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IBTEX No. 244 of 2019 December 16, 2019

US 70.96 | EUR 79.01 | GBP 95.01| JPY 0.65

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19043	39800	**71.46**
Domestic Futures Price (Ex. Warehouse Rajkot), December		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19180	40086	**71.98**

International Futures Price

NY ICE USD Cents/lb (March 2020)	66.80
ZCE Cotton: Yuan/MT (May 2020)	13,355
ZCE Cotton: USD Cents/lb	86.72
Cotlook A Index – Physical	**76.40**

Cotton Guide- The settlement figures might be negative but the overall sentiment for a few days still remains positive. The ICE contracts have approached their resistance levels and shall improve from here before a sharp drop. The ICE March contract settled at 66.80 cents per pound with a change of -37 points.

The ICE May contract settled at 67.97 cents per pound with a change of -14 points. However, the aforementioned figures portray an inverse picture. What is important to notice is the High Figure which the March contract touched on Friday – 67.80 cents per pound. In fact when we are writing this report the March contract is sailing high at 67.07 cents per pound. Volumes were healthy last Friday at 47,616 contracts.

The easing of geopolitical tensions is the sole reason for this overnight surge in prices. This has not only affected the cotton prices but has also affected the international equity markets.

The MCX contracts were seen to settle low as the market closes at 9 pm. However, this morning, they have got in line with the ICE Contracts. The Current prices of MCX Contracts are as follows – December 19,230 Rs per Bale +50▲, January 19,420 Rs per Bale +50▲, February 19,600 Rs per Bale +150▲.

On the Fundamental front, we expect both MCX and ICE contracts to show a surge before getting a negative downturn or showing a consolidated tone. Consider ICE to show a +100 point increase this week, followed by a -100 point decline next week. The MCX contracts are presumed to show a positive to a consolidated tone.

On the Technical Front, in daily chart, ICE Cotton March has broken through the range bound manner & formed a Double Bottom formation, implying bullish momentum for the price. However, price took the resistance of the lower end of the channel (67.50) & retraced back, which would act as an immediate resistance for the price, along with 61.8% Fibonacci extension level (67.92). Meanwhile, price is above the daily EMA (5, 9) at 66.60, 66.21 with a positive crossover, along with the momentum indicator RSI is at 59, also suggesting bullish bias. The immediate support would at 66.30/66.00 (38.2% Fibonacci extension level & breakout of double bottom). Thus for the day we expect price to trade in the range of 67.90-66.30 with positive bias. In MCX Dec Cotton, we expect the price to trade within the range of 19000-19250 with a sideways bias.

The Cotlook Index A has been updated at 76.40 cents per pound with a change of +105 points. The prices of Shankar 6 have been updated higher at 39,800 Rs per Candy.

While speaking about the US China news once again, Cotton was specifically mentioned in the "Phase One" of the deal reached. The text includes nine chapters, covering topics including intellectual property rights, technology transfer, food and agricultural products, financial services, exchange rates and transparency, trade expansion, bilateral assessments and dispute settlement. However, we need to note, the deal is not yet signed and will be signed in the beginning of the New Year 2020.

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

U.S. to Suspend, Roll Back Tariffs on Imports from China

President Trump announced Dec. 13 a phase one trade agreement with China under which the U.S. will not impose the additional 15 percent tariff on List 4B goods imported from China that was set to take effect Dec. 15.

An official notice implementing this action is scheduled to be published in the Dec. 18 Federal Register.

The president said the U.S. has also agreed to reduce the additional tariff on List 4A goods from 15 percent to 7.5 percent. According to press reports, U.S. Trade Representative Robert Lighthizer said this reduction will take effect 30 days after the agreement is signed, which he said will be in early January in Washington, D.C. The 25 percent tariff on Chinese goods on lists 1, 2, and 3 will remain in place.

According to a statement from USTR, China agreed in return to “structural reforms and other changes to China’s economic and trade regime in the areas of intellectual property, technology transfer, agriculture, financial services, and currency and foreign exchange.”

The agreement also includes a commitment by China to make “substantial” additional purchases of U.S. goods and services in the next two years, which press sources said will total $200 billion, including $40-50 billion in agricultural goods.

USTR added that a “strong dispute resolution system” that apparently includes the prospect of reimposing tariffs will ensure “prompt and effective implementation and enforcement” of the agreement.

President Trump said the two sides will “immediately” begin negotiations on a phase two agreement but did not specify what issues those negotiations will address. Press reports cited Lighthizer as indicating that the U.S. plans no new tariffs as long as China continues to negotiate in good faith.

Importers of List 4A goods who are seeking exclusions from the existing 15 percent tariff should continue to do so despite the planned reduction, said trade attorney Beth Ring, a senior member of Sandler, Travis & Rosenberg, P.A. While importers could get a refund of some of the tariffs they have paid on such goods since the Sept. 1 effective date if the reduction is retroactive, Ring explained, an exclusion would enable them to recoup all such tariffs.

Exclusions would also protect importers against any potential future White House decision to reinstate the 15 percent tariff.

Source: strtrade.com - Dec 16, 2019

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China suspends planned tariffs on US goods

Beijing suspended additional tariffs on US products that had been due to kick in on Sunday, after Washington and Beijing announced a major thaw in their trade war Friday. China will suspend the planned addition of 10 percent and 5 percent tariffs on some US imports, and "continue to suspend additional tariffs on US-made autos and spare parts", China's finance ministry announced Sunday.

The move follows US President Trump's cancellation of new tariffs on Chinese products as part of a "phase one" trade deal. China's commerce ministry said on Friday it had agreed with the US a mini-deal that includes a progressive rollback of tariffs and the protection of intellectual property rights.

The two sides have yet to sign the agreement, which represents a major breakthrough in the 21-month standoff between the world's two largest economies.

In addition to existing tariffs, Trump had previously threatened to impose a 15 percent levy on Sunday on around $160 billion of Chinese exports, including popular US consumer goods like electronics and clothing.

China had said it would respond with a 25 percent tariff on US autos and a five percent tariff on auto parts — levies that were suspended earlier this year as a goodwill gesture.

Source: financialexpress.com - Dec 15, 2019

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Global economy to slow, tensions to ease in 2020: report

Global economic growth is likely to fall to just over 3 per cent in 2019 and 2020 from 3.8 per cent in 2018, while easing US-China trade tensions would lead to a ‘noisy ceasefire’ for the US election year, according to a new 2020 outlook report, which projected ‘a bottoming of economic growth’ in spring, as trade tensions fade and recession risk remains lower.

Meanwhile, global inflation will dip to 2.7 per cent by 2021 from 3.1 per cent this year, the report by Bank of America Merrill Lynch Global Research said.

"A trade war ceasefire, a super preemptive Fed and aggressive easing from China together suggest relatively low recession risk in 2020," Ethan Harris, head of global economics at the organisation said.

"The new year and decade begin near the tail end of the longest bull market on record, and despite recent strong gains, investor anxiety remains at a high level," Candace Browning, head of BofA Merrill Lynch Global Research, said in the report.

"Many of the driving factors - central bank policy, globalization, oil - have peaked, and new economic paradigms are emerging in response to a different set of challenges facing the world's social, environment, political and economic systems," she noted.

As the global economy and US-China trade frictions have been approaching ‘the eye of the storm’, Harris said he expected a noisy ceasefire for the US election year and he remained optimistic over a potential ‘mini deal’, as trade tensions seem to be de-escalating earlier than expected.

"Right now we're reaching a point where the Trump administration has a strong incentive to do some kind of deal. There's an election year coming up. The economy is slowing down," he elaborated, according to information posted on the website of the economic and commercial counsellor’s office of the Chinese Embassy in South Africa.

"The last round of tariffs is mainly on consumer products, which is a politically risky set of tariffs. So we think the incentive to strike a deal is quite high," Harris added.

"An interim, skinny US-China trade deal should temporarily relieve trade concerns ahead of the US presidential election and pave the way for a midyear, mini-boost in global growth led by US rates and a weaker dollar," said the report.

Yet Harris voiced concern that trade headwind may well return after the US election.

The lackluster forecast of global growth indicates that the slackness is 'broad-based', as nearly every major economy has performed worse than expected this year and the global manufacturing sector has been heavily hit, mainly due to the trade tensions, said the report.

Regionally speaking, the institute forecasts the European economy to grow by 1 per cent in 2020 despite challenging external conditions, while its core inflation would inch higher to 1.3 per cent in the year ahead. It also pointed out that the outlook for emerging market economies largely depends on the developments of US-China trade scenarios in 2020.

"Total emerging market returns of 7.1 per cent in local debt are forecast, but only 2.6 per cent for external debt. Latin America is mounting a cyclical recovery, likely led by Brazil and Andean economies, while Argentina's new government faces extreme economic challenges," said the report.

The US gross domestic product (GDP) is estimated to pull back to trend, with growth averaging 1.7 per cent over the next two years, and inflation should be muted, with core personal consumption expenditure (PCE) inflation at around 2 per cent by the end of 2020.

Looking ahead to 2020, the US economy is vulnerable to external shocks and uncertainty caused by the trade tensions and the presidential election, but the baseline is for the economic recovery to continue, according to Michelle Meyer, head of US economics at the organisation.

The research team also found that the world's central banks responded to weakness in growth and inflation by cutting rates, with 24 of 39 central banks covered in the report easing their policies this year.

