 6 per cent of average inflation globally, according to a 2016 analysis by Bundesbank economists.

Similar to what happened in 2014-2016, a flow of cheaper goods from China will make it harder for central banks elsewhere to generate sustained inflation. Consumer prices in Japan, Germany and the US are already below their inflation targets of around 2 per cent a year, and further declines in the price of imports and manufactures will only make it harder to reach those goals.

China is the biggest source of imports for the US and Japan, and the second-biggest for Germany, after the Netherlands.

The effect of the slide in the price of exported Chinese goods is already appearing in the data of some of those trading partners, with the prices of Chinese machinery, metals, cloth, and chemicals imported by Japan all dropping, and the price of U.S. imports also in decline. Germany and South Korea don't provide a breakdown on the price of imports from China.

In addition to falling PPI, discounts by Chinese companies to compensate for tariffs may be having an effect on the price of goods sent to the US, and some of the decline in export prices is likely due to the yuan weakening against the dollar, making Chinese goods cheaper for companies in many countries.

Still, China's producer deflation is nowhere near as bad as the low of -5.9 per cent in 2015, and much of the current drop is due to cheaper energy and commodity prices, according to Michael Shaoul of Marketfield Asset Management. If energy prices stay stable, China's factory prices may become neutral, he said.

Economists expect producer prices to bottom out in the fourth quarter before recovering slightly.

As for consumer prices in China, the overall measure is actually rising as soaring pork prices push up foods costs. That's caused global bacon prices to increase and is pushing up the cost of other meats. "China's PPI deflation is a result of both weak commodity prices and weak domestic demand," according to Chi Lo, Greater China economist at BNP Paribas Asset Management. "The China factor is disinflationary at this point but not deflationary."

Source: thehindubusinessline.com- Nov 11, 2019

HOME

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US fashion ignores trade war: exports grow 2.7% until September

Last Thursday, a Chinese Commerce Ministry spokesman announced that an agreement had been reached that put an end to tariff rises. Twenty-four hours later, a Trump adviser denied it.

The American fashion industry resists the effects of trade war. Although the tariffs imposed on China have had consequences registering a 25% drop (35.3 million euros) in September, shipments from the United States have continued to increase.

In total, between September 2018 and September 2019, clothing exports have increased 2.7% to 5.3 billion dollars.

Meanwhile, sports fashion exports grew by 9%, up to 628 million dollars, according to United States Census data. Within the textile sector not all have been positive results. Sewing machines experienced a slight decrease of 0.8%.

Also, cotton fiber has reduced exports by 1.4% compared to September 2018: 1.5 billion dollars until September 2019, compared to 1.6 million dollars until September 2018.

Cotton was the first fiber of the fashion industry affected by the trade war. It was one of the 1,300 goods that China could levy with 25% tariffs in the event that the United States proceeded to raise import tariffs to 106 items from the Asian giant. With the approval of this measure, raw cotton has reduced its exports by 6.3% in one year.

US exports of leather goods and other fibers of animal origin also fell by 15.8%: while between January and September 2018 they reached 707 million dollars, until September of this year they stood at 595 million dollars. Finally, leather sales abroad dropped 30.3%.

After a year of trade war, the conflict between the United States and China continues. Although last Thursday the spokesman for the Ministry of Commerce of China, Gao Feng, said that both parties had agreed to cancel additional tariffs at different stages, hours later White House sources denied the possible agreement.

“There is no closed agreement to withdraw existing tariffs on stage, the only one who can do it is the president,” Peter Navarro, Trump’s advisor, told Cnbc.

Gao Fent had assured that “the trade war should end with its cancellation.” He did not give details on the calendar to apply this agreement but was convinced that he could sign it during the month of December.

With Trump’s advisor response, the Washington executive suggests that the introduction of new 10% tariffs, scheduled for mid-December, on certain Chinese electronic products, such as laptops, game consoles and mobile phones, continues between others.

Source: themds.com- Nov 12, 2019

HOME

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USA: Trade Turmoil is Grounding Global Air Freight Demand, and the Decline Will Continue

Global air freight demand dropped 4.5 percent in September compared to a year earlier, marking the 11th consecutive month of year-on-year decline in freight volumes, the International Air Transport Association (IATA) said in its monthly analysis.

The current streak of monthly decreases is the longest since the global financial crisis in 2008.

Freight capacity rose by 2.1 percent year-on-year in September, with capacity growth now outstripping demand growth for the 17th consecutive month.

Air cargo continues to suffer from the trade wars between the U.S. and China, and South Korea and Japan, the overall deterioration in global trade and weakness in some key economic drivers, according to IATA. Global export orders continue to fall and the Purchasing Managers Index tracking new manufacturing export orders has pointed to declining orders since September 2018.

“The U.S.-China trade war continues to take its toll on the air cargo industry,” Alexandre de Juniac, IATA’s director general and CEO, said. “Trillions of dollars of trade is already affected, which helped fuel September’s 4.5 percent year-on-year fall in demand and we can expect the tough business environment for air cargo to continue.”

Airlines in Asia-Pacific, Europe, North America and the Middle East all experienced sharp declines in year-on-year growth in air freight volume in September, while Latin America carriers saw a more moderate decline. Africa was the only region to record growth in air freight demand compared to September 2018.

Demand for air freight for Asia-Pacific airlines fell 4.9 percent in September from a year earlier, brought down by the U.S.-China and South Korea-Japan trade wars, along with the slowdown in the Chinese economy.

“More recently, the disruption to operations at Hong Kong International Airport–the largest cargo hub in the world–added additional pressure,” IATA said.

With the region accounting for more than 35 percent of demand as measured in freight ton kilometers, "this performance is the major contributor to the weak industrywide outcome," IATA said. North American airlines saw demand dip 4.2 percent in the month compared to September 2018.

"The U.S,-China trade war and falling business confidence continue to weigh on the region's carriers," IATA said. "Freight demand has contracted between North America and Europe and between Asia and North America."

European airlines suffered a 3.3 percent decline in freight demand in September year over year, as weaker manufacturing conditions for exporters in Germany, softer regional economies and ongoing uncertainty over Brexit impacted performance.

Freight volume for Middle Eastern airlines was down 8 percent in September compared to the year-ago period, representing the sharpest drop of any region. IATA said "escalating trade tensions and the slowing in global trade have affected the region's performance due to its strategic position as a global supply chain link," adding that "most key routes to and from the region have seen weak demand in the past few months."

The large Europe to Middle East route was down 8 percent, and Asia to Middle East was down 5 percent year over year in August, the most recent data available.

Freight demand for Latin American airlines dipped 0.2 percent year over year in September. Despite indications of a recovery in the Brazilian economy, IATA said deteriorating conditions elsewhere in the region, along with a slowing in global trade, have impacted the region's performance.

African carriers posted the fastest growth of any region in the month with a 2.2 percent year-over-year increase in demand, although this was a significant slowdown in growth from the 8 percent recorded in August. Strong trade and investment linkages with Asia and robust economic performance in some key regional economies contributed to the positive performance, IATA said.

Source: sourcingjournal.com- Nov 12, 2019

HOME

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For US Cotton Growers, Sustainability Is the Goal and Synthetics the Enemy

While cotton is certainly caught up in the political trade drama playing out on the global stage, it doesn't mean that growers around the world are fighting against each other.

Mark Messura, senior vice president for global supply chain marketing at Cotton Incorporated, explained that 77 countries produce cotton and more than 60 countries trade in the commodity. The U.S. is the third largest producer and the top exporter of cotton, shipping to more than 40 countries annually.

