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IBTEX No. 181 of 2019 September 16, 2019

US 71.50| EUR 79.16 | GBP 89.14| JPY 0.66

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20048	41900	**74.72**
Domestic Futures Price (Ex. Warehouse Rajkot), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19860	41507	**74.02**
International Futures Price		
NY ICE USD Cents/lb (December 2019)	62.28	
ZCE Cotton: Yuan/MT (January 2020)	12,930	
ZCE Cotton: USD Cents/lb	82.94	
Cotlook A Index – Physical	**73.55**	

Cotton Guide: After last week rally in Cotton price breaking above 60 cent per pound has perhaps changed the scenario in the near term.

Multiple factors have supported cotton to trade higher however; how much it would sustain on the higher level remains a question mark.

Why did cotton rise last week so quickly?

1- USDA Report revealed lesser crop number in the US and tighter stock positions globally.

2- The possibilities of Interim trade deal agreement between US and China hoped optimism.

3- Funds and speculators cut huge short positions and turned aggressive buyers as data reported in the CFTC Report.

Should the gain in Cotton price be sustainable?

1- The recent rise in price and the momentum in the trend could push price higher. ICE is currently hovering around 62+ cents and may see gains extending towards 64/65 cents in the near future. In fact that may be seen as strong resistance zone.

2- There were enough facts [in the last one year] in the market to pull cotton price down from 95 to 55 range. However, unless there are fresh triggers further loss in the price may not be seen.

3- On the demand front, the Chinese numbers are expected to be feeble amid adequate supply coupled with low mill demand. Other Asian and Import dependent countries may continue to see the import demand but given the current scale there may not be significant change in the figure.

4- Further on the demand front Brazilian exports have declined considerably in August much below the average. Cotton's market share of US apparel imports have plunged drastically.

5- More than demand, the supply story plays the important role in the market. The US is experiencing steady harvesting phase, India has released its first preliminary estimates of 2019-20 production by Cotton Association of India to be pegged at 36.50 million bales.

6- Given the supply and demand determinants the possibilities of larger gain in the price may be limited, unless the speculators drive the market to a new price zone or any new triggers come to market.

MCX cotton futures on the other hand were in line with the international contracts. The MCX October contract settled at 19,860 Rs per Bale with a change of +100 Rs. The MCX November contract settled at 19,500 Rs per Bale with a change of +100. The Volumes were up by almost 100% as compared to the volume figures seen during the last one week which was hovering in the range of 600 lots.

Fundamentally speaking for today, we expect both the international and the MCX prices to remain consolidated as the prices have already risen sharply. This morning the prices are hovering in the range of 62 cent per pound mark. Last Friday the volumes skyrocketed by almost 3 times to 40,249 contracts. It will be interesting to watch the volume figures for today to understand the overall market sentiments. If the volumes of today still remain in the 40,000 contract mark with prices around 62+ then we can expect the prices to show some more positivity.

ICE Cotton Dec future has given a breakout from the consolidation (57.5-60.6) after nearly 2 months. It has also closed above the downward sloping channel which would initiate an intermediate bullish momentum. Price are supported by the DEMA (5, 9) at (61.24, 60.55), having a bullish crossover.

Momentum indicator RSI is at 62 levels which supports further bullish bias in the price, along with positive divergence with reference to price. Thus, price would have the immediate resistance at 62.77(76.4% Fibonacci retracement level) and the immediate support would be 61.24, 61.8% Fibonacci retracement level, which is nearby the breakout level. So for the day price is expected to move in the range of 60.55-62.75 with sideways bias. In the domestic market MCX Oct future is expected to trade in the range of 19630-20010 with a sideways 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

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INTERNATIONAL NEWS

Manufacturing growth setback amid US-PRC trade war: UNIDO

World manufacturing production growth may slow down in 2019 because of the continuing US-China trade conflict, according to latest estimates from the United Nations Industrial Development Organisation (UNIDO), which said the growth rate of global manufacturing value added (MVA) is likely to drop to 2.7 per cent in 2019 compared to 3.2 per cent in 2018.

A report released recently by UNIDO Statistics observes that the pace of MVA growth has been slowing down in both the United States and China. While annual growth in the United States is likely to drop to 1.9 per cent in 2019 following a rate of 3 per cent in 2018, China's manufacturing growth is expected to drop below 6.0 per cent for the first time in decades.

The slowdown in China and the United States has had a wider impact on global manufacturing. US restrictions on the import of several manufactured goods, compounded by uncertainties over Brexit, have resulted in a downturn in European manufacturing, which is expected to grow at less than 1 per cent in 2019. Growth in East Asia is expected to be moderate at a rate of 1.6 per cent.

The overall growth of industrialised economies in 2019 is expected to drop to 1.3 per cent from 2.1 per cent in 2018. Developing and emerging industrial economies (excluding China) are expected to achieve a slightly higher growth in 2019 at around 3 per cent, compared to 2.7 in 2018. At the regional level, Latin American countries are expected to reverse the declining trend observed in recent years.

The world manufacturing growth rate dropped to 1.7 per cent in the second quarter of 2019, compared to 2.2 per cent in the first quarter of the year.

For the first time in several years, manufacturing in industrialised economies has plunged to a negative growth rate. The decline was mainly attributed to the slowdown in Europe and East Asia.

Manufacturing output dropped in Germany by 5 per cent, in Italy by 1.5 per cent, in Japan by 1.2 per cent and in South Korea by 2.6 per cent.

The manufacturing output of developing and emerging industrial economies, excluding China, rose at a marginal rate of 1 per cent in the second quarter. Several emerging industrial economies encountered sluggish growth. Manufacturing output rose by 2.9 per cent in India and 1.4 per cent in Mexico, but dropped by 3.5 per cent in Turkey.

Ongoing deceleration has affected the growth of high-technology sectors. In the second quarter of 2019, high-tech sectors had lower growth than low-technology sectors that mainly produce the basic consumer goods such as food beverages and clothes.

Source: fibre2fashion.com- Sept 16, 2019

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Egypt to establish world's largest textile factory in Mahalla

Egypt's Minister of Manpower and Public Business Sector Hisham Tawfiq announced on Saturday that the ministry is set to establish the world's largest textile factory, at the al-Shouna area of al-Mahalla al-Kobra in Gharbiya governorate.

This comes about as part of a plan to establish four new factories in addition to preparing for the establishment of 10 new gins.

In a meeting with representatives of the Mahalla Spinning and Weaving Company's workers, Tawfiq said that the development of textile companies begins with the development of cotton cultivation.

He pointed out that the Agriculture Ministry brought a global initiative to oversee the cultivation of 20,000 acres of cotton, adding that LE21 billion will be pumped to develop the industry.

Tawfiq said that a new cotton gin was installed in Fayoum, expected to be more efficient than the old one.

He also promised that the textile companies will regain their strength from the 1930s, in two and a half years, and shift from loss to profit.

Tawfiq announced back in October 2018 that a comprehensive development plan for the spinning and weaving industry within the ministry's companies will be implemented over three years.

The plan includes the development of cotton spinning companies through weaving, dyeing and processing, Tawfiq said.