Source: fibre2fashion.com - Dec 15, 2019

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WTO: Interim arrangement to resolve global trade disputes in the works

European Union suggests multi-party interim appeal arbitration arrangement

Attempts are being made to set up a "stop-gap" arrangement to resolve global trade disputes through arbitration, even as members mourned the loss of the highest adjudicating body at the World Trade Organization, said trade envoys.

The European Union, along with several key members, has intensified its efforts to finalise a "multi-party interim appeal arbitration arrangement" in the absence of the Appellate Body at the WTO.

The WTO's Appellate Body has become dysfunctional from December 11 with the US blocking the filling of six vacancies at the dispute settlements body. Consequently, the Appellate Body will not be able to take up new appeals, thereby, undermining "the members' right, under the WTO agreements, to a binding adjudication of disputes and their right[s] to appeal review," it is argued.

Nevertheless, two contrasting initiatives are being pursued by the European Union on the one hand, and Australia on the other to erect an interim arbitration mechanism.

The EU is pressing ahead with its "interim appeal arbitration arrangement" under Article 25 of the dispute settlement understanding (DSU), said a trade envoy, who asked not to be quoted.

Significantly, the EU's multi-party interim appeal arbitration initiative seeks to operate at an arm's length — without involving the WTO's Director-General and also deploy former Appellate Body members as arbitrators to ensure "independence and impartiality of the arbitration awards", the envoy said.

In contrast, Australia and Brazil are pursuing a "plurilateral initiative" to make it palatable to the US in which the WTO Director-General would play a major role in the arbitration process, said another trade envoy, preferring not to be quoted.

At a meeting of more than a dozen countries hosted by the EU on Friday , a two-page "confidential" proposal called 'towards a multi-party interim appeal arbitration arrangement" was discussed.

The proposal, seen by BusinessLine, says: "the objective of the multi-party interim arrangement would be to offer a stop-gap solution, pending the resolution of the issue of appointments, by closely replicating the Appellate Body review process in the framework of Article 25 of the DSU. The stop-gap solution would apply within a group of interested members. It will preserve both the access to a binding adjudication of disputes and the right to appeal review."

The proposal makes it clear that "the objective is not to reform the system." It argues that "reform will be pursued on a separate track, including through maintaining or building on the "Walker process", in order to restore the functioning of the WTO dispute settlement system that includes all WTO members. This remains the priority objective."

The EU and other proponents, which include Canada, Norway, and possibly China and Russia among others, want to "put in place" the "stop-gap" as quickly as possible." "The negotiations should focus on how to make this operational quickly while relying on the tested features of the WTO dispute settlement process," it is emphasised.

The "vehicle" for "the multi-party interim arrangement would be in the form of communication to the DSB where the group of members would take a political commitment to apply model appeal arbitration procedures, based on Article 25 of the DSU, in disputes among themselves," the proposal suggested, pointing that "the model appeal arbitration agreement would be annexed to the communication".

The proposed "interim" arrangement "would apply to all future disputes and to all pending disputes that have not yet reached the stage of interim panel report."

Source: thehindubusinessline.com - Dec 15, 2019

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Sri Lanka: Trade deficit shrinks by $ 2.4 b

Sri Lanka's trade deficit shrank by $ 2.4 billion in the first 10 months of 2019 assisted by a decline in merchandise exports earnings and local policies driving down imports, latest data by the Central Bank shows.

The deficit in the trade account contracted in October to $ 838 million, from $ 903 million in October 2018. On a cumulative basis, the trade deficit contracted by $ 2,405 million to $ 6,451 million during the first 10 months of 2019, in comparison to $ 8,857 million in the corresponding period of 2018.

Meanwhile, the terms of trade, which represent the relative price of imports in terms of exports, deteriorated by 5.7% (year-on-year) in October, as export prices declined at a faster pace than the decline in import prices.

In cumulative terms, the terms of trade deteriorated by 0.8% during the first 10 months of 2019 in comparison to the corresponding period of 2018.

Earnings from merchandise exports declined marginally by 0.2% (year-on-year) to $ 977 million in October, as a result of lower agricultural exports.

Decline in earnings from agricultural exports in October was driven by lower earnings from all sub-categories except minor agricultural products. Accordingly, earnings from tea exports declined due to lower average export prices in line with the fall in international market prices despite an increase in export volumes.

In addition, earnings from spices declined, mainly due to lower export prices of cinnamon and lower export volumes of cloves and pepper with the decline in supply. Earnings from seafood exports also declined significantly with lower demand from the US market.

Earnings from textiles and garments increased in October following the slight decline recorded in September, on a year-on-year basis, supported by higher demand for garment exports from all major markets. However, earnings from petroleum product exports continued the declining trend observed in the recent past, mainly due to lower bunkering prices in line with lower crude oil prices in the international market.

Earnings from mineral exports, which only account for 0.4% of total exports, increased in October, year-on-year, led by ores, slag and ash exports. The export volume index in October improved by 13.8% (year-on-year), while the export unit value index declined by 12.3%, indicating that the decline in exports was driven entirely by lower prices when compared to October 2018.

Contraction of merchandise imports continued for the 12th consecutive month with a 3.5% decline (year-on-year) in October to $ 1,816 million, driven by lower consumer and investment goods imports.

Although food and beverages imports increased in October, expenditure on consumer goods imports declined as a result of the decline in non-food consumer goods imports, driven by lower personal vehicle imports. However, motor vehicle imports remained at a relatively high level, on average, since July compared to values recorded during the first half of 2019, mainly reflecting the impact of the resumption of personal motor vehicle imports under concessionary permits. Meanwhile, expenditure on food and beverages imports increased, mainly driven by higher imports of onions to supplement lower domestic supply.

Expenditure on imports of intermediate goods increased in October, mainly due to expenditure on fuel, owing to higher volumes of imports of crude oil and coal, despite lower international prices. In addition, expenditure on base metals imports increased in October, driven by iron and steel imports. However, import expenditure on wheat and maize declined mainly due to volume effect while textiles and textile articles declined marginally, led by lower yarn and fabric imports.

Meanwhile, expenditure on investment goods imports declined in October with lower outlays in all subcategories amidst subpar growth in industry activities, including the spillover effects of the Easter Sunday attacks. Accordingly, expenditure on machinery and equipment declined, mainly related to textile industry and machinery parts, while expenditure on transport equipment declined with lower imports of commercial vehicles such as tractors, ambulances and auto trishaws. Expenditure on building materials declined due to lower imports of iron bars and rods although articles of iron and steel related to bridges and bridge sections continued to increase in October.

The import volume index increased by 3.8% while the unit value index narrowed by 7% in October, indicating that the decline in imports was driven entirely by lower prices when compared to October 2018.

Foreign investment in rupee denominated government securities recorded a net inflow of $ 12 million in October. On a cumulative basis, net outflows from the government securities market amounted to $ 280 million during the first 10 months of the year.

Foreign investment in the CSE, including primary and secondary market transactions, recorded a net outflow of $ 10 million during the month of October. Nevertheless, financial flows to the CSE recorded a marginal net inflow of $ 5 million during the first 10 months of 2019. Further, long term loans to the government recorded a net inflow of $ 102 million during October.

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Further, long-term loans to the government recorded a net inflow of $ 102 million during October.

Gross official reserves stood at $ 7.8 billion at end October, equivalent to 4.7 months of imports. Meanwhile, total foreign assets consisting of gross official reserves and foreign assets of the banking sector amounted to $ 10.4 billion at end October, equivalent to 6.3 months of imports.

Source: ft.lk- Dec 15, 2019

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Philippines to upgrade industry

The Philippines has prepared a roadmap for the garment and textile industry.

The plan covers the period 2020 to 2029. In the short term, the hope is to be among the top 20 garment exporters with an annual growth of 12.3 per cent in garment exports and a 3 per cent -5 per cent increase in textile exports. This will be made through the utilisation of natural and synthetic textile fibers by five per cent to ten per cent.

In the medium term, the roadmap forecasts the Philippines to improve its world ranking in garment exports into the top 15 largest globally. It is expected to increase its garment exports by 21.7 per cent annually and natural and synthetic textile fiber exports by ten per cent. Infrastructure gaps and logistical bottlenecks will be addressed.

High-quality infrastructure and logistical services will enhance production efficiency, transportation, communication and distribution. In the long term, the roadmap expects the Philippines to be among the top ten of the world's garment exporters with an annual 45.8 per cent annual increase in the exports of garments.

The Philippines is already known for everyday wear global brands as the industry has already upgraded to original brand manufacturer with homegrown Filipino labels.

Source: fashionatingworld.com - Dec 14, 2019

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Egypt seeks to upgrade relationship with Sri Lanka

Egypt wants to upgrade the relationship with Sri Lanka to the level it deserves in trade, investment, technology and knowledge sharing.

Egyptian Assistant Foreign Minister for Asia Ambassador Hany Selim noted that the two countries have over the years supported each other in facing global challenges and presently combating terrorism was a common interest.

Meanwhile, Foreign Secretary Ravinatha Aryasinha called for the regaining of Sri Lanka's economic prominence in Egypt to its traditional strength, consistent with the shared history, excellent bilateral political relations and the collaborative role the two countries play in the multilateral sphere.