"So, the U.S. is squarely in the middle of world trade in cotton," Messura told the audience at the United States Fashion Industry Association's and American Import Shippers Association's Apparel Importers Trade & Transportation Conference Thursday in New York.

"But there is something else unique, when it comes to sustainability of U.S. cotton," he added. "U.S. cotton producers and the industry organizations for cotton continue to lead global cotton sustainability efforts. And they do that through continual improvement…through research, measurement and science…and most importantly, what we learn in the U.S. goes freely and openly to 77 countries and other industry organizations that are looking to advance and improve cotton."

Messura said the reason the U.S. cotton industry shares such information and methods is that "cotton worldwide competes with synthetic fibers, not countries competing against each other for cotton production."

The U.S. industry, he said, has a strong record of achievement in areas such as land use, soil loss or erosion control, water use and greenhouse gas reduction. The Field to Market program, a group of 166 organizations, comes together to look at the data and see if there has been improvement or regression.

Messura noted that the industry has identified key areas of improvement by 2025. This includes land-use efficiency, reduction in soil loss, increasing irrigation efficiency, improved energy usage and increasing soil carbon.

The Cotton Leads program, born out of partnership between the Australian and U.S. cotton industries, connects textile manufacturers, brands and retailers with opportunities to support cotton growers' sustainability efforts and to share data, resources and technologies to improve cotton around the world, he added.

Putting these sustainable methods into practice is Lacy Vardeman, a Texas cotton and beef producer, who revealed how she has incorporated many new technologies and means of growing and cultivating cotton on her farm.

Vardeman explained how she has transformed her cotton growing operation in myriad ways, so that "every year we become sustainable." This includes a GPS-guided planter that saves energy, the planting of cover crops "so that none of our ground is ever exposed" and allows for moisture retention and less irrigation, and chemical use reduction—"we have sprayed any insecticides since the early 2000s," she noted, including significant reduction in pesticide usage.

These methods are not only environmentally sound, Vardeman said, but also cut down on fuel consumption and costs of materials. She added that she does believe in using GMO-modified cotton seed because it can be engineered for the Texas climate and result in less water and chemical usage and create a better fiber for the mills.

Source: sourcingjournal.com- Nov 12, 2019

HOME

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Indonesia hasn't been able to capitalise on the trade war as much as its neighbours

In the Central Java province of Indonesia, amid a patchwork of rice fields and farms where sugar and indigo crops once dominated, garment factories are now bustling.

In one cavernous building of the PT Sri Rejeki Isman factory on the outskirts of the city of Solo, thousands of sewing machines hum and clatter as workers stitch clothes for H & M, Guess?, Walmart and others. At a PT Pan Brothers plant just down the road, an assembly line is pumping out thousands of red and white hoodies for Adidas.

Indonesia's textile industry, which was slowly being overtaken by lower-cost regional neighbours like Vietnam and Bangladesh, is on the cusp of a new boom thanks to the seismic shift in global supply chains caused by the US-China trade war. American buyers are looking for alternatives to Chinese suppliers to bypass higher tariffs, and many of them are turning to locations in Southeast Asia.

Textiles and garments are only one bright spot in a manufacturing sector that's otherwise been fairly lacklustre. In 2001, Indonesia's manufacturing sector contributed 29 per cent to GDP — now it's below 20 per cent. Its share of Asia merchandise exports is 2.3 per cent, compared with about 3.1 per cent for regional peers like Malaysia and Thailand, according to data from the United Nations Conference on Trade and Development.

There are concrete signs that Indonesia isn't benefitting the way it probably should from the trade war tensions. In a closed-door presentation to President Joko Widodo in September, the World Bank cited research showing that of 33 Chinese companies that announced plans to set up or expand production abroad between June and August, none chose Indonesia. Vietnam was the clear winner, while others like Cambodia, India and Malaysia were also favoured over Indonesia.

As a destination for foreign direct investment, Indonesia struggles against its regional peers. FDI to Indonesia stood at 1.9 per cent of GDP in 2018, well below Vietnam at 6.3 per cent and Thailand at 2.6 per cent, according to the World Bank.

The reasons for the poor performance are well documented: inadequate infrastructure, particularly in transport; rigid labour rules; limits on how much foreigners can invest in several industries; bureaucratic red tape and a habit of backtracking on regulations that makes it tricky to do business in the country.

But while competitors like Vietnam, Thailand and Cambodia face similar problems, they've done better than Indonesia over the past few years to attract businesses that were already relocating out of China because of rising wages there.

"Indonesia has done nothing to prepare itself for that shift and the trade war has further exposed Indonesia's industrial policy as a risk if there is no reform," said Edward Gustely, managing director of Penida Capital Advisors in Jakarta and an adviser to four presidents and finance ministers.

There's now a greater sense of urgency from Widodo to fix those problems. He was sworn into office in October for a second five-year term, promising to overhaul labour and investment rules that have hindered job creation and growth in the $1 trillion (Dh3.67tn) economy.

The stakes are high for Jokowi, as the president is known. With the world's fourth-biggest population and a median age of 30, Indonesia is sitting on a demographic gift or a ticking time bomb.

Indonesia's massive labour pool — 73 per cent of the nation's 270 million people are of working age — will be a key source of economic growth for years to come as long as young people entering the labour market have the right skills and can find jobs. Data released last Tuesday showed growth slowed to 5 per cent in the third quarter, while the unemployment rate rose to 5.3 per cent.

"Right now, we are at the peak of the demographic bonus," Jokowi said in his inauguration speech in October. "This is a big challenge and also a great opportunity. This could be a big problem if we cannot provide jobs, but it will be a big opportunity if we are able to develop superior human resources, supported by an advantageous political and economic ecosystem."

If Indonesia's economy continues to grow at its current pace of about 5 per cent, then it will create about 22 million to 25 million jobs over the next 10 years, according to Bambang Brodjonegoro, former planning minister and now minister for research & technology in Jokowi's new cabinet. But even with that kind of expansion, "with our level of productivity I don't think we can be, let's say the next China," he said. "We cannot be even the next Japan."

At the top of the list of the president's reform priorities is the need to tackle a complex and overlapping system of labour rules and conditions that vary from province to province.

Businesses also complain about severance pay conditions that are among the most generous in the world, presenting a major hurdle to investment.

Touring the Pan Brothers factory near Solo in early October, Jokowi said textile and garment industries often complain about the labour laws. He's vowed to now ease some of the rules by as early as the end of the year. And to win over labour unions, he's compromised by proposing the rule changes apply to new jobs only, thereby protecting rights of existing workers.

Iwan Setiawan Lukminto, president and director of garment maker Sri Rejeki Isman, says the government must work harder to improve Indonesia's attractiveness as an investment destination, and boosting training and skills in the workforce will be key to that objective. "If they don't listen then we would be worried. But now they are listening," Lukminto said. "We have to wait to see what Mr Jokowi does in his second term. This is the priority."

Source: thenational.ae- Nov 12, 2019

HOME

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Chinese cotton prices move up

Chinese cotton prices are on a strong upward momentum. In October, transactions were mainly among ginners and traders, and traders showed high buying interests on new cotton, while the procurement from mills was bleak. With flat cotton yarn sales, mills procured only slightly more feedstock.

During the week from November 4 to 8, purchasing volumes of mills improved somewhat compared to the prior week. But mills had no plans to purchase much.