Source: egyptindependent.com- Sept 15, 2019

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Bangladesh: Apparel sector should not be blinded by technology

If you want to understand the present, look to the past. All the talk right now in apparel supply chains is of new technology, automation and robots potentially replacing humans. We read constantly about how customisation is the future—that consumers want to go online and bespoke their clothing to their own specific requirements. "Personalisation" is the name of the game. Surely it is far better to have personalised products than mass customisation, right? Perhaps so, provided that you are prepared to pay for it, but who is? How many people do we see wearing personalised apparel products?

We also hear talk of 3D sampling. Some claim that textile manufacturers which can't provide 3D samples face an uncertain future. Really? I'd be more inclined to believe such rhetoric if I hadn't been hearing people say the same thing for several years. Surely it can be no coincidence that the people making such claims also happen to be those who have the most to gain from such technology gaining traction—including the manufacturers themselves or the consultants trying to sell this technology.

What about the micro-factory? This concept has been in evidence at several textile exhibitions in the past two years, and there is no doubt it is an interesting idea. A glimpse into the future, perhaps, but there are no guarantees at all that such a future will ever arrive. In theory, the micro-factory turns the traditional textile model on its head, switching from the existing paradigm of "produce-deliver-sell" to "sell-produce-deliver". The system is driven by developments in digital technology, online workflow, laser cutting and digital textile printing.

With production and delivery after the sale, this means that production is essentially demand-led: you only sell what you produce, which is surely better for cash flow, right?

If only it were all this simple, however. Where does such a model fit with the cash flow of a factory in Bangladesh producing millions of units per month? Are such factories going to disappear overnight? Who will take up the slack of this lost production?

We need to remember that global apparel supply chains have, fundamentally, changed very little over the past few years. This is a conservative industry and, let's not forget, an industry of tight margins.

Recently, I was at a textile conference in Switzerland. "How many people in the audience are wearing customised clothing?"—a speaker asked the 120-strong audience. Seven people in the room stood up. I am pretty confident that the answer to this question will be similar next year, and the year after. Change will not happen overnight in apparel production, it will be incremental, and many of the fundamentals will remain the same.

Take 3D sampling, for instance. How widespread is this in the apparel industry? I know of very few who use it, and I also recognise why it has not really captured the imagination of buyers. People still like to feel and touch fabrics, which is why trade fairs around the world are actually busier than ever, and the number of textile exhibitions is increasing all the time. Perhaps this is not a good thing as far as the environment is concerned—all those people flying around the world—but it is a fact that textiles and apparel remain a tactile industry, where people like to touch and feel before placing large orders.

And yet, talk of technology, automation, artificial intelligence, the internet of things and other such phrases creates fear among suppliers. They worry they will be left behind, and that automaton will lead to job losses at factories. Workers themselves worry about "sewbots" replacing people. They worry one machine might be able to do the job of five people.

We have to remember that apparel manufacture is not a high-tech industry. This is not car manufacture or silicone chip production, where the economics of automation stack up. This is the production of low-value items which are sold on for tiny margins.

Also consider the fact that automation technology of varying guises has been around for years in the garment industry. Why is it taking so long for the manufacturers to use it? Perhaps it is because labour is so cheap in this industry, certainly in Southeast Asia. Labour costs are not the burden for manufacturers in garment supply chains that they are in other industries.

It's interesting that such worries have been around for hundreds of years in the textile industry. In English-speaking countries, the word "Luddite" is used as an insult, to describe somebody who has failed to keep up with progress. Yet the term has its origins in the textile industry. In the 19th-century England, the Luddites were a radical, secret oath-based organisation of English textile workers who destroyed textile machinery as a form of protest!

The group was protesting against the use of machinery and they feared that the time spent learning the skills of their craft would go to waste, as machines would replace their role in the industry.

It's amazing that all these years later, we are having the same discussions now. Were the fears of the Luddites realised? Their fears were greatly exaggerated and often misplaced, as they are now.

We have to remember that apparel supply chains have to run before they can walk. Yes, we need to increase productivity and always be thinking about modernisation. But we also need to get the basics right. Many factories still struggle to even pay basic salaries or have poor factory set-up which leads to huge inefficiencies and a lack of optimisation. They can forget about automation on any kind of serious scale until they sort out such issues.

Consider, also, the cost of automation and other technology solutions such as ERP (Enterprises Resources Planning) which we hear so much about. How much do these systems cost to design and implement (remembering that such technology needs to be tailor-made for individual factories)? The costs here can run into several millions of dollars.

The number of suppliers who can afford to invest this kind of money is limited, especially when the benefits for doing so are not entirely proven or clear.

When I think about the use of technology in apparel supply chains, what I do see is a lot of prototypes or pilots. Many are trialling different types of technology for one-off or short batches. But this has always been the case. Factories will always experiment with new ways of doing things, especially when there is little or no risk involved. Translating these efforts into a commercial basis is entirely different. Many of the technologies being trialled may never actually see the light of day on a commercial basis.

I realise there is a danger of sounding like the Luddites I mentioned before, but that is not the case. Actually, there is an area where the use of technology and investments in new systems is actually happening. I could use the word "sustainability" here but I prefer the word "efficiency" for I feel these are actually two sides of the same coin. There are small steps which suppliers can take—and are taking—which help them to save money in terms of reducing water use, reducing electricity use, shifting to more modern boilers, and so on. New technologies in these areas are often relatively inexpensive and the pay-off for suppliers in terms of return on investment can often be in just 12 to 18 months.

Investment in these areas is a low-hanging fruit for textile suppliers. It makes financial sense and the benefits are there to see. It is also worth remembering that there are often grants and other financial inducements available to support these investments, which provide another incentive.

Too many factory owners still need to get the basics right and take the low-hanging fruit on offer; to make better, more efficient use of their existing capital outlays.

They also need to keep in mind that the best technology will only ever be as good as the person who operates it. Good technology is one thing; having the people in place who are trained and educated to operate it effectively, to maximise its potential, is something else entirely.

If we were to have a technology revolution, this would have to go hand in hand with a training and education revolution. This would require wholesale change in garment supply chains such as Bangladesh. The industry is a long, long way from such a scenario.

Source: thedailystar.net- Sept 16, 2019

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Pakistan: Dividends of trade war

At times, a kick in the back is a lot more effective than years of rational arguments. And the China-US trade war might be just that.

Imagine a scenario in which instead of a tariff battle the United States and China have increased bilateral trade to new heights. China increases imports from Pakistan and newspaper headlines blare the country's improving export numbers.

But that is not to be. The trade war between economic giants has suppressed the import demand from Pakistan in China. The trend was reflected in trade data.

Trade war impact on yarn

"Pakistan's cotton yarn exports declined 15.4 per cent to $835.7 million in July-March 2018-19," states the third quarterly report of the State Bank of Pakistan (SBP). Citing Chinese customs data, the report explains that cotton and yarn imports by China dropped by a sizeable 17.2pc last year as part of the trade war with the United States.

Since cotton yarn consists of about 44pc of Pakistan's exports to China, the dip exacerbated the current account deficit and contributed in a small measure to the need to approach the International Monetary Fund (IMF) with a begging bowl. However, the trade war's effect of losing out on exports of raw material and intermediate goods may also have created new and more lucrative opportunities.

Silver lining

In the backdrop of the IMF programme and the trade balance pressure, the drop in textile raw material exports to China came at a time when the country could ill-afford it.
However, it has turned into a blessing in disguise.