The Foreign Secretary made this observation when he addressed the Inaugural Session of the Bilateral Political Consultations between Sri Lanka and Egypt at the Egyptian Foreign Ministry in Cairo.

The Session was Co-Chaired by the Egyptian Assistant Foreign Minister for Asia Ambassador Hany Selim.

Sri Lanka's Ambassador to Egypt Damayanthie Rajapaksa, and officials from the Ministry of Foreign Relations and the Sri Lanka Mission in Cairo were associated with the Foreign Secretary during the talks.

Welcoming the Sri Lanka delegation Assistant Minister Ambassador Selim highlighted the historical relationship between Egypt and Sri Lanka. Noting that the two countries have over the years supported each other in facing global challenges and that presently combating terrorism was a common interest, he called for the upgrading of the relationship to the level it deserves in trade, investment, technology and knowledge sharing.

Secretary Aryasinha noted that relations between Sri Lanka and Egypt which date back to centuries old trade relations, was bolstered by the exile in 1883 to Sri Lanka of the Egyptian freedom fighter Ahmad Orabi Pasha and was later consolidated through Sri Lanka's support to Egypt in 1956 during the Suez Crisis, to African Liberation struggles and later multilateral partnership in the founding of the Non Aligned Movement and the furtherance of South-South Cooperation.

He said the Political Consultations were held at a time when Sri Lanka's President Gotabaya Rajapaksa has pledged to steer a neutral foreign policy which will allow Sri Lanka to once again play a moderating role in the global community, devoid of aligning itself to power blocks, and to pursue Sri Lanka's national interest with friendship with all.

In recent months the Foreign Ministry had also embarked on operationalizing a 'Revitalized Africa policy', that aims to address convergences and opportunities towards a more fruitful and mutually beneficial relationship befitting Sri Lanka's centrality in the Indian Ocean, through cooperation with countries of the African Union (AU), where Sri Lanka received Observer Status in 2014.

It was recalled that while in the 1980s Sri Lanka provided 60% of Egypt's tea requirement, it had presently dropped to only 5% following the imposition of high tariffs and later the emergence of regional trading blocs in Africa.

However, premier tea brands such as Dilmah, Superfine, Akbar, Impra and JAFF continue to offer gourmet specialty tea to the discerning tea connoisseurs in Egypt that needed to be expanded.

Egypt is also the largest market of desiccated coconut from Sri Lanka for the purpose of confectionary industry. In addition, Sri Lanka has been exporting rubber products, leather products, spices, coir products, confectionary, cocoa and cocoa based products, porcelain and ceramic ware.

Sri Lanka's imports from Egypt are mainly chemical and plastic products, metal-based products, fertilizer, oils and fresh fruits. Tourism was identified as a potential growth area, while modalities to ensure sustainable investment flows were also discussed during the consultations.

To this end, it was also agreed to revive the Egypt-Sri Lanka Business Council originally founded in 2004, and to reconvene the Joint Commission on Trade and Economic Cooperation which last met in 2002.

Source: menafn.com- Dec 15, 2019

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Number of Chinese enterprises operating in Uzbekistan surpasses 1,600

The number of Chinese companies operating in Uzbekistan has reached 1,611 as of Dec. 1, second only to Russia in the number of foreign entities in the Central Asian country, information on Uzbek State Statistic Committee website showed.

Chinese companies are involved in the areas of oil and gas exploration, pipeline transport, infrastructure building, telecommunications, textiles, chemicals, logistics and agriculture, according to the statistics committee.

China is one of Uzbekistan's largest trading partners. Last year, China-Uzbekistan trade surged 48.4 percent year-on-year, reaching 6.26 billion U.S. dollars.

Statistics show that enterprises operating with foreign capital in Uzbekistan are mostly from Russia, China, Turkey, South Korea, Kazakhstan and other countries. Their investments are concentrated in industries, foreign trade, construction and agriculture.

Uzbekistan has been opening up its economy and carrying out reforms in the last two years to attract foreign direct investment. President Shavkat Mirziyoyev has tasked the government with increasing foreign direct investment up to 4.2 billion U.S. dollars in 2019.

Source: xinhuanet.com - Dec 16, 2019

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Myanmar's apparel exports to surge to Turkey

Myanmar is now discussing a surge in apparel exports to Turkey in order to further boost investments in education, insurances and airlines, according to the Ministry of Commerce.

The information came to the meeting with Commerce Deputy Minister Aung Htoo and Turkish Ambassador to Myanmar Kerem Divanlioglu held at the Commerce Ministry's office in early December.

Both sides also discussed conducting capacity building training courses for workers, creating job opportunities in the investment and trading sectors, holding of trade fairs between the two countries and boosting trading sector.

The Commerce Ministry said that apparel and textile exports among rice, beans and corn rose up to four times within five years.

The value of CMP (Cutting, Making, Packing) garment exports was at US$ 325 million from October 1st to 25th of 2019-20 Financial Year.

However, the last year CMP exports fetched over US$ 287 million.

The yearly income from CMP system is about US$ 300 million.

If the current CMP system will change to the FOB system, the country can increase its income up to US$ 3 billion per year, according to the Myanmar Garment Manufacturer Association.

Myanmar primarily exports CMP garments to Japan and European markets. It also ships CMP garments to markets in the Republic of Korea, China and the U.S.

There are over 400 garment factories in Myanmar. Myanmar's inexpensive labour attracts investments from foreign manufacturers into the country.

Source: elevenmyanmar.com- Dec 14, 2019

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Vietnam: Garment, textile industry needs to give domestic market appropriate attention

Prime Minister Nguyen Xuan Phuc said that garment and textile industry needs to give proper attention to domestic market with nearly 100 million people in which the middle class is increasing and is expected to account for 50 percent of population by 2030.

This is the sustainable development direction for garment and textile industry. Made-in-Vietnam garment and textile products not only present in foreign countries but also in Vietnam. The industry needs to escape from the situation of lacking of initiative in raw materials instead of mainly producing yarn and processing products because currently, 60 percent of fiber materials must be imported.

PM said that garment and textile industry is one of the industries with highest export turnover and is the most labor-intensive industry in the country with 3 million workers, accounting for a quarter of total labor force of industrial industry. Vietnam's garment and textile industry has risen to the third largest in export after China and Bangladesh.

Vietnam has not mastered and developed production stages such as dyeing, manufacturing high quality fabrics, high-quality materials and accessories. That is the reason why value added has not been high. At the same time, structure of export products completely tilted to garment with export turnover accounting for up to 78 percent of total exports of the industry, US$28 billion out of $36 billion of garment and textile exports in 2018. PM said that product structure must be calculated more specifically for better production assignment.

In the future, PM said that the industry must create brand names that are well-known in the region and in the world, bringing long-lasting benefits for the country and the future generations.

By 2030, the industry must strive to achieve export turnover of $100 billion. By 2030, at least 30 brands of Vietnam's textile and garment industry will contribute to the world market and be among leading countries in the world.

The Vietnam Textile and Apparel Association (VITAS) held a ceremony to celebrate its 20th anniversary on December 13. So far, VITAS has 487 official members, 500 associate members and 7,000 garment and textile enterprises. In the past 20 years, export turnover growth was 106 times higher, making great contribution to the country's record import-export turnover of $500 billion

Source: sggpnews.org.vn- Dec 14, 2019

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Pakistan: Readymade textiles garments: export increases by 12 percent in July-October 2019

Pakistan's export of readymade garments posted an increase of 12 percent to $906.663 million in July-Oct 2019 from $809.520 million in July-Oct 2018, Pakistan Bureau of Statistics says.

Increase in readymade textiles now stands at $97.143 million in July-Oct 2019. In term of quantity, export of readymade garments grew by 32 percent or 4.755 million dozens to 19.954 million dozens in July-Oct 2019 from 15.199 million dozens in July-Oct 2018.

In Oct 2019, the country exported 13.46 percent or $28.395 million more readymade textiles to $239.302 million comparing to their export of $210.907 million in Oct 2018. Export volume of readymade garments also went up by 20.26 percent or 873,000 dozens to 5.182 million dozens in Oct 2019 from 4.309 million dozens in Oct 2018.

Source: brecorder.com - Dec 15, 2019

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Pakistan-China FTA: the same old story

There seemed to be a general consensus that trade agreements have not done any favour to Pakistan's current account deficit — the $2.4 billion trade deficit with China the year before the implementation of the agreement has increased more than threefold to over $12bn.

The second phase kicks off with China "immediately eliminating tariffs on 313 priority tariff lines of Pakistan's export interest," states the Ministry of Commerce website. However, a closer look at the tariff lines shows that there will most probably be a small, if any, impact on Pakistan's exports since we do not have any exports for nearly half of the goods.

These include products like parts of motor vehicles, refrigerators and air conditioners that make up 151 of the 313 tariff lines that Pakistan does not have domestic production for export.

Textiles

Among the products that we do export and are now exempted from tariffs imposed by China, textiles top the list unsurprisingly. But it is unlikely to boost local value-added production in the sector.

In 2018, for example, Pakistan exported $1.5bn worth of male cotton ensembles, according to data from the International Trade Centre. However, China's corresponding imports from the world were about $500 million, leaving little room for Pakistan to export.

"We don't believe we will be successful in exporting as they have a surplus in every category. They already export ready-made apparel and are unlikely to import from us," said a source in the know. "Our raw material exports will increase, which will benefit us in the short run, but not in the long term. In fact, exporting yarn will impact the domestic value-added sector."

