

IBTEX No. 229 of 2017

November 17, 2017

USD 64.81 | EUR 76.49 | GBP 85.73 | JPY 0.58

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
17784	37200	73.22
Domestic Futures Price (Ex. Gin), November		
Rs./Bale	Rs./Candy	USD Cent/lb
18380	38447	75.68
International Futures Price		
NY ICE USD Cents/lb (Dec 2017)		69.21
ZCE Cotton: Yuan/MT (Jan 2018)		15,055
ZCE Cotton: USD Cents/lb		87.56
Cotlook A Index - Physical		79.40
<p>Cotton & currency guide: The international cotton market witnessed some recovery on bullish Net Weekly Export sales data. The total cotton exports sales were 506 against 236 in previous week.</p> <p>Cotton for March delivery on ICE climbed 0.5% to settle at 69.18c/lb. In week ended Nov. 9, U.S. export sales of upland cotton more than doubled w/w to highest since January 2015 with Pakistan as major buyer, USDA data shows Thursday.</p> <p>There has been good trading volume while most part of it is from the spread trading between Dec/March and March/May. As discussed the OI in December is decelerating while rising in March as the former is witnessing its 1st notice period on 24th of this month.</p>		

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The active month is now March 18 contract concentrated with highest open interest. March open interest has been increasing as the Dec fades.

This morning cotton future is seen trading at 69.34 up by 0.23%. There may slight uptick in the price however, 70 cents continues to be strong resistance in the market.

Likewise, on the lower side 68 and 67 are the key support levels. So broadly cotton is expected to trade in the same range while for the day the trading would be 68.90 to 69.70.

On the futures front in India the December future traded slightly higher and ended the session at Rs. 18380 up by Rs. 90 from the previous close. Market is expected to remain sideways and the trading range would be Rs. 18300 to Rs. 18450 per bale.

**Compiled By Kotak Commodities Research Desk , contact us :
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INTERNATIONAL NEWS

Economists must work harder to justify liberal trade order

Anyone taking a look at the long-term global data on trade and prosperity would struggle not to conclude that the two make perfect bedfellows. When trade growth is weak, the global economy is weak and over the past generation, trade growth has led economic growth.

Over 50 years between 1960 and 2010, global economic growth averaged roughly 3.5 per cent a year with the annual growth of imports almost double that at 6.8 per cent. With such a record of success, trade liberalisation, globalisation and openness has traditionally been a core ingredient of advice to rich and poor countries alike. With trade growing twice as fast as an economy, increasing trade growth by 1 per cent was thought to be linked to 0.5 per cent of economic growth.



Although there were always disputes about the direction of causation, international organisations have bemoaned the more recent slowing of trade growth because it became associated with a long mediocre spell

in the global economy. In its September economic outlook, for example, the OECD urged countries to accelerate trade expansion to deepen global value chains and boost productivity growth.

“Restoring trade intensity to its pre-crisis path, including through easing trade restrictions, would help close the shortfall of productivity growth compared with pre-crisis trends,” it said. The International Monetary Fund last month issued one of its regular warnings that “a shift toward protectionism would reduce trade and cross-border investment flows, harming global growth”.

But this consensus around the benefits of trade are not universally held and have been challenged in recent years. Populist politicians, Donald Trump in the US and the Leave campaign in the UK, have won elections by pledging to restrict the movement of goods and people. And even among economists, trade's natural champions, some doubt has also crept in.

Foremost among the critics has been Dani Rodrik, professor of international political economy at the Harvard Kennedy School.

"The real case for trade is subtle and therefore depends heavily on context," Prof Rodrik says.

Noting that public opinion strongly leans towards protecting jobs and the economy through trade restrictions, he questions whether the public is really naive in its protectionist views and whether simple economics has oversold the ideas surrounding the benefits of trade liberalisation.

While simple economics expounds the benefits of trade, in more advanced theories, the seemingly unquestionable benefits of trade become transformed into a statement adorned by all kinds of ifs and buts, Prof Rodrik says. "This disconnect has always bothered me," he adds.

He worries about losers from trade liberalisation, the fact that these losers are rarely offered compensation within a nation and the tendency of economics to ignore these difficult issues when advocating free trade to policymakers. "Why do economists' analytical minds turn into mush when they talk about trade policy in the real world?" Prof Rodrik asks.

But critics of the effect of trade, particularly on certain communities, hit hard by the entry of China into the global trading system are now extremely influential in the debate.