"In the last three weeks, we have received a lot of inquiries by US retailers," said Pakistan Textile Exporters Association Chairman Khurrum Mukhtar. "They have lost confidence in China because of which Vietnam, Cambodia and Bangladesh are the biggest beneficiaries. We have not been able to benefit as much as the other countries have but home and garment sectors within the industry are receiving a boost."

Mr Mukhtar went on to explain that while the impact was not significant in dollar terms because of depreciation, the textile sector's quantum of exports had increased by 32-36pc.

Given the noise created by big businesses because of the hardships attributed to the budget, a question arises whether the sector has the capacity to benefit from available opportunities. In Mr Mukhtar's view, there is still 30pc idle capacity that can be utilised to boost exports by $2.5-3 billion. However, a cash-flow crunch remains an issue, he added.

His sentiments were echoed by the adviser on commerce and textiles, Abdul Razak Dawood, in a recent interview with Dawn. Mr Dawood said that the slowdown in textile raw material and intermediate exports to China has benefitted Pakistan in a roundabout manner as they are available at a more competitive price for local manufacturers.

Economic gains of value-addition

	Selling price per quintal (100kg of seed cotton)	Value-added contribution
Raw cotton	Rs3,200	1
YarnRs4,800	1.5	
Grey fabric	Rs7,500	2.25
Garment	Rs25,200	8

Value addition

Though the buzzword 'value-addition' has been in vogue for decades, Pakistan's textile exports lean more towards cotton yarn and woven fabric than apparel.
While teaching a course at the Institute of Business Administration, ex-SBP Governor Salim Raza once shared an illustrative table of price appreciation when seed cotton is processed into a garment.

Though the data in the table is somewhat dated, his argument was that converting cotton into apparel yields the highest factor of value addition.

Manufacturing of yarn and grey cloth is highly mechanised and the processes depend on imported machinery. Therefore, it under-contributes to employment and does not allow Pakistan to leverage its low-cost labour.

Thus, the total factor productivity payback of the industry — i.e. net value added — remains low whereas the reliance on imported machinery remains high. Keeping micro-economic jargon aside, it means that Pakistan is using its inputs in the least efficient manner to get the maximum monetary benefit.

Competing with big boys

The European Union and the United States are Pakistan two's main destinations for textile exports. While the GSP Plus covers exports to the European Union, the US preferential tariff regime GSP does not. Any increase in exports to the US market means Pakistan is competing with the big boys on an equal footing.

In the past, industrialists opted the easy way out of supplying raw materials to competing countries rather than investing in value-addition. One garment exporter and member of the Federation of Pakistan Chambers of Commerce and Industry that Dawn talked to said he had wrapped up his business five years ago because he saw the writing on the wall — that the economy was not headed in a direction for his enterprise to remain commercially viable.

However, the trade war may have created the space for the domestic textile sector to revive hope. The mollycoddled local industries have been protected by import substitution policies for decades. Open competition in the global market while facing a tough macro-economic environment at home may let the industry emerge stronger.

Overly optimistic? Possibly. However, the latest export numbers shared by the adviser on commerce indicate a 17pc increase in readymade garments and 16pc increase in home textiles in July over June. Though a month's numbers do not represent a trend, being forced towards finished goods rather than raw materials may nudge the sector towards stronger and more sustainable growth.

Source: thedailystar.net- Sept 16, 2019

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Pakistan eyes more investment opportunities with Korea

Businessman-turned-bureaucrat Abdul Razak Dawood admits Pakistan lags behind India, Bangladesh and ASEAN countries when it comes to trade with Korea.

But Pakistan's minister for commerce, textile, industry, production and investment also argues that his country is more competitive in terms of free trade zones and other investment opportunities.

His outspoken style is different from career diplomats who are extremely cautious and refrain from making comments that might make their country or neighboring countries look bad.

In fact, Dawood's is far from diplomatic rhetoric and his get-to-the point style can make his partners pay attention. And this is what he did when he met Korean government officials and businesspeople to bolster bilateral trade.

"When I look at the amount of trade and investment from Korea to Pakistan, it's too little," he said during his latest visit to Seoul. "The economic relationship is too low and I am not seeing enough investment from Korea.

"To bring more trade, let's sit down, have working group, roll up our sleeves, do analysis together, and understand each other where we can leverage the strength of Korea and Pakistan together. We want to export more; we have no problem with importing more from Korea."

Pakistan is the 55th largest exporter and 58th largest importer of Korean goods.

In 2018, Korea's exports to Pakistan totaled $604 billion while its imports were $535 billion.
Among the major export items were semiconductors, petrochemicals, auto parts, ships, steel, electronics, plastics and computers.

The imported goods comprised raw materials and industrial input, such as cotton textile goods, ready-made garments, copper scrap, surgical instruments, un-denatured and denatured ethyl alcohol, seafood, salt and mineral and naphtha.

He said Korea's high tariffs on Pakistan products were behind the trade situation.

For instance, the tariff rate for many Pakistan-manufactured clothes was 13 percent, but India and Bangladesh, there were no tariffs for the same products.

"How can we compete?" Dawood asked, adding that he had discussed investment and trade opportunities with Minister of Trade, Industry and Energy Sung Yoon-mo and executives of Korean business lobby groups and conglomerates.

Dawood led an 11-member delegation during the visit.

Delegates included Secretary of Commerce Sardar Ahmed Nawaz Sukhera and Pakistani business leaders.

Darwood — the founder of multinational engineering company Descon and also the Pakistan Business Council — said he would visit Korea again in October as part of efforts to increase dialogue.

To bolster trade, he suggested an Early Harvest Program (EHP) leading to a comprehensive free trade agreement (FTA).

Under the EHP, both sides may exchange a list of 30 to 40 tariff lines for immediate market access to create a level playing field.

According to the Embassy of Pakistan in Korea, both sides may start FTA talks in 2020.

"There must be an FTA with you (Korea), and if an FTA takes a long time, we can do EHP as a starter," Dawood said. "By doing so, we can have an equal opportunity to compete."

Under the "Invest Pakistan" campaign, Pakistan has highlighted its population of 200 million people, with 55 percent aged 19 or under.

This bodes well for long- term sustainable economic growth, according to the embassy.

A large part of the workforce is proficient in English, while there is a large pool of trained and experienced engineers, bankers, lawyers and other professionals, many with substantial international experience.

"We're cheaper compared to India, Vietnam, Bangladesh, and Sri Lanka — we're the cheapest and we deliberately want to keep it cheap," Dawood said.

He also said Pakistan was located "to become Asia's premier trade, energy and transport corridor."

As the gateway to Central Asian countries, the Gulf States and Far East countries, Pakistan is a marketplace teeming with possibilities.

Dawood said Pakistan's special economic zones are designed to compete globally and to attract foreign direct investment. The zones offers industrial clusters with liberal incentives, infrastructure, investor facilitation services to enhance productivity and reduce costs of doing business for economic development and reducing poverty.

Dawood highlighted textiles, leather, light engineering, food processing and pharmaceuticals among preferred investment sectors.

"I would love to see a greater Korean footprint in Pakistan," he said.

Asked about concerns that the China-Pakistan Economic Corridor (CPEC) had put Pakistan in a debt trap, he said the CPEC would not affect Pakistan's relations with other countries.