A few large mills increased the feedstock inventory from 45 days to 90 days, but for most mills the feedstock inventory ranged between 15 to 30 days. Some mills even stopped purchasing after cotton prices moved up. The downstream grey fabric market has shown signs of weakness, so cotton yarn sales are restricted, and mills show a lower buying inclination.

Ginning volumes of new cotton are about 3.62 per cent lower than the corresponding period of last year. Inspection volumes have declined by 5.02 per cent.

For spot cotton, about one third and a half of new cotton has been procured by traders and large mills. Meanwhile, due to strong upward trend of ZCE cotton futures previously, some on-call cotton at traders' hand is locked. Therefore, the available supply of new cotton is reduced.

Source: fashionatingworld.com- Nov 11, 2019

HOME

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Alibaba generates $38.4 bn GMV at Global Shopping Festival

China's Alibaba Group generated $38.4 billion of gross merchandise volume (GMV) on November 11 at the 11.11 Global Shopping Festival in Hangzhou—an increase of 26 per cent compared to the 2018 festival, the company claimed in a statement. With more than 200,000 participating brands this year, a million new products were launched, it said.

The group's Cainiao Smart Logistics Network Limited processed 1.3 billion delivery orders on that day.

"Today we showed the world what the future of consumption looks like for brands and consumers," said Fan Jiang, president of online shopping websites Taobao and Tmall, both owned by the group.

"We are meeting the growing demand of Chinese consumers and helping them upgrade their lifestyles, while introducing new users to our digital economy from across China and around the world," he said.

Top five countries selling to China through Alibaba's cross-border platforms by GMV are Japan, the United States, South Korea, Australia and Germany. Top brands at the festival included Apple, Bose, Estée Lauder, Gap, H&M, L'Oréal, Levi's, MUJI, Nestlé, Nike, Philips, The North Face, Under Armour and Uniqlo.

The 11.11 Global Shopping Festival began in 2009 with participation from just 27 merchants as an event for merchants and consumers to raise awareness about the value of online shopping.

Source: fibre2fashion.com- Nov 12, 2019

HOME

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Philippines clothing exports down six per cent

Clothing exports from the Philippines in Q3 declined over six per cent compared to the same period last year. Last year's exports plunged 15.57 per cent from 2017. Because of labor and power costs, Philippine prices are high compared to prices of Lao, Myanmar and Vietnam. This leads to problems with international buyers. Therefore, garment makers in the Philippines want subsidies that can help them lower export prices of clothing products.

Besides tough competition at the global level, garments makers are faced with uncertainty at the domestic level over the move to rationalize fiscal incentives. Mostly located in economic zones, garments firms will need to give up their incentives once the Corporate Income Tax and Incentives Rationalization Act is passed into law.

The measure will bring down corporate income tax to 20 per cent by 2029, from 30 per cent at present but will overhaul the set of tax perks granted to firms operating in economic zones. Among those that will be rationalized is the five per cent tax on gross income earned paid in lieu of all local and national taxes, which investors find crucial in maintaining operations in the Philippines.

Source: fashionatingworld.com- Nov 12, 2019

HOME

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Indonesia imposes textile product import tariffs up to 67 percent

The Indonesian government has imposed temporary additional duties on imports of textiles and textile products up to 67.7 percent, the country's finance ministry has said.

The fresh move is a safeguard measure to protect the domestic upstream industry from a recent surge in imports and encourage the use of domestic market products.

The policy is regulated in three circulars - PMK 161/PMK.010/2019, PMK162/PMK.010/2019, and PMK 163/PMK.010/2019, which can be accessed on the official website of the ministry.

Through PMK 161/PMK.010/2019, the finance ministry has determined temporary additional duties for yarn products – other than sewing thread – from imported synthetic and artificial staples starting from 1,405 Rp (0.1 USD) a kilogram.

Meanwhile, in PMK162/PMK.010/2019, the ministry has also set temporary additional duties for imported fabric products ranging from 1,318 Rp to 9,521 Rp a meter and ad valorem rates ranging from 36.3 percent to 67.7 percent.

Then, in PMK 163/PMK.010/2019, the ministry imposed temporary additional duties on curtains products, blinds, bed nets, and other furniture items imported at 41,083 Rp a kilogram.

Syarif Hidayat, the ministry's director of international customs and inter-institutions, said on November 11 that the duties will be imposed on 121 imported textile products within 200 days, starting from November 9.

Lately, Indonesia has seen a jump in imports of textiles and textile products. The Indonesian Trade Safeguard Committee recently launched an investigation into the upturn in fabric imports after a complaint was filed by the Indonesian Textile Association.

From the preliminary evidence put forward in the complainant, the committee found a sharp increase in fabric imports. Moreover, there was a preliminary indication of serious damage or potentially serious damage to the domestic industry.

Source: en.vietnamplus.vn- Nov 12, 2019

HOME

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Canadian firms explore investment opportunities in Egypt

Egyptian industry minister Amr Nassar and immigration minister Nabila Makram recently held extensive discussions with a delegation of five Canadian firms to discuss investment opportunities in the country. The meeting was held on the sidelines of the 4th edition of Destination Africa 2019 textile and garment exhibition in Cairo from November 9 to 11.

A hundred and fifty companies and 230 international buyers from the United States and the European Union participated in the exhibition, according to a report in an Egyptian newspaper.

The Canadian delegation reviewed investment opportunities in Egypt in the textiles and apparel sector and the possibility of establishing joint projects to meet domestic demand and export to regional and African markets.

The event was organised by the Textiles, Apparel, and Home Textiles Export Council in cooperation with the Egyptian Exporters Association (Expolink).

Source: fibre2fashion.com- Nov 12, 2019

HOME

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Vietnam: Textiles and garments exports face difficulties by the end of the year

According to the Ministry of Industry and Trade, export turnover of textiles and garments in the ten months of this year was estimated at $27.36 billion, up 8.7 percent over the same period last year.

The remarkable point is that, by the last months of the year, textiles and garments enterprises faced many difficulties like unstable input, few orders, increasing market demand with low prices, competitive pressures and trade barriers.

The is due to US-China trade tensions, affecting the exchange rates between currencies. The processing cost in Vietnam is higher than other countries in the region such as South Korea and China, hampering export orders, especially for textile and garment products.

Besides, the consumption of fibre and raw materials faces many difficulties as China has cut imports.

The Ministry of Industry and Trade stated that garment products are facing declining orders. If in 2018, by the middle of the year, many large enterprises in the industry had orders until the end of the year, in 2019, they could only sign monthly contracts with small a quantity of orders.

Some enterprises have only received about 70 percent of new orders compared to the same period in 2018. The common psychology of buyers is being concerned about the escalation of the US-China trade war, so orders are split into small quantities.

Around the story of the strong decline in export orders this year, Truong Van Cam, Vice Chairman and General Secretary of Vietnam Textile and Apparel Association, said one of the reasons for the decline may also stem from the impact of free trade agreements (FTAs).

FTAs, such as the Vietnam-EU FTA (EVFTA), were initially thought as strong impact, however, in reality, this FTA has been signed but not yet taken effect, exports have been still taxable. Customers recognised that FTAs brought many opportunities but the opportunities are not real, Vietnam only has potential, if the orders shift to other markets, the benefits are higher.

The Ministry of Industry and Trade recommended textiles and garment enterprises need new measures to change production and business methods for the new situation.

In the last months of the year, enterprises need to seek orders to ensure production; and coordinate with customers to develop a production chain, meeting the rules of origin as committed in FTAs. In addition, enterprises must also comply with the brand's requirements for sustainable development to attract more orders.