Meat and poultry

Lack of formal and consistent supply chains makes exports of meat and poultry in the short to medium term unlikely. While the removal of tariffs acts as an incentive to increase exports, there are significant challenges along the production process that make it difficult for stakeholders to benefit from it.

The wheat price determines the price of corn which, in turn, makes poultry's feed more expensive. The cost of feed is 80 per cent of the cost of raising a chicken. In the last six months, feed prices have increased four times whereas poultry prices have come down because of overproduction. Hence, the sector is making a loss. Currently, chicken is cheaper than tomatoes.

Click here for more details

Source: dawn.com - Dec 16, 2019

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Bangladesh: Reaping benefits in the era of trade 2.0

Our RMG industry needs to grow to take advantage of the US-China trade war

China, once regarded as "the factory of the world," has seen a steady decline in its apparel industry exports over recent years.

Although it's still the largest apparel producing region globally -- rising labour and raw material costs and an increase in local manufacturers concentrating on the domestic market rather than exports, started a slow trickle of international customers away from the region.

This has, most recently, been further compounded by the much-publicized tit-for-tat trade war between the two nations since January 2018, which has led to an increase in apparel product tariffs from the region and created unease amongst customers.

The situation is popularly termed "trade 2.0."

Other sourcing hubs in the Asian region are reaping the benefits of the decline in China's fortunes, most notably Vietnam. The country is targeting an export objective of $40 billion for the year 2019 for textiles and apparel, a 10.8% increase year on year.

The largest market for Vietnamese garment production is the US and the country has seen an increase of 13.9% in apparel exports over the first nine months of 2019. This trend seems to continue as Vietnam appears set to be one of the biggest beneficiaries of the US-China trade war with US fashion companies looking to alternative sourcing areas.

The Bangladesh RMG industry has also enjoyed an increase in apparel exports over the same period but lags behind Vietnam with an increase of 9.29%. One has to ask why, given the importance of the RMG industry to Bangladesh's economy, we are not capitalizing more on the current trade friction between the USA and China.

The Chinese apparel and textile industries were world-renowned for their diversity, able to produce nearly all garment product categories and cater for all market sectors from mass, price-sensitive brands, and retailers through to those operating in the luxury sector of the fashion industry.

To their credit, the textile and apparel manufacturers in Vietnam have taken over this mantle, establishing an industry, with some 6000 manufacturing facilities, that cater to a diverse array of apparel products appealing to US customers.

Sadly, I fear, the same cannot be said for the Bangladesh RMG industry. Historically, as all of us involved in the sector are aware, we have relied upon more basic, higher volume products to drive our business.

Since its inception in the 1980s the growth of the sector has been outstanding, but, as the industry faces the transition to trade 2.0 over the coming years, surely now is the time to instigate real change within the sector.

As mentioned earlier, using the example of Vietnam as a benchmark, we can see that the Bangladesh RMG industry falls some way short in the diversity of apparel product categories that it produces.

To tackle this the industry needs to address the skill sets of its workforce, the extent of its research and development capabilities and its investment in the appropriate technology.

Apparel categories including lingerie, swimwear, formalwear, and performance outerwear (to name a few) are not traditionally associated with Bangladesh but offer huge export business potential. It is in these, non-familiar product categories, that the RMG needs to be developing to take advantage of the US-China stand-off and to penetrate into other markets.

With the correct guidance and training, there is no reason why our workers cannot develop the appropriate skills to manufacture more diverse product categories. It may be necessary for certain RMG companies to invest in and develop different production lines for the new product categories being manufactured.

They will need to consider methods that allow increased flexibility, cater to smaller production runs and can be operated by operatives that can produce goods to the highest possible standards. The training of workers is not just a matter for factory owners and managers. The RMG sector contributes some 83% to our nation's GDP, so it is an invaluable factor in the continuing development of the country.

I believe that the government and other concerned bodies should be supporting the industry by making the necessary investments to establish a network of training facilities so that they are fully conversant with the processes involved and can take up roles within companies and offer an immediate impact.

To support the investment in the establishment of manufacturing capabilities for new product categories we will need increased investment in the R&D sector. If the RMG industry wishes to diversify into a broader spectrum of apparel types, we need to consider the full development process and support it from concept through to finished product.

New product categories require different R&D disciplines, and these will need to be developed in line with customers' expectations and requirements. Coupled with investment in workforce training and R&D, the industry must be prepared to invest in technology and infrastructure relevant to the new product categories. Diverse product categories require a variety of different technologies, not necessarily existing in Bangladesh at present.

With the correct investment in staff training, R&D and the appropriate technologies, there is ample opportunity for the Bangladesh RMG industry to learn from the success that Vietnam has made and shake off the image of a basic resource and offer a broader, more diverse range of apparel categories to both the US and wider international audience.

Source: dhakatribune.com - Dec 15, 2019

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Bangladesh: Jhut export on the rise, recycled yarn producers feel the pinch

Increasing export of jhut or leftover scraps of fabric, a by-product of ready-made garment (RMG) sector has hit the local recycled yarn producers.

Earlier, there was a big local market for recycled yarns as factories producing gamcha (towel), lungi, quilt and curtains used to rely on the recycled material, but they are now turning to imported yarns, industry insiders said. The jhut export has been increasing around 15 to 20 per cent a year for the last five years, forcing many local recycled textile units to shut down their production lines.

According to the Export Promotion Bureau (EPB) data, the country exported jhut or RMG waste worth US$64.95 million in fiscal year (FY) 2018-19, US$56.68 million in FY 2017-18, US$52.81 million in FY 2016-17 and US$44.20 million in FY 2015-16.

In the past five months of the current fiscal, around US$33 million worth of jhut were shipped abroad. The figure would likely reach around US$70 million at the end of FY '20, an EPB official said. The growing export of jhut has made it difficult for many factories to procure the material to feed their production lines.

One of them is Mother Textile, one of the largest and oldest recycled yarn producers in the country. Currently, three units of the five-unit textile factory produce 600 bags of recycled yarn a day, although they have the capacity of churning out 1000 bags of recycled yarn a day.

"We are the largest recycled yarn producer in the country, and the oldest," Aliza Sultan, managing Director of Mother Textile, told The Financial Express.
"When we started recycled yarn production in 2003, there was no modern technology," she said, adding that many followed suit later.

She also said, "Many recycled yarn units have shut down their production lines. Only we meet 80 per cent of demand for local recycled fabrics."

"As the local textile sector has been feeling the heat of Chinese and Indian yarn, we are trying to diversify our business," said Ms Aliza. They are now trying to save the industry by diversifying their business following a two-year shutdown as a loan defaulter, she said.

"We have resumed production two years back and now we are already in profit," said Aliza Sultan, daughter-in-law of Sultan Ahmed, who established the factory in 1993. "We are now also trying to collect foreign funds to fully resume our business," she added.

Mother Textile had been a leading defaulter with state-owned Rupali Bank for many years with accumulated loans of around Tk 12 billion. The company, however, is no more on the defaulters' list as it has rescheduled their loans, said Ms Sultan.

She also said they want to pay back loans in installments and start full-fledged production activities in order to pay off entire loans in time. "But we now don't get enough jhut to run our production lines. On the other hand, recycled yarns coming from India and China are also cheaper than locally manufactured yarns," she said.

Jhinuk Textile, a Narayanganj-based recycled yarn factory, has recently shut down their production. Khorshed Alam, managing director of Jhinuk, said they are losing out to Indian and Chinese competitors.

"We now require modernised factories to produce recycled yarns from RMG jhut. So, it's better to export the material," said Mr Alam, also an exporter.

If the government provides special incentives, the recycled yarn producers can continue their production, he added. According to the Bangladesh

Garment and Textile Waste Exporters Association (BGTWEA), the market size of RMG by-products is around Tk 20 billion.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) sources said there are some 4,000 active RMG units producing over 351,000 tonnes of by-products.

An industry source said a typical factory produces around 250 kg of waste fabric a day. There is no official data available about garment manufacturing by-products.

Jhutpatti of Mirpur in Dhaka is the largest hub of jhut business in the country. Abul Kalam, a jhut trader in this market, said small pieces of cloth are the raw materials of his business.

"Any piece of cloth we can recycle. There is a huge demand for wastes of T-shirt," he said. There are two categories of jhut, one comes from woven fabrics and another from knit fabrics. The price of 'Woven jhut' is low, but the price of 'Knit Jhut' is comparatively high.

They are sold as an alternative to cotton yarn in the local market. The advantage is that cotton prices are high, but jhut is cheaper.

Source: thefinancialexpress.com.bd - Dec 14, 2019

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NATIONAL NEWS

Exports fall marginally to $25.98 billion in November

Exporters worried about future orders, want incentive issue to be resolved

The decline in India's goods exports continued for the fourth consecutive month with outbound shipments in November falling 0.34 per cent (year-on-year) to $25.98 billion.

Major sectors such as petroleum products, garments, gems & jewellery, leather and carpets, many of them labour-intensive, have taken a hit.

Imports were down 12.7 per cent in November at $38.11 billion as all major items, with the exception of gold and pearls and precious stones, witnessed a decline, as per figures released by the Commerce & Industry Ministry on Friday. The sharper decline in imports helped bridge the trade deficit to $12.12 billion, compared to $17.58 billion in November 2018.