CPEC is a megaproject connecting Pakistan's Gwadar Port to China's northwestern region of Xinjiang with highways, railways and pipelines.
"Whatever we do with China does not affect our relationship with Korea, Japan, the United States and Europe," he said. "We're telling the world we're not only cooperating with China, we're cooperating with everyone."

Pakistan-Korea relations have gone through various phases during the last five decades.

From 1948 to 1960, as a committed member of the Western alliance, Pakistan supported South Korea until the peninsula's division into North and South Korea.

In 1968, both North and South were allowed to establish consular missions in Pakistan.

In 1980, a Consulate General was opened in Seoul, and in November 1983 diplomatic relations were raised to ambassadorial level.

The first visit of a Korean Prime Minister to Pakistan was undertaken by Chung Hong-won in 2014. This was the highest level visit from Korea to date.

At the invitation of then-President Lee Myung-bak, Pakistani President Asif Ali Zardari visited Seoul in December 2012.

Source: koreatimes.co.kr- Sept 15, 2019

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NATIONAL NEWS

Govt assessing cash outgo on proposed scheme of input tax reimbursement for exporters

Proposal to extend RoSCTL scheme to all export sectors to be finalised by Commerce Ministry for Cabinet nod

The Department of Expenditure is examining the financial implications of the proposed extension of the new input tax reimbursement scheme, the Rebate on State & Central Taxes & Levies (RoSCTL), for all export sectors.

The implementation of the RoSCTL scheme, so far extended only for garments and made-ups, will be done in a phased manner for all sectors in tandem with the phasing out of the Merchandise Export Incentive Scheme (MEIS). The popular MEIS scheme is not compliant with World Trade Organisation rules.

"The DoE had asked for an Expenditure Finance Committee memorandum on the proposal which had been sent by the Directorate General of Foreign Trade. The DoE will now have some meetings with the EFC for appraising the new scheme following which it can be sent to the Union Cabinet for clearance after incorporation of views from other Ministries and Departments," a government official told BusinessLine.

The Ministry of Commerce and Industry had floated a draft Cabinet note on the RoSCTL scheme in July. The proposal was to extend and implement the RoSCTL for all sectors in a phased manner, on the lines of the garments and made-ups sectors, along with phased MEIS removal. A similar scheme was approved by the Union Cabinet for the garments and made-ups sectors in March.

WTO conditions

"The MEIS scheme for the textiles sector has to definitely go first, as its phase-out period ended in 2018 as per the WTO rules. However, it is also not possible for the scheme to continue for all other sectors for long. This is because India as a country may no longer be eligible for export subsidies under the multilateral regime because its per capita Gross National Income exceeded the $1,000 mark long ago," the official said.

The US has already challenged India's export subsidy schemes, including the MEIS, at the WTO.

The RoSCTL, which replaces the Rebate of State Levies (RoSL) scheme that reimbursed only certain State taxes, includes all embedded and other taxes that are not covered under existing schemes.

These include value added tax on fuel used in transportation, captive power, farm sector, mandi tax, duty of electricity, stamp duty, embedded SGST and CGST paid on inputs and central excise duty on fuel. The maximum rate of rebate for apparel was fixed at 6.05 per cent and for made-ups at 8.2 per cent.

The reimbursement of duties under the RoSCTL is through freely transferable scrips that can be used to pay duties.

Source: thehindubusinessline.com - Sept 14, 2019

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Uncertainty ends for exporters with new incentive scheme, but details sought

FM Nirmala Sitharaman's promise of higher export credit, electronic refund of ITC, lower turnaround time at ports welcomed

Ending uncertainty for exporters, the government has announced a new scheme for reimbursing input duties and taxes to replace the popular Merchandise Export Incentive Scheme (MEIS) which is not compliant with world trade rules.

Some exporters, however, are awaiting more details on the new scheme, called the Remission of Duties or Taxes on Export Promotion (RoDTEP) scheme, as they are unsure if it would offer them higher incentives than what they are getting at present.

Most export sectors, such as garments and textiles, leather and engineering goods have been demanding higher sops to combat a fall in exports in the on-going fiscal.

New schemes

Finance Minister Nirmala Sitharaman announced a number of other measures to boost dipping exports including early extension of priority sector lending (PSL) norms for export credit, a fully automated electronic refund route for Input Tax Credits (ITC) in GST and reducing the turn around time for exports at ports and airports.

The new export incentive scheme will “more than adequately” incentivise exporters as compared with all existing schemes put together, and it will be implemented from January 1 2020, Sitharaman said at a press conference today. The revenue foregone for the new scheme is estimated at up to Rs 50,000 crore per annum.

While some exporters are optimistic about the new scheme, others are sceptical. “The new scheme looks attractive as it will neutralise all duties and levies suffered by export products,” Sharad Saraf, President, Fieo, expressed hopes. Giving three months lead time till December 31 to the existing MEIS will remove the uncertainty creeping in the minds of the exporters and will greatly help to finalise their export orders, he added.

“On the face of it, this just seems to be a replacement of MEIS and other existing export benefits. The most critical issue issue will be how the RoDTEP will be calculated,” Sanjay Jain from the Confederation of Indian Textiles Industries (CITI), pointed out.

Most exporters, however, are positive about the announcement that PSL norms for export credit have been examined and enabling guidelines are under consideration of the RBI, which will release an additional Rs. 36,000 cr to Rs 68,000 cr as export credit under priority sector.

Exporters enthused

The promise of bringing down the turnaround time for shipments at Indian ports and airports and make them comparable to the very best existing in places such as Shanghai and Boston, has also enthused exporters.

“Committing more credit to exporters, bringing down the turnaround time at the ports at par with global standards and making the tax rebate schemes WTO-compliant with particular focus on labour-intensive sectors like textile and handicraft would lift the sentiment in the export sector," said ASSOCHAM president BK Goenka.

Saraf expressed hopes that expanding the scope of Export Credit Insurance Scheme (ESIC) by ECGC will enable reduction in overall cost of export credit including interest rates especially for MSMEs.

India's exports contracted by 6 per cent in August 2019 to $26.13 billion with major sectors including gems and jewellery, petroleum, ready-made garments and engineering goods posting a fall. The overall exports in the April-August 2019-20 period is also lower by 1.54 per cent to $133 billion.
Source: thehindubusinessline.com - Sept 14, 2019

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Existing export policy to be replaced with Rs 50,000 cr scheme, all you need to know

Finance minister Nirmala Sitharaman on Saturday announced a new Rs 50,000-crore scheme to make exports zero rated and replace the government's flagship, but WTO-incompatible, Merchandise Exports From India Scheme from January 2020 to boost faltering outbound shipments that have contracted twice in the past five months.

Since potential revenue forgone in the current MEIS is around Rs 40,000-45,000 crore year, the new scheme —which will reimburse all taxes and duties paid on inputs consumed in exports in sync with WTO norms — is expected to cost the government an additional Rs 5,000-10,000 crore a year. The existing remission of central and state levies scheme, meant for just garments and made-ups exports, will also be subsumed by the new scheme called Remission of Duties and Taxes on Export Product.

Sitharaman also announced a raft of other measures, including easier priority-sector lending norms for exports, greater insurance cover under ECGC and lower premium for MSMEs to avail of such cover, to ensure that exporters get larger credit at cheaper rates. The Reserve Bank of India will soon declare the relaxation in priority-sector lending norms for exports, which will release an extra Rs 36,000-48,000 crore loans to this sector that has witnessed a persistent contraction in credit.