Regarding textile and apparel export value for the whole year, Vietnam Textile and Garment Group (Vinatex) forecasted that the export value will reach about $39.6 billion, up 9.8 percent from 2018. Thus, the exports for the whole year will not reach the set target of $40 billion.

As for Vinatex, in the face of complex developments in the world economic situation, especially the US-China trade war which has not shown signs of ending, the group's performance results this year will not be achieved as planned.

Specifically, the value of industrial production value will reach VND 45,439.6 billion, equal to 96 percent of the year plan. Revenue (without VAT) will be VND 49,184.3 billion, equal to 97.7 percent of the year plan. Export turnover will be $ 2,896.3 million, equaling 97.6 percent of the year plan. Profit before tax will be VND 1,281.55 billion, equal to 73.95 percent of the year plan.

Source: customsnews.vn- Nov 11, 2019

HOME

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Bangladesh: RMG exports to US grow by 9.96pc in 9 months

The growth in Bangladesh's readymade garment exports to the United States continued decreasing in nine months (January-September) of 2019 as global consumption of RMG products dropped amid economic woes and some of the competing countries grabbed more market share, experts and exporters said.

Bangladesh's RMG exports to the US in January-September of this year grew by 9.96 per cent while the export growth to the market was 14.49 per cent in the first half (January-June) and 16.12 per cent in the first quarter (January-March), according to the data released by the Office of Textiles and Apparel (OTEXA) under the US Department of Commerce on Saturday.

The data showed that Vietnam's export growth to the US in the first nine months of this year remained steady while Cambodia and Turkey witnessed a sharp increase in the growth in the period.

Bangladesh's earnings from RMG exports to the US in January-September of this year grew to $4.56 billion from $4.15 billion in the same period of last year.

'Still we have some growth in the US market but some of our competing countries are growing fast in the market that means we are getting very little and our competing countries are getting more benefits from order shifting from China due to the US-China trade war,' Centre for Policy Dialogue distinguished fellow Mustafizur Rahman said. Despite having the impact of global showdown, Vietnam and Turkey are doing good in the US market in exporting apparel products, he said.

Although the US import of apparel products from China remained still high, the import in the first nine months of 2019 posted a 1.10-per cent negative growth with $20.10 billion against $20.32 billion in the same period in last year.

Vietnam's RMG export to the US in January-September of 2019 grew by 12.70 per cent to $10.35 billion from $9.19 billion in the same period of 2018.

Among the competing countries, Vietnam registered the highest growth in apparel export to the US in the first nine months of this year, the OTEXA data showed.

Earlier, Bangladesh achieved 14.49 per cent growth in RMG export to the US in January-June and it was the highest growth among the competing countries.

Apparel exports of Cambodia to the US in first nine months in 2019 grew by 11.13 per cent to $2.02 billion from $1.82 billion in the same period of last year.

Cambodia's RMG export growth to the US was 8.30 per cent in the January-June period and 5.96 was in the first quarter of this year.

The US apparel import from India in January-September of 2019 grew by 8.37 per cent to $323 billion from $2.98 billion in the same period of 2018. Apparel export of Turkey to the US in January-September in 2019 grew by 9.17 per cent to $470.11 million from $430.62 million in the same period of last year.

Turkey's export to the US continued to increase in the nine months of this year and the export growth was 6.09 per cent in the first half of the year and it was 5.61 per cent in the first quarter, the data showed.

Source: newagebd.net - Nov 12, 2019

HOME

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Razak, Chinese commerce minister discuss relocation of Chinese industry to Pakistan

Advisor to Prime Minister on Commerce, Industries, Textile and Investment Abdul Razak Dawood held a meeting with Chinese Commerce Minister Zhong Shan and discussed implementation of Phase-II of the China-Pakistan Free Trade Agreement (CPFTA) as well as the relocation of the Chinese industry to Pakistan.

In a meeting held during his recent visit to China, he also requested additional quantities of rice and sugar under trade facilitation of $1 billion extended by China and a grand Country pavilion for Pakistan in CIIE 2020, according to official sources here on Tuesday.

Import of Tobacco from Pakistan by China Tobacco Corporation was also discussed and capacity building support was sought to complete the quarantine procedure to enable export of food related products and commodities from Pakistan.

The Chinese side indicated that after implementation of second phase of CPFTA, imports from Pakistan will increase tremendously and the Chinese investors are keen to invest in Pakistan's infrastructure and manufacturing sectors.

It was informed that the China Pakistan Economic Corridor (CPEC) projects are underway at a fast pace and now the focus is on industrialization and socioeconomic development. Both sides agreed to further strengthen bilateral high-level trade exchanges.

The advisor thanked the Chinese side for the invitation of second China International Import Expo (CIIE) recently concluded in Shanghai. Razak congratulated the Chinese side for the successful conduct of CIIE and informal WTO Ministerial meeting.

Pakistan appreciated China's leading role for sustaining and promoting multilateralism. Meanwhile, as many as 35 exporters from Pakistan displayed their products at the Expo in Shanghai.

The total covered area of exhibition halls was more than 300,000 square meters and more than 150 countries participated. Advisor also met with Suzhou Water Purification Equipment Company that is working with Nestle and Pepsi and one of the renowned water desalination plant manufacturers, Anhui Easy Business Digital Technology Company that provides e-government, e-ports and digitalization services to the Chinese Ministry of Commerce and General Administration of China Customs, Northern Heavy Industries Group, the largest equipment supplier to cement, steel, and mining.

During interview with China Economic Net, the advisor said Pakistani exports to China will increase considerably after the implementation of the second phase of CPFTA, with effect from December 1.

He said the CIIE provided good opportunities to Pakistani exporters to showcase their products in the second largest import market of China.

Source: brecorder.com- Nov 13, 2019

HOME

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NATIONAL NEWS

Crisis in WTO, breather for India

Adverse ruling against export schemes not easy to implement

The legal team in the Ministry and Commerce and Industry is busy preparing an appeal against the judgment given by the World Trade Organisation's dispute panel which ruled that several of India's export incentive schemes go against multilateral trade rules. The team has time till about the end of this month to appeal before the WTO's Appellate Body.

But what is interesting is that the apex decision-making body may not be in a position to decide on the dispute anytime soon. Yet, when a decision is challenged by an appeal by the member-country concerned it cannot take effect.

Since the US has scuttled the process of appointment of new judges to the Appellate Body, it is likely to become dysfunctional from December 11, when the number of judges on the panel will fall below the minimum of three. So, India may have the leeway of continuing with the incentive schemes.

This state of affairs may continue for a while, as the US does not seem inclined to let go of its demand that reforms be brought about in the Appellate Body before the new judges are appointed. Attempts by other members to work out an arrangement between themselves to settle disputes are also in a nascent stage.

It is well understood by policymakers in India that certain schemes, such as the popular Merchandise Export Incentive Scheme, undoubtedly qualify as direct export sops which India should not be extending to its exporters, as the country, in 2015, crossed the prescribed threshold of $1,000 per capita Gross National Income for three consecutive years. It needs to stay on track with its 2020 timeline of replacing the scheme with a new one, compatible with WTO norms.

But for other targeted schemes such as the sops given to Special Economic Zones (SEZs) and the Export Promotion Capital Goods Scheme, where New Delhi believes that it is well within its rights to continue the programmes, it should stay put.