While export of items such as engineering goods, electronics, chemicals and pharmaceuticals increased in November 2019, exporters say that the global outlook remains challenging.

“'Though engineering exports have put up a reasonably good show with 6.32 per cent growth in November, the overall external trade environment remains challenging and subdued. We are working with the government to improve our competitiveness and hope that the issues raised by exporters, like the higher cost of basic raw material of steel, are addressed,”' said EEPC India Chairman Ravi Sehgal.

As per the revised projections of the World Trade Organization, world merchandise trade volumes are expected to rise by only 1.2 per cent in 2019, substantially slower than the 2.6 per cent growth forecast in April. The projected increase in 2020 is now 2.7 per cent, down from the earlier projection of 3 per cent.

Total exports for the period April-November 2019-20 were at $211.93 billion as against $216.23 billion in the same period last year, a fall of 1.99 per cent. Total imports for the period April-November 2019-20 at $318.78 billion, was 8.91 per cent lower than imports in the comparable period.

Trade deficit in the April-November 2019-20 was lower at $106.84 billion compared with $133.74 billion in the same period last fiscal.

Domestic issues, including uncertainty over export incentive scheme MEIS, were a major cause of concern as exporters' claims are pending for over four months. This wiped out their liquidity and proved to be a hurdle in finalisation of new contracts, FIEO President Sharad Kumar Saraf pointed out.

He said the stalemate should end immediately and an alternative scheme should be announced with a three-months lead time to help exporters make the necessary adjustments.

Source: thehindubusinessline.com– Dec 14, 2019

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EU FTA talks: India looking at ways to end stalemate, re-start negotiations

But the EU wants issues such as market access for automobiles, wines, and govt procurement issues resolved first

Keen to put the India-EU Free Trade Agreement (FTA) talks back on track after exiting the Regional Comprehensive Economic Partnership (RCEP) last month, India is carrying out a stock taking exercise to examine the areas where the negotiations are stuck and think of a possible way ahead, a senior official has said.

"The Commerce and Industry Ministry has decided to put its focus back on the India-EU FTA talks as there is a general feeling that a number of sectors could gain from such a pact. A report on the recent interactions with the EU on the FTA is being prepared by the Commerce Department with suggestions on the way ahead," the official told BusinessLine.

The EU, interestingly, has said that it will agree to formal restart of the FTA negotiations, called the Broad-based Trade & Investment Agreement (BTIA), only when there is a convergence of views on certain basic issues like market access for automobiles and alcohol and inclusion of government procurement and labour standards.

"The EU believes that there is no point going back to the negotiating table if certain basic issues remain unresolved. It will serve no purpose if an agreement is reached that has provisions that the EU Parliament will not give its approval to. It is, therefore, vital that the basics are agreed to before we seriously proceed in the negotiations. That is why India and the EU are holding technical discussions on the sticking points to see if they could be resolved," a person close to the negotiations said.

India and the EU have been negotiating the BTIA since 2007. In 2013 the talks collapsed over issues such as inadequate market access being given by India to automobiles and wine and spirits from the EU and Delhi's refusal to open up the financial services sector like banking, insurance and e-commerce.

Also, the EU's attempt to include issues such as labour and environment in the pact, which India has strong objections to, played a role in derailing the talks. Several attempts to re-start the talks since then have not borne results.

RCEP exit impact

A day after India exited the 16-country RCEP, comprising the ASEAN, China, India, Japan, South Korea, Australia and New Zealand, last month, Commerce and Industry Minister Piyush Goyal said that the country was interested in concluding an FTA with the EU.

He pointed out that sectors such as gems and jewellery, textiles and agriculture have been making a case for a bilateral pact with the bloc as it could result in increased market access. India decided to exit the RCEP at the Leaders' Summit in Bangkok last month as it was not happy with some of the provisions in the proposed pact that could have led to the Indian market being flooded with Chinese goods imported at zero or very low duties.

Getting into an FTA with the EU is an attractive proposition for India as it is the country's largest trading partner, accounting for €92 billion worth of trade in goods in 2018 or 12.9 per cent of total Indian trade, ahead of China (10.9 per cent) and the US (10.1 per cent).

"The status report to be prepared by the Commerce Ministry on the recent engagements between India and the EU on the proposed BTIA could help India in framing its future strategy," the official said.

Source: thehindubusinessline.com– Dec 15, 2019

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Japan will take the lead in getting all countries, including India, to sign RCEP agreement: Top official

Member countries should take more time to discuss New Delhi's concerns, says Japanese chief trade negotiator

Japan wants to take the lead in getting India back into the Regional Comprehensive Economic Partnership (RCEP) negotiations and making sure all 16 member countries sign the pact together next year, a top official from the country has said.

"Japan is determined to take the lead in getting all 16 countries, including India, to sign the RCEP agreement together in 2020. When and how is something we will have to discuss," Akihiko Tamura, Deputy Director General for Trade Policy, Trade Policy Division, Japan, told BusinessLine.

Talks with Goyal

Tamura was in New Delhi this week with the Japanese Trade Minister Hiroshi Kajiyama and had discussions with Commerce and Industry Minister Piyush Goyal and senior officials from the Ministry on how to help increase competitiveness of Indian industry and address the country's concerns on RCEP.

New Delhi had last month decided to exit the RCEP being negotiated by the 10-member ASEAN, China, India, South Korea, Japan, New Zealand and Australia. The reason to quit was because its main concerns, many of them related to opening up markets for its key competitor China, remained unaddressed.

The Japanese negotiator conceded that member countries did not spend much time discussing India's issues before the Bangkok Summit. "Because we were so much focussed on the Bangkok Summit and getting an outcome there that we did not spend enough time on India's concerns. Maybe we should take more time to discuss India's issues next year," Tamura said.

India has already identified a number of problems related to the RCEP framework. It believes that the 'rules of origin' (ROO) are very relaxed and would allow Chinese goods, which may be behind higher tariff walls for a longer period compared to goods from ASEAN, to circumvent the duties and flow into India from the shores of the ASEAN nations.

As India may have to bring down duties on about 90 per cent of goods traded with the ASEAN to zero per cent, some of it right at the beginning, a lot of Chinese goods could come in duty free.

India has also demanded that the base rate of duty (for calculating tariff cuts) should be 2019 instead of 2014, as agreed earlier and an adequate Auto Trigger Safeguard Mechanism to prevent import surges.

Tamura said while in negotiations it was not possible that 100 per cent of requests get satisfied, his impression was that there was willingness among other countries to talk with India.

"An RCEP with all 16 members will be good for everybody. RCEP is an important platform for Asia. And India is an important player for Asia. So, it has to be part of the platform. It is quite natural," he said.

Source: thehindubusinessline.com– Dec 13, 2019

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Industry favours staggered GST returns, seeks HSN code only up to 4 digits

In the new returns, there would be one main form - GST RET-1, which will contain details of all supplies made, input tax credit availed, and payment of taxes.

Industry has pitched for staggered implementation of new tax returns under the goods and services tax (GST) system, which are scheduled to be introduced from the beginning of next financial year.

In their feedback to the government, businesses have sought continuation of the use of harmonised system of nomenclature (HSN) code up to the four-digit level only.

The GST Council had earlier decided to defer the implementation of these returns from the planned staggered implementation from October this year. New returns are simplified version after businesses complained about the current complicated forms.

In the new returns, there would be one main form — GST RET-1, which will contain details of all supplies made, input tax credit availed, and payment of taxes. This return will have two annexures — GST ANX-1 and GST ANX-2.

Form GST ANX-1 will have details of all outward supplies and form GST ANX-2 will contain details of all inward supplies.

Currently, taxpayers are filing two returns: GSTR-1, which contains details of all outward supplies made, and GSTR-3B, which is a monthly self-declaration of outward supplies, input tax credit availed, and taxes paid.

Initially, businesses had a fear that their cash flow would be blocked because there was a proposition of only allowing credits to those invoices that were uploaded by vendors and tax discharged. To address the issue, the government had proposed allowing businesses to avail input tax credit on the basis of self-declarations in GSTR-3B for initial months even under the new mechanism.

As such, industry demanded that initially only ANX-1 and ANX-2 forms be allowed to be filled along with the currently used GSTR-3B. Only when industry is used to these forms, filing of RET-1 be made mandatory after GSTR-3B is done away with.

Businesses with annual turnover between Rs 1.5 crore and Rs 5 crore are currently required to report HSN code at two-digit level, while those above Rs 5 crore will have to report the code with four-digit level.

The new return format, however, makes it mandatory for businesses to use HSN code at six-digit level.

Abhishek Jain, tax partner at EY, said companies would need to review the HSN code for all their supplies and execute modification and upgrade their ERP configurations, entailing huge time and efforts from a business perspective. As such, he suggested the current mechanism of reporting HSN code be continued.

"The taxpayers need to very quickly align their ERP and business processes to meet these requirements as the government proposes to introduce the new return format effective April one, 2020," he said.

There is then this issue of HSN wise reporting of imports and exports.