The Export Credit Guarantee Corporation (ECGC) will also offer up to 90% insurance cover to banks lending working capital to exporters, against 60% now. This will likely make banks more comfortable to lend to exporters. As per the government's assessment, rupee credit will be available to exporters at a cheaper rate of around 8% and dollar credit at around 4%. Similarly, the premium incidence of MSME to avail of such insurance cover will be trimmed, which could cost the government Rs 1,700 crore a year.

Recently, commerce and industry minister Piyush Goyal told the Rajya Sabha that banks' outstanding export credit, which rose from Rs 1,85,591 crore in March 2015 to Rs 2,43,890 crore in March 2018, dropped to Rs 2,26,363 crore at the end of March 2019.

FE had on August 11 reported that the government was considering a new scheme to fully reimburse imposts exporters pay and also easier lending norms. Additionally, the minister said a slew of steps will be initiated to make Indian exports more competitive — by reducing turnaround time at ports, sensitising exporters through a mechanism to better exploit India's various free trade agreements and overcome non-tariff barriers imposed by others (especially countries like China).

Coming to the relief of exporters, especially the MSMEs who take working capital loans to pay input credit taxes, the finance minister said refund process will be expedited through a completely-automated mechanism.

Similarly, an inter-ministerial group will be set up monitor export finance data, along with the RBI, to ensure swift intervention, if required. Exporters' body FIEO president Sharad Kumar Saraf said: "Slew of new measures announced for the exports sector in the form of incentives and refund of taxes, export finance, export facilitation, free trade agreements, engineering and handicrafts will not only go a long way in enhancing the growth prospects of the sector in the short-term, but will also give it a much needed boost in the medium-term and long-term and will stimulate the overall economy."

To promote handicrafts, yoga, tourism, texiles and leather, the government will organise Dubai-like annual mega shopping festivals in four places in March 2020. To prevent misuse of the rules of origin, especially in cases where free trade agreement is in effect, the government will set up an Online

Origin Management System. This will enable exporters to fast obtain certificates of origin of products.

As for the taxes on inputs consumed in exports, though the goods and services tax (GST) regime has subsumed a plethora of levies, some still exist (petroleum and electricity are still outside the GST ambit, while other levies like mandi tax, stamp duty, embedded central GST and compensation cess etc remain unrebated). The MEIS, exporters have complained, doesn't offset all the taxes, so the new scheme will be beneficial to them.

The move comes at a time when the US has dragged India to the WTO, claiming that New Delhi offered illegal export subsidies and "thousands of Indian companies are receiving benefits totaling over $7 billion annually from these programmes". Indian officials have rejected such claims.

Source: financialexpress.com- Sept 15, 2019

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Knitwear exporters hail FM Nirmala Sitharaman announcement to boost exports

Tirupur Exporters Association on Saturday thanked Finance Minister Nirmala Seetharaman for announcing new measures to boost exports and for considering the continuance of MEIS (Merchandise Export from India Scheme) at four per cent till December end. TEA President Raja M Shanmugham in a release also thanked her for annoucing revised priority sector lending norms for exporters, which will release an additional funding of Rs 36,000 crore to Rs 68,000 crore to them.

He welcomed the announcement that leverage of technology would be used to reduce Time to Export or Turnaround Time, which would give a cushion to export units and help meet delivery schedules and also reduce logistics costs.

The measures would give confidence to the struggling Tirupur knitwear export sector, he said and hoped that the pending amount would be reimbursed expediently.

Source: financialexpress.com – Sept 14, 2019

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MEIS+RoSL to persist for textiles till Dec 31: Sitharaman

While the Scheme for Remission of Duties or Taxes on Export Product (RoDTEP) will replace the Merchandise Exports from India Scheme (MEIS), the existing dispensation of MEIS plus old Rebate of State Levies (RoSL) will continue in the textile sector up to December 31, minister of finance and corporate affairs Nirmala Sitharaman announced today.

New Measures to Boost Exports
Incentives and Taxation

1. Extend the scheme of Reimbursement of Taxes & Duties for Export promotion	• Scheme for ***Remission of Duties or Taxes on Export Product (RoDTEP)*** will replace MEIS. • Existing dispensation in textiles of MEIS + old ROSL will continue up to 31.12.2019 • Textiles and all other sectors which currently enjoy incentives upto 2% over MEIS will transit into RODTEP from 1.1.2020 • In effect, RODTEP will more than adequately incentivize exporters than existing schemes put together. • Revenue foregone projected at up to Rs. 50,000 crores
2. Fully automated electronic refund route for Input Tax Credits (ITC) in GST	• **Fully electronic refund module** (FORM GSAT RFD-01) for quick and automated refund of ITC nearing completion and will be implemented by end September 2019. • This is expected to monitor and speed up ITC refunds.

Textiles and all other sectors that enjoy incentives up to 2 per cent over MEIS will transit into RoDTEP from January 1, Sitharaman said while announcing a slew of measures to boost economic growth.

“In effect, RoDTEP will more than adequately incentivise exporters than existing schemes put together,” she said in her presentation to the media. The cost to the exchequer because of RoDTEP is projected at around ₹50,000 crore.

The announcement comes in the backdrop of India's merchandise exports declining by 6.05 per cent to $26.13 billion in August compared to the figure in the same month last year.

The government will also soon start organising annual mega shopping festivals at four destinations in March next year to facilitate exchange between global producers and consumers, she said. The festivals will cover four themes: textiles; leather; gems and jewellery; handicrafts,, tourism and yoga.

She said there will be a fully automated electronic refund route for input tax credits (ITC) in goods and services tax (GST) that will be implemented by September end. This is expected to monitor and speed up ITC refunds.

A special dispensation will be offered for facilitating and on-boarding handicrafts artisans and handicraft cooperatives directly on e-commerce portals to enable seamless exports. With the help of organisations like the Tribal Cooperative Marketing Development Federation of India (TRIFED), artisans across India will be enrolled, she said.

Technology will be leveraged to further reduce 'time to export' through digitisation of all export clearances at ports, airports and customs offices and by eliminating manual services. An action plan to reduce the turnaround time at airports and ports adhering to international standards will be implemented by December.

The actual turnaround times will be published in real time for each port and airport for improved performance, she added.

Source: fibre2fashion.com – Sept 14, 2019

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India to host Dubai-like mega shopping fests to boost exports

As part of the steps taken to boost exports, India will organise annual mega shopping festivals, similar to the ones held in Dubai, to facilitate exchange between global producers and consumers, finance minister Nirmala Sitharaman said on Saturday.

She said that these "mega shopping festivals" will be held at four destinations across the country and their themes will vary from gems and jewellery, textiles and leather to yoga, among others.

The finance minister also announced a new scheme - Remission of Duties or Taxes on Export Product (RoDTEP) - to incentivise exporters at an estimated cost of Rs 50,000 crore.

India's merchandise exports declined by 6.05 per cent to $26.13 billion in August compared to $27.81 billion reported in the corresponding period of the previous year.

Sitharaman further said that steps will also be taken to enable the handicrafts industry to effectively harness e-commerce for exports.