Source: thehindubusinessline.com- Nov 12, 2019

HOME

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Exclusive: Latest GST circular puts an end to confusion over new input tax credit rules

In a big relief for GST taxpayers, the Union government on Monday clarified the new rules related to availing input tax credit under the GST. It said that a certain category of Input Tax Credit claims such as ITC in respect of the IGST paid on imports and GST paid under the reverse charge mechanism have been kept out of the scope of the new rules introduced last month.

The new rules implemented by the CBIC limited input tax credit claims to 20% of the eligible amount where invoice matching has been done. However, the notification issued by the CBIC on October 9 caused a lot of confusion over the method of calculating this 20% amount, the cut-off date and also whether it was to be calculated supplier-wise or on a consolidated basis. These concerns prompted the CBIC's GST policy wing to issue a new circular today clarifying all these aspects.

"This circular clarifies a few points and will be of help to GST payers," said Pritam Mahure, a Pune based chartered accountant.

The circular issued by the Central Board of Indirect Taxes (CBIC) also clarified that this 20% cap on the eligible Input Tax Credit will not be calculated supplier-wise and GST payers can avail the input tax credit on a consolidated basis.

The Modi government had received complaints that some businesses were availing input tax credit by using fake GST invoices. In order to check the problem of misuse of input tax credit system, the CBEC, the nodal body to implement indirect taxes in the country, had last month made it compulsory to match the invoices uploaded by the suppliers in their GSTR1 forms before buyers can avail Input Tax Credit in their GSTR-3 returns.

However, it also allowed the buyers to claim 20% more input tax credit over and above the eligible amount where invoice matching was done but the lack of clarity over the method of calculation created confusion among GST payers.

The CBIC's latest circular is intended at clarifying all these aspects. For example, if a buyer is entitled to avail input tax credit of Rs 10 lakh on inward supplies (purchases) in a month but if his suppliers have only uploaded the correct invoices in respect of supplies of Rs 6 lakh only in the GSTR1 forms uploaded by them, then the buyer can avail ITC of Rs 6 lakh plus 20% of the eligible amount that is Rs 1.2 lakh. Therefore the buyer could claim a total ITC of Rs 7.2 lakh in the month.

It also clarified that the total amount of ITC, even after the addition of 20% input tax credit over and above the eligible amount where invoice matching has been done, cannot exceed the total amount of input tax credit that can be claimed.

For example, if a buyer is entitled to ITC of Rs 10 lakh on inward supplies and invoice matching is done in case of Rs 9 lakh then as per the 20% cap rule, he is also entitled to avail 20% over and above the eligible amount of Rs 9 lakh, which is 1.8 lakh in this case. However, this can take the total amount of ITC to be availed by him in the month to Rs 10.8 lakh, Rs 80,000 more than the total ITC amount that can be claimed. The new circular has clarified that in any case ITC claims will be restricted to the total amount due.

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The latest GST circular also clarified three distinct cases where the newly introduced rule to cap ITC to 20% over and above the eligible amount will not be applicable.

Where new GST Input Tax Credit rule will not be applicable

The cap of 20% on availing input tax credit under the GST rule 36, sub-rule (4) introduced on October 9 will not be applicable on three cases:

1. ITC in respect of the IGST paid on imports and these importers can directly avail the input tax credit;

2. The cap of 20% will also not apply to those cases where GST has been paid under the Reverse Charge Mechanism (RCM) and;

3. The ceiling of 20% on availing ITC will also not apply on Input Service Distributors (ISD), these are those businesses that receive invoices on behalf of the services used by their branches and subordinate offices.

Source: financialexpress.com- Nov 11, 2019

HOME

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Home textile exporters' body writes to PM Modi seeking release of RoSCTL dues

The Home Textile Exporters' Welfare Association (HEWA) has sought Prime Minister Narendra Modi's intervention for release of pending dues under the RoSCTL, a taxes and levies rebate scheme.

In March, the government had announced the Rebate of State and Central Taxes and Levies on Export of Garments and Made-ups (RoSCTL) scheme which provides rebate on all embedded taxes on exports, but HEWA claims exporters are yet to receive the refunds from this scheme which are pending since last eight months.

"As the matter is still under consideration of the PM Office and we are hopeful that we will get a positive response at the earliest," HEWA Director Anant Srivastava told PTI.

He said if the pending RoSCTL amount is released at the earliest it will be feasible for Indian Exporters to ship their consignments on time. According to Srivastava, a delegation from HEWA met Union Textiles Minister Smriti Irani in September and had detailed discussion on pending RoSCTL dues.

Under the scheme, maximum rate of rebate for apparel is 6.05 per cent while for made-ups, this goes up to 8.2 per cent. The made-ups segment comprises of home textiles products such as bed linen, pillows and carpets.

Source: financialexpress.com- Nov 12, 2019

HOME

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India can gain from US-China trade war: RBI study

With the ongoing trade war between the US and China increasing the scope for diversion of global foreign direct investment (FDI) and manufacturing away from China, emerging market economies (EMEs) such as India can seize the opportunity by ensuring a conducive environment for foreign investors.

It may, in turn, help strengthen domestic manufacturing base for exports and improve global value chain (GVC) participation, according to a Reserve Bank of India study.

Advantage India

The study referred to a recent UBS Evidence Lab CFO Survey (2019), which found India as a favoured investment destination for foreign investors, ahead of other Asian economies.

Recent measures announced to encourage FDI in contract manufacturing and single brand retail augur well for improving India's GVC participation, the study said.

"Given the size and diversification of domestic economy as well as global opportunities, there is immense potential to improve GVC participation by moving up in the global value chain. This, however, needs to be realised by attracting further FDI and undertaking domestic structural reforms," the study said.

Global value chain

The global value chain enables firms to optimise their production processes and reduce the cost of production by restructuring their operations internationally.

While backward linkage indicates the share of foreign inputs embedded in the country's exports, forward linkage is the share of the domestic country's exports used as an input for the importing country's exports.

Sum of these gives the GVC participation level of a country, which is considered an important indicator of the extent to which a country's exports are integrated into international production networks.

Historically, India's exports are dominated by domestically resourced inputs. With domestically produced wider set of intermediate goods and dominance of services exports, domestic value added to total exports is more dominant than foreign inputs.

Dwindling GVC

Composition of India's export basket can explain India's stronger forward linkages in the global supply chain relative to the backward linkage. This implies a smaller upstream component in India's GVC participation.

India's GVC participation rate improved during 1995 (33 per cent) to 2010 (43 per cent) but dwindled somewhat thereafter (to 38 per cent in 2018). India's GVC participation level continues to be lower than other major economies (against global average of 53 per cent).

Source: thehindubusinessline.com- Nov 12, 2019

HOME

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Government unveils draft e-commerce rules

In a move that may bring some parity between e-commerce firms and their brick-and-mortar counterparts, the government may bar e-tailers from offering deep discounts on products they sell or services they offer.

The draft Consumer Protection (e-Commerce) Rules, 2019, announced by the Ministry of Consumer Affairs on Monday, said e-commerce firms should not "directly or indirectly influence the price of the goods or services" they offer and should maintain a level playing field.

They are also prevented from adopting any unfair or deceptive practices that may influence consumers' decision to go for their products and services over their competitors' and forbade them from coming out with misleading advertisements as well as misrepresenting or exaggerating the quality or the features of the goods and services they offered.

They have to have clear-cut refund and exchange policies in place, besides creating a grievance redressal mechanism and mandatory mentioning of the safety and healthcare information of products and services advertised for sale. Besides, they have to display the contract between the marketplace and sellers. The Department has invited comments on the draft rules before December 2.