David Autor, professor of economics at the Massachusetts Institute of Technology, has made his name by describing the effect of the "China shock" on parts of the US economy, particularly the textile industries of the old South.

His research shows that the adjustment in local labour markets is glacial with wages, worker numbers and unemployment rates continuing to be affected at least a full decade after the China trade shock commences.

More mainstream trade economists are not impressed by suggestions these criticisms are new. Speaking at a World Trade Organization forum in September, Paul Krugman, the Nobel Prize-winning trade economist hit back.

“Textbook economics never said that growth in international trade was painless,” he said. “I wrote the textbooks so I know we always said there were distributional effects, there were losers, not countries, but people within countries.” He admitted that losers were never adequately compensated even though the textbooks said this was possible.

But Prof Krugman wanted to extinguish any idea that the solution to trade’s downsides was a return to protectionism and trade barriers. “Turn our back on trade now, that would be highly disruptive,” he said.

“There is an old joke about the motorist who runs over a pedestrian and says, ‘I’m sorry, let me fix that and so he backs up and runs over him again.’ That’s what a move to protectionism would do.”

For the future, most economists agree that there is a need to defend economies against populist political forces suggesting an easy answer in protectionism, whether it is building a wall to keep Mexicans out of the US or dismantling the North American Free Trade Agreement. But they also think that over are the days of simply saying trade liberalisation is good for you and you should take more of the medicine.

US textile factories are not coming back, but as trade and technology threaten to disrupt many industries, there is likely to be less of a knee-jerk reaction in favour of creative destruction. Trade is still likely to grow faster than global output, but the go-go days of globalisation are probably over and substituting foreign for domestic production is unlikely to be the engine of future growth.

Economics is up for the challenge, according to Prof Rodrik. Calling for close and empirical analysis of the problem, he says: “The economics we need is of the “seminar room” variety, not the “rule-of-thumb” kind”.

Source ft.com- Nov 16, 2017

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Egypt's textile exports increase 3% in 10 months

Exports of the Textile Export Council increased three percent in the period between January to October 2017 to stand at \$673 million, compared with \$651 million a year earlier, the council said on Wednesday.

Turkey came first among the countries importing textile from Egypt, acquiring \$230.27 million of exports, followed by Italy (\$132.98 million), Saudi Arabia (\$26.79 million) and Tunisia (\$21.85 million), the council's chairman Hassan Eshra said.

Egypt's textile exports to Germany and Portugal, meanwhile, reached \$16.89 million and \$13.19 million respectively.

On the recent "Destination Africa" exhibition for readymade clothes that was recently held in Cairo, Eshra said that the exhibition was a "success", where Egyptian companies held bilateral meetings with international buyers, boosting Egypt's exports.

He added that his council will start a series of meetings with the event's organizers soon to prepare for the exhibition's upcoming edition, saying that the council aims to increase the number of exhibitors from Egypt and Africa by 50 percent.

It also aims to invite a big number of buyers from across the world. In light of the Trade Ministry's plan to support textile industries, Eshra said that a delegation of foreign companies, which are interested in investing in Egypt, has visited the textile industries city in Minya governorate, vowing to inject investments in Minya in 2019.

Source egypttoday.com- Nov 15, 2017

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Lawmakers Oppose NAFTA Proposals as Fifth Round of Talks Gets Underway

Members of the House and Senate registered their opposition to several Trump administration proposals to revamp NAFTA this week as the fifth round of negotiations to update the agreement got underway in Mexico City. Expectations for the round were dampened when the three trade ministers announced they would not attend.

In a Nov. 15 letter to U.S. Trade Representative Robert Lighthizer, a bipartisan group of 72 House members from 23 states decried the White House's proposal to increase the NAFTA regional content requirements for automobiles from 62.5 percent to 85 percent and add a requirement for 50 percent U.S. content.

NAFTA has led to "increased vehicle production in the United States, more secure jobs for those working in the industry, and a globally competitive U.S. motor vehicle industry that leads the world in innovation," the letter said. But the current rules of origin are "already the highest of any trade agreement worldwide," said Rep. Mark Sanford, R-S.C., and changing them as proposed "seems like a recipe for disaster."

The letter explained that such changes would "eliminate the competitive advantages provided to the U.S. auto industry under the current NAFTA rules – or lead to rejection by Canada and Mexico and the end of the agreement," in either case resulting in reduced sales, production, and exports.