DEFERRED DEADLINE

- Originally three returns were to be filed by businesses: GSTR1 for return of outward supply, GSTR2 for return of inward supplies, and GSTR 3 for input output returns
- After businesses complained, GST Council suspended GSTR2 and GSTR3. In place of GSTR3 came self-declared GSTR3B, which is summary input output returns
- Meanwhile, the process of simplifying returns started
- The new simplified returns were to be introduced from July, 2019
- But it was deferred and were to be introduced in a staggered manner from October, 2019. To be fully introduced from January, 2020
- GST Council again deferred introduction of new forms. These are scheduled to be implemented from April 1, 2020

Harpreet Singh, partner at KPMG, said this should be substituted with consolidated bill of entry wise reporting without HSN details.

This arrangement should be made till the GSTN portal gets integrated with Indian Customs Electronic Gateway (ICEGATE), which is a portal of the customs department that provides e-filing services to the trade electronically.

He also wanted reporting of exports be made without HSN details as is the current practice in the form GSTR-1.

HSN code is a six-digit code, developed by the World Customs Organisation to classify products in a systemic and logical way. It contains 21 sections and every section is divided into chapters with each of them having separate heading.

The first two digits represent chapter number, the next two are heading number and the last two digits are a product code.

Source: business-standard.com– Dec 15, 2019

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Liquidity hit! Benefits to garment exporters held up

The government has held up the release of benefits worth thousands of crores to garment and made-up exporters under two major schemes — the Merchandise Export from India Scheme (MEIS) and the Rebate of State and Central Taxes & Levies (RoSCTL) — at a critical juncture when exports are slipping.

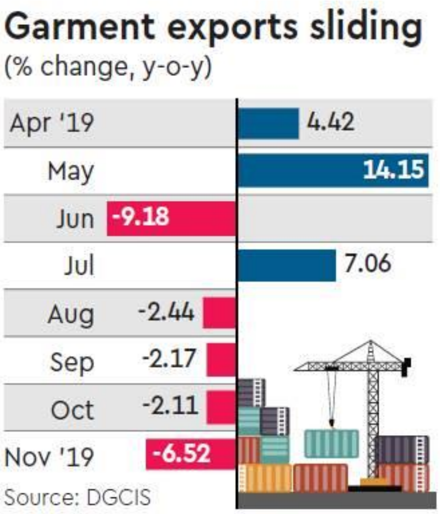
While MEIS gains have been held up since August, benefits under the RoSCTL, meant for compensating garment/made-up exporters for various state and central government imposts, have never been extended since its introduction in March, exporters told FE.

This has exacerbated a liquidity squeeze for the exporters, who typically factor in such incentives while firming up deals — and hurt their ability to honour fresh contracts on time ahead of Christmas, the most critical season for western apparrel buyers , said Ajay Sahai , director general and chief executive at exporters' body FIEO.

Benefits worth Rs 5,000 crore are stuck under both the schemes at a time when the flow of bank credit remains muted and exports have dropped for months, according to Gautam Nair, managing director at Matrix Clothing, one of the country's largest garment exporters. Since 80% of the garment exporters are MSMEs, with very limited ability to raise resources, they have been hit very hard, he added.

A senior government official said the resource-strapped revenue department felt that since garment/made-up exporters were to get the RoSCTL benefits (which are not extended to other exporters), they shouldn't be simultaneously granted the MEIS benefits, which, in any case, had come under the WTO scrutiny.

However, the textile ministry is learnt to be backing the garment exporters' claims and wants both the MEIS and RoSCTL to co-exist. At least one of them must be extended urgently to contain a fall in exports until a final decision is made, said a commerce ministry official. The matter is now being considered by the Prime Minister's Office.



Exporters said the problem started in March when the textile ministry, after a Cabinet decision, notified the RoSCTL scheme for garments and made-up exporters to replace an earlier scheme that was reimbursing them for only the state levies. But while the earlier scheme — called the remission of state levies (RoSL) — was scrapped in March, the benefits under the new one (RoSCTL) were never granted.

The problems got compounded when the revenue department asked the directorate general of foreign trade (DGFT) to stop the release of MEIS benefits to garments/made-up exporters from August 1.

Thus, these exporters were stripped of "legitimate benefits" worth 8-10% (4% on account of MEIS and another 4-6% due to RoSCTL, depending on the nature of garments) of the freight-on-board value of shipments, they said.

Exporters claim the MEIS and the RoSCTL are totally different schemes and must run simultaneously. "The RoSCTL is aimed at keeping exports zero-rated, as per best international practices, while the MEIS is intended to help exporters deal with several infrastructual bottlenecks, including exorbitantly high logistics costs.

Garment, in any case, deserves a special treatment because it's the most labour-intensive sector after agriculture and 80% of the exporters are MSMEs," Matrix Clothing's Nair said, pitching for benefits under both the schemes.

The stand-off comes at a time when outbound shipment from the labour-intensive textile and garment sector has shrunk (even on a favourable base), aiding a decline in overall exports that have contracted for for four months in a row through November.

Unless the issue gets resolved expeditiously, exports in the labour-intensive sector would only worsen and businesses will go to new competitors like Vietnam, Cambodia and Poland etc, warned the exporters.

One of the sources, however, said since the textile and garment sector has achieved "global competitiveness" (with a share of more than 3.25% in international trade for three consecutive years), offering incentives to the exporters would be in violation of the WTO rules. Countries like the US have already dragged India to the WTO over export subsidies, both for textiles/garments and other sectors.

While India recently appealed against a ruling by the dispute settlement body of the WTO against its overall export subsidies, the dole-outs for our textiles/garment sector were supposed to have been abolished even earlier in accordance with the "global competitiveness" criterion.

Exporters, however, argue that since the WTO's appellate body has been paralysed due to the US' blocking of the appointment of judges, the government should focus more on removing domestic bottlenecks to exports. "Along with RoSCTL, we must get something for logistics costs that remain very high due to the absence of reforms by the government," said one of the garment exporters.

Source: financialexpress.com– Dec 16, 2019

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Indian Textile Exports

Country	2018 (billion USD)	% Share
China	121	34%
USA	22	6%
India	21	6%
Germany	16	4%
Italy	13	4%
Turkey	13	4%
Rep. of Korea	12	3%
Taiwan	10	3%
Pakistan	8	2%
Viet Nam	8	2%

Source: Trademap

A target of USD 20,100 million was fixed for cotton, man-made, woollen and silk textiles during 2018-19 against which exports were valued at USD 18,254 million:

Details of share of major textile exporting countries of the world:

As per the data of Directorate General of Commercial Intelligence and Statistics, textile exports have increased by 7% from USD 19 billion in 2017-18 to USD 20.4 billion in 2018-19 while textile imports have remained stagnant at USD 5.6 billion in 2018-19.

To curtail imports of textiles, Government has doubled the Basic Custom Duty from 10% to 20% on 383 apparel HS lines (8 digit) from 16th July 2018. Further, Government has raised BCD (from 10% to 20%) on other textile products i.e. 298 MMF fabric, 5 Silk fabric, 22 other fabric, 75 Carpet, 9 Made-ups and 15 other textiles HS lines (8 digit).

This information was given by the Union Minister of Textiles, Smriti Zubin Irani, in written reply in the Lok Sabha today.

Source: pib.gov.in– Dec 13, 2019

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Employment in textiles Sector

The latest Annual Survey of Industries (ASI) indicates that employment in the organized manufacturing sector including textiles has increased as follows:

Year	Total manufacturing sector including textiles sector
2012-13	1,29,50,025
2013-14	1,35,38,114
2014-15	1,38,81,386
2015-16	1,42,99,710
2016-17	1,49,11,189

With a view to promote investment, production and creating employment in the textile sector, Government has launched several policy initiatives and is implementing schemes for giving thrust to development of textiles.

(i)In order to boost production and employment in knitting and knitwear sector, Government has launched a separate scheme for development of Knitting and Knitwear Sector to boost production in knitting and knitwear cluster at Ludhiana, Kolkata and Tirupur which provide employment to nearly 24 lakh persons.

(ii)Amended Technology Upgradation Fund Scheme(ATUFS) is being implemented to upgrade technology/machineries of textile industry with onetime capital subsidy for eligible machinery. Segments which have higher employment and export potential such as Garmenting and Technical Textiles are eligible for capital subsidy at the rate of 15% subject to cap of Rs. 30.00 crore. Segments such as weaving for brand new Shuttle-less Looms (including preparatory and knitting), Processing, Jute, Silk and Handlooms shall get subsidy at the rate of 10% subject to a cap of Rs. 20 crore. Budget provision of Rs.17,822 crore has been approved for seven years from 2015-16 to 2021-22 which will attract investment of Rs.1 lakh crore and generate 35.62 lakh employment in the textile sector by 2022.

Scheme for Production and Employment Linked Support for Garmenting Units (SPELSGU):

Ministry has also notified the Scheme for Production and Employment Linked Support for Garmenting Units (SPELSGU) under ATUFS to incentivize production and employment generation in the garmenting sector.

(iii). Government has launched a special package of Rs.6000 crore in 2016 to boost investment, employment and exports in the garmenting and made-ups sector with the following components viz., (i) full refund is provided under Remission of State Levies (ROSL) to the exporters for the State level taxes; ii production linked additional incentive of 10% is provided under the Amended Technology Up-gradation Fund Scheme (ATUFS).