Welcoming the draft consumer protection rules for e-commerce, the Confederation of All India Traders (CAIT) said it was a positive step to curb malpractices by e-commerce players.

Describing big e-commerce firms as "habitual offenders", CAIT Secretary, Praveen Khandelwal, said the rules would force e-tailers to be more transparent, impartial and accountable towards consumers. "The Consumer Affairs Ministry has to ensure that e-commerce companies follow the rules not only in letter, but in spirit as well.

We have seen that in spite of the FDI policy in place, the e-commerce companies remain violative of the policy right under the nose of the government. Therefore, strict action should be taken against them if the rules are flouted," he said in a statement.

Source: thehindubusinessline.com- Nov 12, 2019

HOME

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Czech Republic keen to partner with Indian MSMEs for skill transfer, digitalisation

Czech Republic is keen to partner with Indian MSMEs for skill transfer and digitalization, said the Ambassador of Czech Republic to India, Milan Hovorka.

Leading a 10 members official SME Delegation from Czech Republic, Hovorka said his country is seeking Indian SME Partnerships in the sectors of textile, travel & hospitality, biotechnology and e-commerce.

Vinod Kumar, President of India SME Forum said, "The scale of digital transformation this country presents is tremendous and Greater digitization of MSMEs has the potential to triple the MSME sectors GDP contribution (from the current 8 per cent share), heighten employment opportunities for India's growing workforce and enabling economic growth. India SME Forum is committed to take global best practices and solutions to all the MSMEs of India with the support of Ministry of MSME and Intel."

Roshni Das, Director – Marketing, Intel India, stated, "MSMEs are the backbone of Indian economy for driving future innovation and growth of the country. Intel is committed to working with the ecosystem to ensure education, technology access and support for these businesses. We're excited to collaborate with the India SME Forum to digitally empower MSMEs in India, enabling greater productivity, efficiency, opportunity and business success."

MSME study

With 730 million people using the Internet by 2020 and 700 million smartphone users by 2022, MSMEs could gain a lot if the government-backed incubation centres scale up further for MSMEs to go digital.

In a survey conducted by the India SME Forum, as a part of its annual state of the MSME study in 19 states, over 34 per cent of the overall 1,29,537 MSME respondents employ digital methods to communicate with their employees, customers and suppliers.

Only 7 per cent have fully embraced digital technology or SAAS Solutions. Over 50 per cent of the MSMEs highlighted several benefits (increase in profitability, operational efficiency and improved customer engagement), however 70 per cent of the MSME respondents cited lack of knowledge as a key barrier for wider adoption.

The India SME Forum, in association with the Ministry of MSME and Intel, has been organising interactions by holding 'Entrepreneurs Day Out' in major cities.

So far interactions have been held at Ahmedabad, Hyderabad, Pune and Jaipur and post Bengaluru the meet will be held at Kochi, Mumbai, Chandigarh and is expected to culminate in Delhi.

Source: thehindubusinessline.com- Nov 12, 2019

HOME

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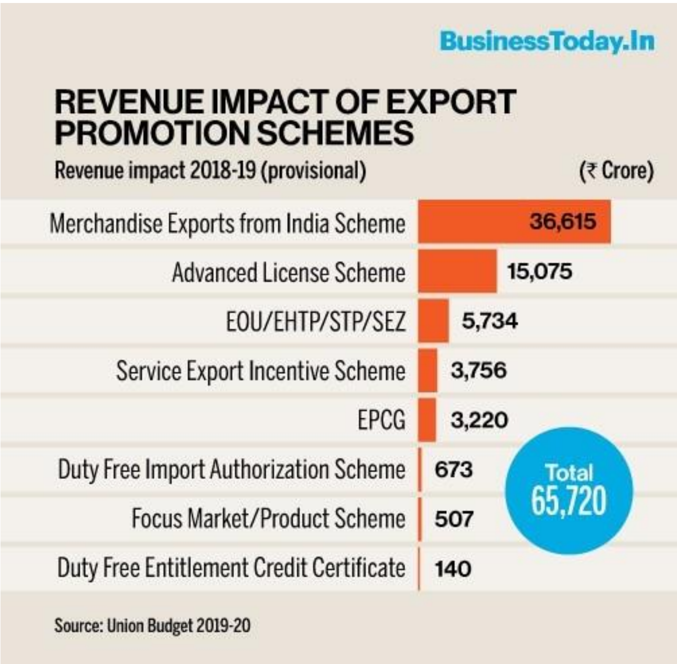
WTO ruling against export incentives: Should Indian exporters be worried?

A World Trade Organisation (WTO) dispute panel ruled on October 31 that India's key export promotion schemes violated WTO rules and hence should be withdrawn within six months. The verdict has raised several questions. What will be the impact of the ruling for India? Will Indian export of steel products, pharmaceuticals, chemicals, information technology products, textiles and apparel continue to be competitive in the absence of this subsidy? Is the ruling final? The short answer is that the ruling, in itself, does not pose an immediate threat to Indian exports. Before we come to explain why, let's understand some basics:

The issue

The verdict was based on a complaint filed by the United States of America (USA), which argued that five export subsidy schemes worth over $ 7 billion that India offers are not compatible with WTO rules. Soon after the verdict, United States Trade Representative (USTR), the government body that strives to protect the US industry, called it a "resounding victory for the United States" and the country "is using every available tool, including WTO enforcement actions, to ensure American workers are able to compete on a level playing field".



The ruling covered India's schemes such as the Export Oriented Units (EOU) Scheme and Sector-Specific Schemes, including the Electronics Hardware Technology Parks (EHTP) Scheme and the Bio-Technology Parks (BTP) Scheme (the EOU/EHTP/BTP Schemes), the Merchandise Exports from India Scheme (MEIS), the Export Promotion Capital Goods (EPCG) Scheme, the Special Economic Zones (SEZ) Scheme and the Duty-Free Imports for Exporters Scheme (DFIS).

The complaint was that these schemes provide for certain exemptions from (or reductions of) customs duties or taxes, or for the granting by the government of freely transferable "scrips" that can be used for payment of customs duties on certain goods, payment of excise on certain goods, and payment of certain other dues such as for shortfalls in export obligation. There are more than 8,000 products eligible for the "scrips", nearly double the number of products covered since its introduction in 2015.

Exports under the SEZ have increased over 6,000 per cent from 2000 to 2017 and in 2016 accounted for over $82 billion in exports, or 30 per cent of India's export volume. Terming these measures as export subsidies, US had pointed out that it provides an unfair competitive advantage to recipients, and WTO rules expressly prohibit them.

It also noted that India has been using a limited exception to this rule meant for specified developing countries until they reach a defined economic benchmark ($1000 per capita GDP), though it continues it even after it surpassed the per-capita benchmark in 2015. "India's exemption has expired, but India has not withdrawn its export subsidies. The panel report rejects India's assertion that it is entitled to additional time to provide export subsidies even after hitting the defined economic benchmark. The panel report concludes that each program is an export subsidy inconsistent with India's WTO obligations," the USTR states.

The appeal

The first reason why the verdict does not pose an immediate worry is that due to purely technical reasons, it may take several months before the ruling will become enforceable. India is certain to utilise the provision to appeal against WTO rulings. An Appellate Body can look into such appeals and give a final verdict (within 60 days in this case).

The last date for India to approach the Appellate Body (in this case) is November 30. However, by December 11, two of the three remaining jury members of the Appellate panel will retire. With no postings happening to fill the vacancies since 2017 (due to the opposition from the US), India's appeal against the WTO verdict is likely to get stuck for months.