"Special dispensation for facilitating and on-boarding handicrafts artisans and handicraft cooperatives directly on e-commerce portals to enable seamless exports, and mass enrolment of artisans across India with the help of the textile ministry and organisations like TRIFED and CIE will take place," she said.

Sitharaman on Saturday announced a slew of measures to bolster declining exports.

Source: timesofindia.com – Sept 14, 2019

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'Speedy ITC e-refunds can boost exports'

Quick reimbursement to ease fund crunch, says industry; RoDTEP, a relief to labour-intensive sectors'

The government has taken prompt and adequate measures to boost exports, say exporters and analysts, reacting to Finance Minister Nirmala Sitharaman's announcements for the sector.

"The provision for Remission of Duties or Taxes on Export Product (RoDTEP) and replacing the existing Rebate of State and Central Taxes and Levies (RoSCTL) scheme on export of garments and made-ups should ease the existing financial crunch," said Govind Zanwar, vice president, Vibrant Terry Towel Global Expo and Textile Development Foundation (TDF), which is planning large-scale exports of terry towels to the U.S.

“The fully automatic electronic refund for Input Tax Credit (ITC) and the Interest Equalisation Scheme (IES), will also help boost exports, particularly in the textiles sector. A quick reimbursement is much needed to ease financial scarcity,” he added.

He said priority sector lending (PSL) would also help, and labour intensive sectors such as textiles and leather industry should be included in it.

Taking advantage of the decision of the U.S. to hike duty on towel imports from China to 15%, Indian exporters of terry towels are eyeing higher exports to the U.S., which imports about ₹22,500 crore worth of the products every year. India currently accounts for only ₹5,200 crore of this.

Products to turn cheaper

“Now, we have a better chance as our products will now be cheaper for importers from the U.S.,” Rajesh Goski, president, Textile Development Foundation, said.

Terry towel manufacturers from Solapur are hoping to increase capacity with a target to grow their revenue from ₹1,200 crore to ₹5,200 crore by 2022, of which the bulk would be from exports.

Analysts said the new measures announced by the FM sent a clear message that the government was giving top priority to reviving growth in the economy.

“The measures relating to housing and export promotion like textiles will provide a big boost to employment too since these are labour intensive industries,” said V.K. Vijayakumar, chief investment strategist, Geojit Financial Services.

S. Ranganathan, head of Research at LKP Securities said, “Exporters in labour-intensive sectors should be happy with the new RoDTEP scheme from January 1, 2020 as it proposes to more than adequately incentivise exporters. Speedy ITC refunds and higher insurance cover for exporters should help.”

Source: thehindu.com– Sept 14, 2019

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Man-made yarn imports up multi-fold in July

While imports of all products in the man-made fibre (MMF) value chain has steeply increased since the introduction of GST, destructing the domestic manufacturing industry, imports of polyester and viscose spun yarn have particulalry shot up multi-fold lately.

Imports of polyester yarn increased 193 per cent from 29,08,000 kg in July 2018 to 85,35,000 kg in July 2019. Similarly, viscose yarn imports shot up 342 per cent from 6,47,000 kg in July last year to 28,58,000 kg in July this year.

In the one-year period between July 2018 and June 2019, there has been substantial rise in the imports of all MMF products. MMF yarn and apparel imports have gone up 83 per cent and 84 per cent, respectively. "The main reason is the removal of countervailng duty post-GST, which overnight made imports more than 12 per cent cheaper.

Import duty on fabrics and garments was subsequently increased by the government to control imports, hence the import of fabrics has been relatively under control, but garments due to FTAs could not be controlled by this measure," said Sanjay K. Jain, Chairman, Confederation of Indian Textile Industry.

According to him, the woes have further aggravated this fiscal as the imports of polyester and viscose spun yarn in quantity terms increased by about 71 per cent and 78 per cent respectively during April- July 2019 as compared to a year ago period.

"Rising imports are impacting the domestic MMF yarn and garments manufacturers in a big way. It is also not in favour of government's "Make in India" initiative and is acting as a big disincentive for the upstream industry from investing," he said.

There are certain structural issues like relatively higher fibre, power and interest rates, which have made the upstream industry costlier and hence attracting cheaper imports from other countries.

Further under the GST regime, MMF textile products suffer from an inverted duty structure as MMF fibre, yarn and fabric attracts GST at the rate of 18 per cent, 12 per cent and 5 per cent respectively. This has resulted in heavy blockage of working capital plus GST paid on capital goods, services and certain inputs being added to cost in the hands of the MMF textile buyer.

These taxes are not considered for calculation of refund of input tax credits and made MMF textiles costlier.

The textile industry has sought rationalization of GST rate for MMF products at 5 per cent. "India, despite having world class fibre manufacturing capacities, is losing out to competitors like Bangladesh and Vietnam who import their fibre requirements.

The textile industry cannot meet its $350 billion target unless the MMF segment of industry grows at double digit rate in the years to come," added Jain.

Source: deccanchronicle.com– Sept 16, 2019

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Terry Towel Global Expo and Summit 2019 from 25-27 Sept

The Vibrant Terry Towel Global Expo and Summit 2019 will be held in Solapur between 25 to 27 September bring together people involved in sector from cotton growers and manufacturers to traders, exporters and importers on a platform to harness marketing and export opportunities for terry towel producers and to close the gap between producers and consumers.

A press release said, the expo will be held at Karmaveer Appasaheb Kadadi Sanskrutik Bhavav, Siddheshawar Sahakari Sugar Factory Area, Hotgi Road, Solapur.

Organized by the Textile Development Foundation in association with Global Network (International Trade Advisory) and supported by Minister Co-operative, Marketing and Textile, Maharashtra this expo will be showcasing a variety of towels along with jacquard woven terry towels and other bath linen products to forge businesses.

Source: newstodaynet.com– Sept 13, 2019

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A special fund to finish NPA projects

It is welcome that the government keeps up the momentum of its efforts to shore up flagging growth, in a situation where sentiments matter at least as much as actual economic data. Finance minister Nirmala Sitharaman's third booster shot for the economy comprised a housing package worth Rs 20,000 crore and an export package worth Rs 50,000 crore. These are welcome, even if neither is likely to quite set the Yamuna on fire in the near future.

The export package, imaginatively called the Remission of Duties or Taxes on Export Products (RoDTEP), and claimed to be World Trade Organisation-compliant, will reimburse taxes, duties and cess on petroleum products and electricity and other embedded non-GST levies that add on to the value of the export. It would be advisable to not seek to compensate the exporter for pending input tax credit for GST under the scheme: the exporter could claim a separate round of GST refunds, and make the system vulnerable to charges of subsidy at the WTO and charges of causing loss to the exchequer at the hands of the Comptroller and Auditor General.

In any case, this will not boost exports in the short run and does not offer immediate stimulus. The housing package also turns out to be less attractive on closer examination of the conditions attached. Funds from a special facility of Rs 20,000 crore would be available to housing projects, provided: one, the projects have not defaulted on payments and, thus, have not become non-performing assets or been referred for bankruptcy resolution, two, these are at least 60% complete, and, three, each home in the project costs less than Rs 45 lakh. A loan that is satisfactorily serviced for a project that is 60% complete should qualify for regular financing; why does it need a special facility?