(iv). Scheme for Integrated Textile Park (SITP): Government provides 40% subsidy with a celling limit of Rs. 40 crore for setting up textiles parks for infrastructure creation and additional job generation. 59 sanctioned textiles parks are under various stages of implementation, once fully operational it is expected to house about 5909 textile units will generate employment for about 3,61,093 persons and attract investment of over Rs. 26,972 crore.

(v). With a view to address the skilled manpower requirements of textile sector, Government have been implementing a pan India Integrated Skill Development Scheme (ISDS) from 2010-11 to 2017-18 for providing skill training to manpower in the textile sector. Under the scheme, 11.14 lakh persons were trained out of which 8.43 lakh persons were given placement.

In continuation, as a part of Government's focus on skill development and employment generation in the textile sector, Government has approved a new scheme titled "Scheme for Capacity Building in Textile Sector(SCBTS)" for the entire value chain of textile sector, excluding spinning and weaving in the organized sector, to train 10 lakh youth for a period of three years from 2017-18 to 2019-20 at an estimated cost of Rs.1300 crore. The scheme aimed at providing demand driven, placement oriented National Skills

Qualifications Framework (NSQF) compliant skilling programmes to incentivize and supplement the efforts of the industry in creating jobs in the organized and related sectors and to provide skilling and skill-upgradation in the traditional sector. The scheme covers handloom, handicraft, jute, silk, technical textile, apparel, garmenting, textile processing and fashion segments. State Governments and the sectoral organisations including Textile Industry and Industry Associations are partnered in taking this programme forward.

(vi). National Handloom Development Programme, Comprehensive Handloom Cluster Development Scheme, Handloom Weaver Comprehensive Welfare Scheme and Yarn Supply Schemes under which financial assistance is provided for raw material purchase, looms and accessories, design innovation, product diversification, infrastructure development, skill upgradation, marketing of handloom products & loans at concessional rate. for enhancing production and boost the textile sector. Under NHDP, financial assistance up toRs.2.00crore per BLC for various interventions such as skill upgradation, Hathkargha Samvardhansahayata, product development, construction of work shed, project management cost, design development setting of common facility centre are provided. Besides, financial assistance upto Rs. 50.00 lakh is also provided for setting up of one dye house at district level. Under the MUDRA Scheme, credit at concessional interest rate of 6% is provided to the handloom weavers. Margin money assistance to a maximum of Rs. 10,000/- per weaver and credit guarantee for a period of 3 years is also provided.

(vii). National Handicrafts Development Programme (NHDP) and Comprehensive Handicraft Cluster Development Schemes aims at holistic development of handicrafts clusters through integrated approach by providing support on design, technology up-gradation, infrastructure development, market support etc.

(viii). PowerTex India: A comprehensive scheme for powerloom sector with components relating to powerloom up-gradation, infrastructure creation, concessional access to credit, etc.

(ix).Silk Samagra – An integrated Scheme for development of silk industry with components of research & development, transfer of technology, seed organization and coordination, market development, quality certification and export.

(x). Jute ICARE for increasing the income of farmers by at least 50% through promotion of certified seeds, better agronomic practices, use of microbial re-using of Jute plant, retting to produce quality of jute, increase productivity and to reduce the cost of jute production for the jute farmers.

(xi). North East Region Textile Promotion Scheme (NERTPS) for promoting textiles industry in the NER by providing infrastructure, capacity building and marketing support to all segments of textile industry.

(xii). ROSCTL: With the effect from 07.03.2019, the Govt. has launched a new scheme viz. Rebate of State and Central Taxes and Levies (ROSCTL) on Export of Garments/ Made-ups, in addition to the duty Drawback scheme.

This information was given by the Union Minister of Textiles, Smriti Zubin Irani, in written reply in the Lok Sabha today.

Source: pib.gov.in– Dec 13, 2019

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Cotton Yarn Export

As per the data of Directorate General of Commercial Intelligence and Statistics, export of cotton yarn has increased by 14% from USD 3.4 billion in 2017-18 to USD 3.9 billion in 2018-19.

Cotton Textile Export Promotion Council, TEXPROCIL made a representation to Ministry of Finance to extend 3 percent interest equalization for cotton yarn

Cotton yarn exports valued at USD 3.89 billion in 2018-19 is the highest since 2015-16.

This information was given by the Union Minister of Textiles, Smriti Zubin Irani, in written reply in the Lok Sabha today.

Source: pib.gov.in– Dec 13, 2019

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CAIT urges government to take action against e-commerce firms flouting FDI policy

Traders' body Confederation of All India Traders (CAIT) urged the government to take action against e-commerce companies flouting Foreign Direct Investment (FDI) norms and indulging in unfair practices.

Terming such firms "global economic terrorists" and "economic intruders, tax offenders and policy and law violators", CAIT, in a letter sent to Commerce Minister Piyush Goyal, demanded early enforcement of e-commerce policy and national retail policy. It also called for constituting an e-commerce ombudsman and a Retail Regulatory Authority.

'Highly deplorable'

CAIT also criticised the Ministry of MSME's reported move to join hands with some prominent e-commerce companies for on-boarding of small retailers on their platforms. This is highly deplorable and the traders of the country will not accept such collusion with these firms, it added.

Their business model is greatly hampering the 'Make In India' programme as domestic producers are unable to compete with their predatory pricing and deep discounting tactics, CAIT said.

It urged Goyal to take immediate steps to develop an indigenous e-commerce marketplace free from all unfair practices to enable the consumers to obtain best products at reasonable prices.

Source: thehindubusinessline.com– Dec 15, 2019

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Underlying causes of the economic slowdown

Low wages and income inequality have led to a fall in demand. This situation cannot give rise to sustainable economic growth

Economists are renowned for getting their forecasts wrong. Only in April, the IMF had that predicted India will grow at a rate of 7.2 per cent in FY20, but recent data indicates a falling GDP growth (4.5 per cent). The IMF particularly spoke of the “slow growth in rural incomes, domestic demand (as reflected in a sharp drop in sales of automobiles) and credit from non-banking financial companies (NBFCs)” as plausible causes. But not all of this is apparent from data — the growth in household consumption at 5 per cent was actually higher than that of the previous quarter, although lower than its secular average. But it is not low enough to explain the much hyped demand slowdown in many sectors.

Government spending (the usual panacea for growth) jumped nearly 12 per cent and propped up a falling GDP, but could not compensate for the fall in private investment. The decline in bank credit also cannot completely explain the demand slowdown. As per RBI data, over 60 per cent of commercial banks’ retail lending was for housing and education, not consumption spending; with regard to NBFCs, where this perception is stronger, only less than half of all their retail lending was for automobile financing.

Structural issues

To be sure, banks have shied away from financing large corporate projects, but whether this was due to risk aversion or the lack of new investment demand is a moot question. The steep fall in manufacturing and construction, and stagnant private investment — which led to the fall in GDP — still need explaining. Given the complex problems that plague many sectors, separating demand and supply factors will be a difficult exercise.

For instance, the power sector is in an existential crisis (non-honouring of PPAs, non-payment of dues, falling tariffs, etc) which has led to the scaling down or even closure of many power plants, a fact that could explain the fall in power generation in the IIP as well as declining manufacturing demand. Likewise, the stagnation in private investment, even after reduction in interest rates and tax rates, points to issues beyond demand — these could be due to excess capacities created in the past, a preference for short-term profit or a simple lack of will.

The belief that the slowdown is demand-driven, and therefore cyclical, seems based on hope. The play of structural factors cannot be ignored. First, the fact that private household consumption drives the economy (over 50 per cent of the GDP), can be misleading. The fact is, we are still a low-middle income country with a per capita GDP of around $2,000, and nearly 80 per cent of our consumption expenditure consists of spending on essentials.

We do not know much about consumption inequality, but there is a high level of income inequality. According to the World Inequality Report 2018, the top 10 per cent of India's population got 54 per cent of all income while the bottom 50 per cent shared only 15 per cent. A skew such as this can impact demand in sectors like automobiles or consumer goods.

Employment pattern

The other structural problem relates to employment. Our labour markets have many growth-impeding rigidities — a low labour force participation ratio (which means a large section of working-age population, mainly women, choose not to work); a high percentage (over 70 per cent) of rural labour ostensibly engaged in agriculture, but adding little to productivity or income; and a large informal work structure, where reportedly about 46 per cent people are self-employed and 20 per cent casually employed, making income estimation little more than guesswork for two-thirds of the labour force.

The sectoral Gross Value Added (GVA) data as well as income tax data reinforce these facts. A large GVA signifies a higher share of wage incomes and capital surpluses. Thus, while agriculture had high value addition (78 per cent), its share in the national income was small because of the large labour force working at low or zero wages.

In contrast, the services sector contributes over 50 per cent of the GDP and also has high value addition, but employs a far lesser proportion of labour (about 25 per cent). The combination of low per capita GDP and high income skew has, not surprisingly, led to a low tax-GDP ratio.

The newly-minted economics Nobel laureates have eloquently described why it is difficult to explain economic growth, much less policies that will lead to equitable growth. But they also point to the existence of inefficiencies and misallocations that present actionable opportunities for governments.

Getting to a $5-trillion GDP may help us cross over to upper-middle income status, but unless the growth is equitable and broad-based, the economy will be continue to be susceptible to gyrations of the kind witnessed now.