The second reason is that the Central government has been planning to stop the export incentives that have been questioned under WTO rules for quite some time.

A couple of months before the dispute panel's ruling, finance minister Nirmala Sitharaman had announced a new scheme - Remission of Duties or Taxes on Export Product (RoDTEP) - to incentivise the exports at an estimated cost of Rs 50,000 crore as a replacement for the biggest scheme in the WTO ruling list, the Merchandise Exports from India Scheme (MEIS).

Since the total revenue impact of MEIS for 2018-19 is estimated to be Rs 36,615 crore, the amount earmarked for RoDTEP is expected to more than adequately incentivise exports for all the schemes that may have to be withdrawn in the wake of adverse WTO ruling.

While the revenue impact of EOU/EHTP/STP/SEZ schemes during 2018-19 is estimated to be Rs 5,734 crore, EPCG is Rs 3,220 crore and Duty Free Import Authorization Scheme is Rs 673 crore.

The third reason why India's problems will not be aggravated due to the WTO ruling is that there are bigger problems that are already turning Indian exports non-competitive and unless urgent measures are taken to address these issues -high cost of production, logistics, financing etc - mere incentives will not take Indian exports very far in the long-term. Any move to clear these bottlenecks will more than compensate for any setbacks industry may face due to loss of incentives.

While India should be concerned about any adverse ruling from WTO, it has to set its house in order to ensure the growth of its external trade.

Source: businesstoday.in- Nov 12, 2019

HOME

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As rates fall, cotton farmers seek minimum support price

After a lull due to heavy rains, and dampened produce disheartening farmers, cotton arrivals have picked up momentum in marketyards in Telangana.

Market sources said that while the quantity of arrivals is lower than last year's, it is better than what was expected two weeks ago. But farmers are not happy as prices have dropped to about ₹3,000-3,500 a quintal as against the MSP of ₹5,550.

Fall in prices

With markets quoting prices far lower than the minimum support price (MSP), cotton farmers in Telangana held protests at all major marketyards on Monday.

They asked the State government to take measures to ensure payment of MSP rates for cotton. The Telangana Rythu Sangham alleges that the Cotton Corporation of India (CCI) is not buying enough, leaving the space to private players.

"Farmers are being paid very less. They are getting a price in the range of ₹2,300-4,900. Most are being paid ₹3,000-3,500," said T Sagar, General Secretary, Telangana Rythu Sangham.

Citing an example, he said the Enumamula marketyard has received about 3 lakh quintals of cotton so far. "But the CCI has procured just under 400 quintals. This is forcing the farmers to sell the produce to private traders and middlemen, who are paying them very low rates, but making money by selling it at higher rates," he said.

Farmers in the State grew cotton on a record 46 lakh acres as against the average of about 4041 lakh acres.

Crop damage

A delayed monsoon and relentless rains for about six weeks in August and September damaged the crop.

"The plants grew very tall due to rains, stunting the boll growth. This adversely impacted the output in the first pick," Narayana, a farmer from Nalgonda district, said.

Source: pressreader.com- Nov 13, 2019

HOME

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Slowdown blues: SBI cuts FY20 GDP growth forecast to 5%

With IIP contracting alarmingly in Sept, EcoWrap report sees 4.2% growth in Q2

In the backdrop of a deepening global slowdown and an alarming contraction in domestic factory output, State Bank of India's economic research team has sharply cut India's GDP forecast for FY2020 to 5 per cent from 6.1 per cent.

In its EcoWrap report, the SBI group has projected the second quarter (July-September) GDP growth at 4.2 per cent. It expects the growth rate to pick up in FY2021 to 6.2 per cent.

"Our acceleration rate for 33 leading indicators, at 85 per cent in October 2018, is down to just 17 per cent in September 2019, with such decline gaining traction from March 2019.

Even the IIP (Index of Industrial Production) growth number for September 2019 was –4.3 per cent, which is quite alarming," said Soumya Kanti Ghosh, Group Chief Economic Adviser.

The team believes the growth rate in FY20 should be seen through the prism of synchronised global slowdown (countries have witnessed 22 to 716 basis point decline between June 2018 and June 2019, and India cannot be an exception). India is also significantly lower in the Economic Uncertainty Index when compared globally.

The SBI research team assessed that Moody's downgrading India's outlook from stable to negative will not have any significant impact as rating actions are always a laggard indicator, and the markets have categorically given a thumbs down to such moves.

Larger rate cuts

The research team now expects a larger rate cut from the RBI at its December policy meet. However, even such a rate cut is unlikely to lead to any immediate material revival; rather, it might lead to financial instability as debt-financed consumption by over-leveraged households has not worked elsewhere, and India cannot be an exception.

“The contemporary issue for macro-economists is to focus on assuring adequate aggregate demand, and the role of fiscal policy in this context is of paramount importance. Much of the reluctance about use of fiscal policy in India currently appears from the fact that the monetary policy space is still adequate. This, we believe, could be counter-productive,” said Ghosh.

In essence, markets are not unduly worried about fiscal deficit and are awaiting clarity from the government on the extent of fiscal slippage in the current fiscal. Such an announcement could, in fact, be good for the markets, he added.

Lasting solution for NBCFs

Against such growth slowdown, the team observed that it is imperative that India adheres to no negative policy surprises in sectors such as telecom, power and non-banking finance companies. For example, it is imperative that a lasting solution is worked out for the NBFC sector at the earliest.

The team believes that given the crisis of confidence in the financial markets, the central bank must ensure liquidity for NBFCs for the stability of the financial system.

“With every passing day the risk increases that the not-so-better-rated NBFCs, in their quest to achieve the capital ratio, could do it through deleveraging and reduction of their assets, thus prolonging the credit crunch. It is reminiscent of the back loading of mega bank recapitalisation that was unveiled only in 2017,” said Ghosh.

Needed is a credible frontloading of backstop against good quality assets, which can be used quickly to absorb potential losses for NBFCs if they materialise. Similarly, the woes of the telecom sector must be addressed so that new investors are encouraged to set up networks in the country.

Simultaneously, the SBI team said it is perplexing that a growing economy is witnessing a contraction in electricity demand, with discoms reducing buying for reasons well known.

Source: thehindubusinessline.com- Nov 12, 2019

HOME

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Enable MSMEs to grow and create jobs

Apart from easing labour laws and providing a social security net, a focus on clusters with access to land and capital will help

Getting micro, small and medium enterprises (MSMEs), who employ 92 per cent of the workforce, to grow more rapidly should be one of the pillars of any strategy for job creation. This year's Economic Survey does candidly state that "Our policies must, therefore, focus on enabling MSMEs to grow by unshackling them", and that "Job creation in India suffers from policies that foster dwarfs, i.e., small firms that never grow..."

Compliance with the over 40 labour laws becomes mandatory once the number of workers employed by a firm crosses the prescribed threshold. There are different thresholds under different laws. Small firms find the costs of compliance too high and so often prefer to remain small or open a few more units in other names. They lose the gains that flow from the economies of scale. It is with scale that technological modernisation, marketing and advertising, which are necessary for growth, make commercial sense.

Converting the over 40 labour laws into the proposed four codes is an overdue reform. Putting in place a social safety net would make the provision of labour market flexibility easier in the new codes. Such flexibility reduces the risk perception in expanding the workforce.