In fact, a significantly larger special facility is needed to take over and complete projects that have defaulted on loans and are stuck. This is where bold government action is called for. Chuck out defaulting promoters, but get the projects completed and bring them to the market. That would be stimulus.

Source: economictimes.com– Sept 15, 2019

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Decoding Slowdown: What's ailing India's exports?

The UNCTAD's Statistics and Trends in International Trade report of 2019 says the international trade in the past few years was marked by an anaemic growth (2012-14), then a downturn (2015 and 2016) and a strong rebound (2017 and 2018). The rebound was due to (a) a global upturn in output and investment and (b) recovery of commodity prices.

However, it warns that the future does not look bright because the global output is unlikely to increase substantially and commodity prices are projected to stabilise or even decrease. The second half of 2018 (financial year) has already shown a loss of momentum in both economic growth and international trade. Further, there is an "increased uncertainty" in trade with the weakening of multilateral trading system, the trade war between China and the US, difficulties within the European Union etc., all of which would weigh down on the future patterns of international trade.

This means more challenging times ahead of India. It would have to shift the focus away from primary goods like cotton, cereals, fish, meat etc., which figured in top 20 high-value export items in 2018 in US dollar terms, and low-tech products to high-value medium and high-tech manufacturing goods.

India's share in high-value global export of goods

The WTO's World Trade Statistical Review of 2019, which analysed trade patterns between 2008 and 2018, says manufactured goods continue to dominate world trade with its share going up from 66% to 68% during this period. Of the other two key components, fuels and mining products went down from 22% to 19% and agricultural products went up from 8% to 10% during the period.

Analysis of trade data shows medium and high tech manufacturing goods dominating the world exports in US dollar term. The graph below presents the top 10 high-value export goods for three (financial) years -- 2016, 2017 and 2018.

In contrast, India's export has a large presence of primary goods and low technology products. Moreover, some of these items, like pharmaceuticals, oil products, auto components, and diamond are import-dependent.

India has been struggling to achieve 2% share of the world export in US dollar terms, with its share hovering around 1.5-1.7% between 2010 and 2018. Its share of top high-value traded goods also remains poor.

The table below gives India's share in the top 10 high-value globally traded commodities, which is self-explanatory.

Prof Nisha Taneja of the Indian Council for Research on International Economic Relations (ICRIER) points to a mismatch between the world export of high-value goods and that of India by saying that almost 70% of India's exports in 2018 were of primary and low technology goods, which constituted only 40% of the world exports. As world exports are now accounted for largely by medium and high technology goods, India is not in tune with the changing demand for exports.

The Chairman of the CII's National Committee on Exim, Sanjay Budhia, says India has a very low share of the world's top import items like electronics and machinery. In 2018, India's exports of electronics and machinery were worth $11.8 billion and $20 billion, respectively, while those of the global exports were worth $2.8 trillion and $2.3 trillion. India's exports of mineral fuels, gems and jewellery and pharma products were reasonable though. However, he says India's export share is not commensurate with its GDP.

A 2018 UNCTAD report said India's trade imbalance was exceptional in the world as its trade deficit was large relative to both its GDP and overall world trade imbalances.

What ails India's export of goods

Prof Taneja says some impediments to exports of manufactured goods have been there for a long time. For instance, poor infrastructure, intermittent and inadequate power supply, high transaction costs, rigid labour markets and inadequate labour skills have continued to plague India's competitiveness. As the world is going through an unprecedented technological change with digitisation at its core, India needs to deal with persisting and new challenges.

Prof Biswajit Nag of the Indian Institute of Foreign Trade (IIFT) says what India needs most is skill, followed by product, process and value-chain up-gradations and improvement in trade-related infrastructure. He says skilling is of greater significance because it can link employment with export. Moreover, since product lifecycles have shortened, experience learning (learning from other's mistakes) needs to be much faster now. He also emphasises the need for policies and incentives to link innovation with trade, trade with global value chain and skill with trade, besides a holistic approach to infrastructure development.

The Niti Aayog's Strategy for New India@75 lists high logistics costs as a major impediment to exports. It says India's logistics costs are estimated at 14% of its GDP while that for other countries, except China, is far lower: 9% for the US, 11% for Japan, 12% for South Korea and 14.9% for China.

It says a 10% decrease in logistics cost has the potential to increase exports by 5-8%.

Areas of focus for the future

Prof Taneja says new technologies have the potential to profoundly transform trade in which India lags far behind. Not only does India need to embrace new technologies to deal with its traditional goods exports, but it also needs to move up the value chain and export medium and high technology goods so that its participation is in line with world exports. India's trade policy would have to be geared to achieve these goals.

A 2019 ICRIER study, Climbing up India's Manufacturing Export Ladder: How Competitive are Intermediate Goods?, says the global trade in intermediate goods (defined as inputs, providing value-added in production which is traded for further processing) is rising, accounting for almost two-thirds of the total, and India's share in export of such goods has risen from 31.18% in 2011 to 32.52% in 2016 in its total exports. It identifies 15 intermediates-market combinations where India is most competitive - chemicals, iron and steel articles, glass products, plastics, and leather intermediate inputs and cotton yarn etc. - Europe is considered as the best destination for India's intermediates.

Click here for more details

Source: businesstoday.in– Sept 15, 2019

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RCEP deal may have pushed government to announce exports package

The impending conclusion of negotiations for the contentious Regional Comprehensive Economic Partnership (RCEP) trade deal may have forced the Indian government to announce a comprehensive package for exporters—akin to a mini foreign trade policy—to boost their competitiveness.

“Announcing a package for exporters had become inevitable given the disadvantage that the RCEP deal may put some exporters," said a government official speaking under condition of anonymity.

While steel, MSME, agriculture, and dairy industries have been vocal against the trade deal, pharmaceutical and cotton industries may benefit from the trade agreement.

In clearest sign so far that India is inclined to sign the free trade agreement with the 16 member grouping which also includes China, trade minister Piyush Goyal last week said the government will protect its national interest while signing the RCEP deal.

“Prime minister Narendra Modi has directed me to enter RCEP negotiations while taking all steps to protect the domestic industry. At the same time, we have to keep in mind the opportunity to increase business activities of new technology, new foreign investment and opening up of the services sector, new market access to Indian exporters. Otherwise, Indian exporters will be at a disadvantage," Goyal had told reporters after hearing concerns of exporters on trade remedial measures.

Finance minister Nirmala Sitharaman on Saturday announced a package to boost exports that included a new WTO compatible scheme named Remission of Duties or Taxes on Export Product (RodTEP) to reimburse all central and state taxes paid by exporters; fully electronic refund of input tax credit; cheaper dollar and rupee credit for exporters including priority sector lending norms.

The package also included export facilitation measures including leveraging technology to reduce turnaround time at ports and airports to international standard and online system for getting Certificates of Origin of goods. To address lower utilization of free trade agreements, a senior commerce ministry official will now head a “FTA Utilisation Mission" to spread awareness about preferential benefits available under FTAs that India has signed and put in place an effective FTA monitoring system. Exporters now will also have to adopt all necessary technical standards to make Indian exports more competitive. This will also help government put in place stringent norms to check low quality imports.

In the RCEP Ministerial concluded last week in Bangkok, member countries resolved to conclude negotiations by November. Commerce ministry officials also feel that if India has to sign the deal, there is no point further dragging it as it may lead to higher ambition from member countries.