Source: thehindubusinessline.com– Dec 14, 2019

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India joining RCEP will send signal its commitment to multilateral trading systems: Indonesia

Indonesian Foreign Minister Retno Marsudi on Friday said India joining the RCEP will send a powerful signal to the world that ASEAN and New Delhi remain committed to a free and fair multilateral trading system amid rising protectionism.

Speaking at the Third Annual Developing Country Forum organised by South Centre and Research and Information System For Developing Countries — a think tank focussed on global economic issues — she said ASEAN and India have experienced positive economic growth above the global economic growth.

“To ensure that we continue this positive trend in midst of rising trend of protectionism, ASEAN and India economies should continue to uphold an open and inclusive strategic outlook,” the Indonesian foreign minister said.

“ASEAN and India partnership should remain committed to promote a win-win and a zero-sum paradigm. The conclusion of RCEP will send a powerful signal to the world that ASEAN and India remain committed to an open, free and fair multilateral trading system. The implementation of concrete project will strengthen our economic cooperation,” she said.

Last month, at an RCEP Summit in Bangkok, India declined to join the free-trade agreement, comprising the ASEAN nations, China, Japan, Australia and South Korea, stating that its key concerns have not been addressed.

Marsudi said promotion of maritime cooperation for ASEAN and India in the Indo-Pacific region is "not an option, it is a necessity". She said nations must ensure that the Indo-Pacific must become a source of cooperation and not conflict.

The Indo-Pacific has been witnessing assertiveness of China. As the Indo-Pacific region faces traditional security challenges and rising non-security challenges, ASEAN and India share the responsibility to ensure maritime safety and security in the region, she said. She pointed out that both India and ASEAN have common concern and interest in Indo-Pacific and the two sides share the same vision to maintain peace, stability and prosperity.

Speaking at the event, V Muraleedharan, the minister of state for external affairs, said the notion of a shared maritime space is not new to India and ASEAN. Over the centuries of recorded history, the nations of this shared Indo-Pacific maritime region have traded goods, ideas and services with each other, he said. "Not only have we left an imprint on each other through food, language and philosophy, our quest to develop connectivity between us has also been a driver of science, technology and innovation," Muraleedharan added.

Source: financialexpress.com– Dec 14, 2019

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Government examining foreign fund flows in infrastructure at strategic locations

The RBI is also examining the need for greater scrutiny of the FDI coming through the automatic route where companies are only required to inform the regulator about the fund flow within a stipulated time.

The government has initiated review of foreign fund flows in sensitive like telecom and physical infrastructure at strategic locations of the country, according to sources.

A comprehensive review has been undertaken to assess the control over various infrastructures at strategic locations and border areas of the country, the sources said.

Given the fact that majority of the industries are now under automatic route for foreign direct investment (FDI) rather than the approval route, the sources said, it is required to have an idea on the foreign presence in these areas including the northeastern region.

Keeping in view the strategic importance, the sources said, the government decided against closure of Bharat Sanchar Nigam Ltd. The state-owned telecom company has a strong network at border areas.

Many departments and agencies, including the Reserve Bank of India (RBI), have been involved in the exercise.

The RBI is also examining the need for greater scrutiny of the FDI coming through the automatic route where companies are only required to inform the regulator about the fund flow within a stipulated time.

Most countries do not allow foreign players to participate in strategic infrastructure projects.

Recently, Commerce and Industry Minister Piyush Goyal said any country discriminating against Indian companies in the award of contracts would not be allowed to participate in public procurement contracts.

“When we took the stand not to be a part of RCEP (Regional Comprehensive Economic Partnership), one of the major stumbling blocks was also the fact that our businesses in the areas of our strength do not get an equal and fair opportunity when it comes to engaging with contracts or businesses in other geographies,” he had said.

The minister also said he had not heard that China ever opens up any of its government contracts.

“They (China) are never opened up for international competition in the garb of being public procurement. In many other ASEAN (Association of Southeast Asian Nations) countries, even Japan and South Korea, the kind of conditionalities that they put do not allow too many of our companies to participate in tenders in those countries,” he said.

Source: thehindubusinessline.com– Dec 15, 2019

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Coming from January 1, machine-readable GST e-invoices

Will avoid errors caused by manual entry of data, end duplication, and ease filing

Beginning January 1, a game changing invoicing system will be introduced in the Goods and Services Tax (GST) system. A standardised protocol, powered by the Institute of Chartered Accountants of India (ICAI) and information technology, will enable machines to read electronic invoices.

An e-invoice raised by a trader can be 'read' by computer systems at a bank, and traders up or down the supply chain. The consumer, too, can integrate the data on their systems.

The GST Council has approved the introduction of e-invoicing in phases for reporting of business-to-business (B2B) invoices to the GST System. This will be introduced on a voluntary basis.

The e-invoice system, developed by NIC, will be rolled out in phases. Taxpayers with a turnover of over ₹500 crore can implement it on voluntary basis from January 1, while those with a turnover of over ₹100 crore can adopt it (on voluntary basis) from February 1.

It is likely to be made mandatory for taxpayers with a turnover of over ₹100 crore from April 1, 2020. Post that, the turnover threshold will be reduced so that others will be covered.

"An e-invoice shared by a seller with his buyer or bank or agent or any other player in the supply chain can be read by machines, thus eliminating data entry errors," Prakash Kumar, Chief Executive Officer of GSTN, said.

The GSTN, with the help of ICAI, developed a standard and got the approval of the GST Council three months ago. The e-invoices can be read using online/offline and on mobiles.

"Different traders use different formats provided by different billing software providers. An invoice generated on one system can't be read by another in the absence of a standard format," said Kumar.

The GST system will prepare an automated ‘return’ (based on the e-invoices generated) and deliver it to a trader with a digital signature. This also eliminates the hassle of taking the help of an advisor to prepare the returns. “The trader can approve the same and submit it at the appointed time,” he said.

No changes required

Being introduced on a voluntary basis, the new system doesn’t require any changes as far as businesses are concerned. “The service providers offering the ERP or billing software will have to make changes in their codes to make them conform to the approved standards,” said Kumar.

E-invoicing would help avoid errors caused by manual entry of data, end duplication and keep tabs on unscrupulous elements.

The GSTN has also uploaded a FAQ (frequently answered questions) on the portal to help tax consultants, traders and software companies understand the nuances of the new standard.

Source: thehindubusinessline.com– Dec 14, 2019

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QR code mandatory on e-invoicing for Rs 500-cr businesses from Apr 1

Business with turnover of more than Rs 500 crore will issue ‘e-invoicing’ with a Quick Response (QR) code from April 1.

This among various other provisions is part of five notifications, issued by the Central Board of Indirect Taxes and Custom (CBIC) to bring in place ‘e-invoicing’ system. The new invoicing system has been made mandatory for businesses having turnover of Rs 100 crore or more from April 1.

‘E-invoicing’ is a system in which invoices are authenticated electronically by GSTN (GST Network, the IT backbone for new indirect system) for further use on the common GST portal. This system will prescribe an identification number will be issued against every invoice by the Invoice Registration Portal (IRP) to be managed by the GSTN.

All invoice information will be transferred from this portal to both the GST portal and e-way bill portal in real-time. Therefore, it will eliminate the need for manual data entry while filing ANX-1 (Annexure 1, part of new return mechanism going to be implemented from April 1)/GST returns as well as generation of part-A of the e-way bills, as the information is passed directly by the IRP to GST portal.

B2C businesses

Notification number 72 says, “An invoice issued by a registered person, whose aggregate turnover in a financial year exceeds five hundred crore rupees, to an unregistered person (hereinafter referred to as B2C i.e. Business to Consumer invoice), shall have Quick Response (QR) code, provided that where such registered person makes a Dynamic Q code available to the recipient through a digital display, such B2C invoice issued by such registered person containing cross-reference of the payment using a Dynamic Quick Response QR code, shall be deemed to be having QR code.”

According to other notifications, taxpayers with turnover of more than Rs 100 crore in a year will be required to prepare invoice by including such particulars (as contained in FORM GST INV-01), after obtaining an Invoice Reference Number by uploading information contained therein on the specified Portal. Further, unless the specified taxpayers prepare the invoice in the prescribed manner, the invoice shall not be treated as an invoice.
GST portals

In order to facilitate preparation of e-invoices, CBIC has also notified ten Common Goods and Services Tax

Click here for more details

Source: thehindubusinessline.com– Dec 14, 2019

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Budget likely on February 1, Economic Survey on January 31

Union Budget for 2020-21 may be presented on February 1 and the Economic Survey is likely to be on January 31, finance ministry sources said.

This will be the first time after 2015-16 when the Budget will be presented on Saturday.

FICCI URGES GOVT TO CUT I-T RATES IN BUDGET

Industry body the Federation of Indian Chambers of Commerce and Industry (Ficci) has urged the government to reduce income tax rates in the upcoming budget as a means to spur overall demand for goods and services, and said it should announce measures to reenergise exports, incentivise employment and reduce cost of doing business in the country.

“The government should consider revising upwards the direct income tax slabs for individuals with highest tax rate of 30% applicable only for income above Rs 20 lakh,” Ficci said in its prebudget memorandum submitted to the finance ministry on Friday.

Urging the government to continue with its reforms agenda, Ficci said that there is an urgent need to reenergise the engines of growth and pump prime the economy by enhancing consumer spending and creating conditions for higher private sector investments and exports.

Source: economictimes.com- Dec 14, 2019

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