Regulatory burden

Regulation of enterprises for human safety, health and the environment and ensuring compliance with prescribed standards is naturally essential. But the regulatory burden for enterprises is still too high. Overlapping and redundant regulatory requirements need to be scrapped. Detailed work and micro decisions need to be taken across regulatory regimes in the Centre as well as the States.

To illustrate, a good question to ask would be why any permission, once granted, should need renewal. Government inspections for compliance with standards could also be gradually replaced by a credible system of third-party certification. This would go a long way in reducing the transaction costs of compliance, and at the same time lead to better compliance.

A good beginning has been made with third-party boiler inspection and certification. This approach can easily be extended to all certification. As with chartered accountancy firms, an effective system of oversight over certifying firms can also be put in place. The key is to improve a firm's perception of the costs of compliance and their associated risks, which need to be brought down to the level of competitive locations overseas.

Labour productivity

Progress is also needed in lowering the factor costs of production for MSMEs. Wages in India are low; they need to rise for poverty to decline. But when it comes to wage costs per unit of production, MSMEs lose on account of the low productivity of their labour.

Labour productivity in the modern organised sector with large plants is not an issue, as these firms train their workers and supervisors. MSMEs are, by and large, not able to provide adequate training. The National Skill Mission should accord as much, if not more, priority to training and skill upgradation of the existing workforce vis-a-vis imparting skills to the young people who are entering the workforce.

Skill upgradation would need to be designed and implemented creatively in a way that factors in the natural inclination of the employer and worker, respectively, to not lose any production, or wages.

The programme would need to be designed for industry segments and implemented across industrial clusters after testing and tinkering it for one unit. Spending public money for such skill upgradation would be well worth it. It would increase competitiveness, facilitate growth and create more jobs. Success of existing enterprises is the key to getting new entrants in that area of that industry.

Industrial land usage

Land for MSMEs is a major constraint. It needs to be recalled that, across the world, structural transformation through industrialisation has taken place in cities. Mumbai and Kolkata grew into major commercial and industrial cities over a period of 100 years prior to Independence, with flexible and pragmatic land-use regulations to facilitate growth.

Rigidities have gradually crept into the system to such an extent that recently, in Delhi, the closure of hundreds of gyms that had come up in residential areas to cater to demand has been ordered. Many micro enterprises emerge in non-conforming areas and then try to stay in the non-formal economy. Nevertheless, they are subject to considerable rent seeking.

Growing into a small and then medium enterprise is difficult for them. Land is not available and prices are too high. A 'plug and play' system is being talked about but needs to be made a reality soon across the country.

In any industrial cluster, there would be enterprises which are successful and would like to set up another larger unit. There is need for a functional system which can quickly identify this need and provide developed land in new industrial parks, with the development done by a state agency directly, or in a PPP mode.

Further, there are a large number of usable plots lying idle for years in industrial parks across the country, where units have become sick and gone into bankruptcy. An efficient, quick system for releasing these lands for industrial use by new units should be put in place by the Central government.

Technological modernisation and competitiveness are essential not only for growth but also for survival. PPPs for such modernisation are worth attempting; this can be done by getting the best technological capability for an industrial segment and taking up one cluster for a turnaround.

After success, scaling up can be done to cover all clusters in that industry segment. Bulk procurement of capital goods and leasing them may be easier than trying to get individual enterprises to make major investments. A much lower GST rate for such leasing would be amply justified.

MSMEs can be made to achieve their full potential and create an increasing number of jobs. But this needs focussed attention with policy changes, additional State interventions and more public funding.

Source: thehindubusinessline.com- Nov 11, 2019

HOME

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India blames US-China trade war for cotton sector slowdown

Attributing the Indian cotton yarn sector slowdown to the US-China trade war, textiles minister Smriti Irani recently assured stakeholders of finding a solution to the problem. She was addressing Indian Cotton Conference 2019 organised by Indian Cotton Association Ltd (ICAL). The event focused on branding India as the most potential organic cotton-producing country.

Commerce ministry officials have dedicated themselves to finding a solution, she said.

The conference suggested that cotton brand needs a cotton development board that can help enhance the stakeholders' image and promote usage of cotton.

Source: fibre2fashion.com- Nov 11, 2019

HOME

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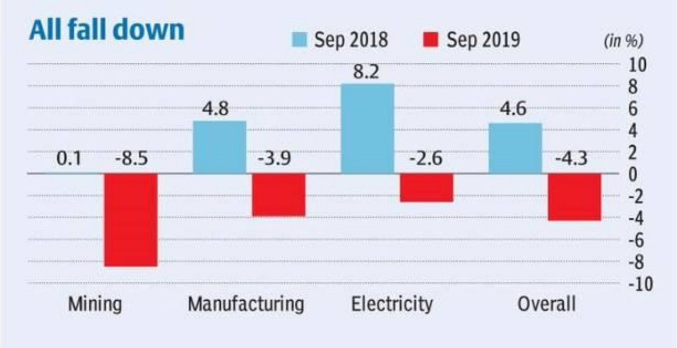
Factory output contracts 4.3 per cent in September to 7-year low

Negative growth in all three segments of manufacturing, mining and power generation

In a further signal of a persisting slowdown, factory output contracted by 4.3 per cent in September hitting a seven-year low. Negative growth in all the three sectors of manufacturing, mining and electricity pulled down the Index of Industrial Production (IIP), which had recorded 4.6 per cent growth in the same month last year.

According to the Central Statistics Office (CSO) data, 4.3 per cent contraction is the deepest in the 2011-12 IIP series, which was unveiled in May 2017. In April 2012, the IIP had declined by 0.7 per cent.



For the April-September 2019 period, the IIP grew a modest 1.3 per cent, lower than the 5.2-per-cent expansion in the same period last year.

The 5,2 per cent contraction in the core data for September, released on October 31, had suggested a steep drop in the IIP.

While manufacturing — which has a weightage of 77.6 per cent — declined 3.9 per cent in September (it had grown 4.8 per cent in September 2018), mining — with a weightage of 14.4 per cent — contracted 8.5 per cent (up 0.1 per cent).

Electricity generation contracted 2.6 per cent in September against a growth of 8.2 per cent in the same month last year.

As many as 17 of the 23 industry groups in the manufacturing sector contracted during September. Both consumer durables and capital goods, which are the major engines of growth, were in the negative both for September and the April-September period.

‘Indicative of stagnation’

Madan Sabnavis, Chief Economist, CARE Ratings, said the latest IIP print was a surprise though it was expected to be in the negative territory. He said the IIP growth in October will also be under pressure considering the high base effect of last year.

Sabnavis noted that cumulative growth in April-September 2019 at 1.3 per cent is very low and indicated stagnation. The negative growth in consumer goods is a disappointment and suggests consumer demand has not picked up as yet.

Capital goods declining again is indicative of downbeat investment, and will require some government push as the private sector is not investing, according to Sabnavis.

Rate-cut possibility

While there will be pressure on the RBI to lower rates, the CPI inflation number will need attention as food inflation has been rising and the Consumer Price Index is expected to be in the 4 per cent range.

Aditi Nayar, Vice-President and Principal Economist, ICRA, said the industrial performance in September stands out as the worst year-on-year performance in the current series. Moreover, the lead indicators point to the weakness continuing in October, which coupled with an unfavourable base effect, may well result in a further deterioration in the just-concluded month.

"While we had expected the IIP to contract in September 2019, its the pace of the same was deeper than our forecast of 3.3 per cent. Moreover, the contraction was widespread, covering all three sectors and five of the six use-based categories except intermediate goods," Nayar added.

Source: thehindubusinessline.com- Nov 11, 2019

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