On Saturday and Sunday, officials from other RCEP member countries met in Delhi to discuss India’s proposal to put in place an “auto trigger" mechanism which would mean a member country would have the option to raise duties if it sees sudden surge in imports on particular items from a partner country.

The RCEP is a proposed trade pact between the 10 countries of the Association of Southeast Asian Nations and their six FTA partners, including Australia, China, India, Japan, Korea, and New Zealand. It accounts for 25% of global gross domestic product, 30% of global trade, 26% of foreign direct investment flows, and 45% of the world’s population.

India has been seeking a more balanced outcome of the RCEP deal with a strong agreement on services trade, including a deal on easier movement of skilled manpower.

However, most members are reluctant to accept India’s proposal. With India’s trade deficit with China and RCEP in 2018-19 standing at $53.6 billion and $105 billion, respectively, it is apprehensive that further liberalisation in tariffs to China could be detrimental to its domestic industries.

Source: livemint.com– Sept 16, 2019

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Apparel makers stitch low-priced lines for etailers

Companies aim to expand distribution, tap 18-24 age group of Flipkart, Amazon customers.

Top apparel brand owners including Aditya Birla's Madura Fashion & Lifestyle, the Landmark Group and the Bestseller Group are deepening their partnerships with online retailers Flipkart and Amazon, as they seek to expand their distribution and consumer base by introducing lower-priced, exclusive ranges that are not made available in physical stores.

Madura Garments-owned Peter England has launched a University line, exclusively for college goers online. Puma, Pepe Jeans, Bestseller's Jack & Jones and Vero Moda, and United Colors of Benetton have also rolled out online-only, affordable ranges. Levi's relaunched Denizen to target this consumer set.

Luggage brands are also selling their products exclusively through these ecommerce sites. These include Georgia, Copa and Camp from American Tourister, the Thorium range of Safari and Skybags' Rubik.

"As much as 50% of what sells on the Flipkart Group (Myntra and Flipkart) today for us, is exclusive to the platform," said Puma India managing director Abhishek Ganguly. Ecommerce channels offer brands the opportunity to tap a younger, more digital-savvy 18-24 age group, while curbing the costs of distribution, technology and supply chain.

Bestseller India curates special collections for customers shopping online, chief executive Vineet Gautam said. "In retail stores, the target customer is generally 25-40-year-olds, people who have worked 4-5 years, whereas the ecommerce market has exposed us to a younger consumer base of 18-25 years," said Vasanth Kumar, MD, Lifestyle International owned by Dubai-based Landmark Group.

Last month, Lifestyle partnered with the Flipkart Group to sell nearly a dozen of its private labels, and plans to launch an exclusive online range next year. Online already contributes 5% to Lifestyle's overall sales, Kumar said, adding that prior to the Flipkart partnership — three weeks back — that number was 3%.

Over the last few years, brands have realised the potential that online holds, and are actively collaborating closely, ecommerce companies said. "In the initial days, online was used as a liquidation channel, but slowly brands have realised that the number of stores they can open and the number of towns they can reach through organised retail is limited, and online is the only way to reach a wider customer set," said Rishi Vasudev, a senior vice-president at Flipkart who oversees all of fashion for the group, including at Myntra.

Brands, too, acknowledge the widespread reach that online offers. "A large part of our online sales comes from markets where we are not physically present. To cater to their prices, and style, we curate collections for online," said Gautam from Bestseller.

Launching unique online-only lines also helps brands distinguish their retail stores experience, and at the same time assure offline franchise that their business is not competing with online. FMCG companies including Coca-Cola and ITC are also looking at online channels for testing products and striking partnerships.

The push from brands to expand revenue avenues comes at a time when businesses are witnessing weak retail sales owing to sluggish consumer sentiment and a slowing economy. "We are currently in a challenging market where the secondary demand has definitely seen weakness," Kulin Lalbhai, the executive director at Arvind, said on the company's earnings call. This sentiment is mirrored across most retail brands.

Industry observers say targeting the online consumer is increasingly getting important to explore, given that Reliance Industries is entering ecommerce. The group has a portfolio of more than 50 international brand licences, including for Diesel, Burberry, Marks & Spencer and Tumi, and at least 13 private label brands like Rio, Fig, Hushh and Netpay, along with over 700 retail stores.

In 2017, Shoppers Stop, which has about 80 stores and operates HomeStop, Crossword, and MAC, raised an investment from Amazon, giving the company access to offline and online channels for distribution. “These partnerships will change the landscape of fashion retail as we know it today,” said a consultant tracking the retail space. As of date, Amazon India’s share in fashion is a third of the Flipkart Group (including Myntra and Jabong), industry sources indicate.

Source: economictimes.com– Sept 16, 2019

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Push to exports

120 million workers need reskilling due to automation Push to exports: The third round of the stimulus addresses structural problems faced by exporters

The Centre on Saturday has claimed that green shoots of a turnaround are visible in terms of industrial growth

Faced with a 1.53 per cent fall in April-August exports in dollar terms (a 6 per cent drop in August, year-on-year), it was only appropriate that the Centre should unveil measures to boost this sector, which accounts for about 20 per cent of the GDP and has a significant MSME presence (40 per cent of output). Besides unveiling a scheme for ‘Remission of Duties or Taxes on Export Products’ (RoDTEP), which seeks to compensate exporters for levies outside the GST net, the Centre has also taken note of some supply bottlenecks. The RoDTEP will replace existing support schemes, such as the Merchandise Export Incentive Scheme, which have run into trouble at the WTO.

While the Centre claims that the RoDTEP is WTO-compliant, the contours of the scheme are not clear. India’s export subsidies have been challenged on macro-economic grounds; the US and others have contended that India can no longer claim ‘special and differential treatment’ for its domestic sectors as its per capita income has crossed the $1,000-level. The export sector needs not just easy credit, for which the priority sector space has been expanded, but also the capacity to access markets and information in a digitised world. An automated refund of input tax credit (exports are zero rated) should ease working capital concerns of MSME exporters.

It is noteworthy that the Centre has sought to address two significant structural problems: reducing export turnaround time in ports and airports and improving product standards. The Economic Survey 2016-17 points out how “the costs and time involved in getting goods from factory to destination are greater than those for other countries”, such as China, Bangladesh and Sri Lanka. India’s logistics cost, it observes, is $7 per km of road transport, against $2.4-2.5 in the case of China, $3.9 in Bangladesh and $3 in Sri Lanka.

A working group for the enforcement of technical standards in industrial products could help overcome the problem of non-tariff barriers. The plan to create a certification infrastructure in PPP mode is a welcome move. However, agriculture exports too require enforcement of similar standards to overcome rejection on sanitary and phytosanitary grounds.

India’s exports are likely to face global headwinds in current times on account of the US-China trade war, endemic global slowdown and the rise of protectionism. Yet, it should be possible for India to create niche markets and brands. Exports require an investment in clusters and infrastructure, rather than essentially unsustainable subsidies in some form or the other. A depreciating rupee should be made to work to India’s advantage.

The Centre on Saturday has claimed that green shoots of a turnaround are visible in terms of industrial growth. A renewed push to affordable housing by easing finance confirms the general thrust to revive the economy through a credit push and fiscal incentives to business rather than public investment. This bias should be reviewed.

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