In a separate Nov. 15 letter to Lighthizer, three senators said a proposed provision that would automatically terminate NAFTA after five years unless it is specifically renewed is "unnecessary." (Mexican economy minister Ildefonso Guajardo reportedly said this week that a review every five years would be acceptable but not in association with an automatic termination.)

They also criticized the administration's emphasis on using trade agreements to reduce the U.S. trade deficit, stating that seeking to create domestic jobs "through enacting additional barriers to trade and taxes on imports should not be the focus of U.S. trade policy."

On this point they added that statistics from the last decade show at the least a negative correlation between U.S. jobs and the trade deficit and at times actually indicate an inverse relationship.

Meanwhile, some of the nearly 30 NAFTA negotiating groups began meeting Nov. 15 even though the round will not formally begin until Nov. 17.

However, the trade ministers of each country said that following their “substantive discussions” at a recent meeting of the Asia-Pacific Economic Cooperation forum they agreed not to attend the NAFTA talks “so negotiators can continue to make important progress on key chapters advanced in round 4.”

Source: strtrade.com - Nov 17, 2017

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IPR, E-Commerce, SMEs Among Topics in U.S.-UK Trade Talks

The U.S. and the United Kingdom held the second meeting of their bilateral trade and investment working group in London Nov. 15 to continue discussions on ways to ensure commercial continuity and strengthen two-way trade ahead of Britain’s March 2019 exit from the European Union. The working group is also laying the groundwork for a potential post-Brexit U.S.-UK free trade agreement.

According to a joint statement issued at the conclusion of the meeting, areas in which the two sides are working closely include the following.

- A dialogue will be established to promote closer collaboration and the sharing of best practices on policies and programs to support small and medium-sized enterprises and export opportunities in each country’s market.
- Efforts are underway to develop joint educational tools and resources for SMEs to support bilateral trade in creative and innovative products, and discussions will continue on enforcement approaches, policy tools, and

voluntary initiatives for addressing online piracy, including the emerging challenge of illicit streaming devices and services.

- The Treasury Department and Her Majesty's Treasury will work to enhance efforts to promote global financial stability and efficient markets and address financial continuity issues arising from Brexit.
- Agencies are working toward an agreement that would establish the technical and legal safeguards to support U.S. space launch vehicle operations from UK launch sites.

Other topics the working group is expected to cover include industrial and agricultural goods, services, investment, digital trade, trade-related regulatory issues, and labor and environment/sustainable development.

Source: strtrade.com- Nov 17, 2017

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ASEAN aims to wrap up RCEP deal in 2018

If realised, the free trade agreement between the 10 Asean members and their six dialogue partners - Australia, China, India, Japan, New Zealand and South Korea - will create the world's largest trading bloc, covering almost a third of the global economy.

Le said he believed cooperation between the two sides will be bolstered by the establishment of the Regional Comprehensive Economic Partnership (RCEP).

Together, the group encompasses a population of 3.4 billion people and a combined GDP of US\$49.5 trillion, or approximately 39% of the global economy. RCEP is an FTA scheme of the 10 ASEAN member states and its six FTA partners - China, Australia, India, Japan, South Korea and New Zealand. "India would like to develop regional partnerships and relationships", he said, adding that the ongoing mid-term review of the Foreign Trade Policy would be presented soon. Despite the strained relations between the Philippines and the European Union, Lopez noted that ASEAN under President Rodrigo Duterte's chairmanship moved to resume negotiations for a regional FTA with the European Union.

The conclusion of RCEP will lead to the creation of the world's largest trade bloc and underscore the potential for the RCEP to serve as an engine for global growth. "So far 20 rounds of negotiations and nine meetings at the ministerial levels have been held", he told a press conference with Malaysian journalists here today.

"We hereby instruct our Ministers and negotiators to intensify efforts in 2018 to bring the RCEP negotiations to conclusion, and resolve to ensure they have the necessary support to achieve this outcome", ASEAN said in a statement.

However, it is not clear if the leaders of RCEP countries will in fact be able to set or announce a new target date for completing negotiations in 2018 as the negotiations are complicated, and India is against doing so, one Asean source said. Mr Lukita said he urged RCEP countries with excessively high standards to reduce their expectations and be "more realistic and flexible".

The prime minister articulated Indias position about RCEP as well as its various aspects. "We are ready to contribute to Asean's success in an increasingly globalised world by joining the East Asia Summit.at the earliest opportunity", he said.

He said that ASEAN and China have set the target of scaling up two-way trade to 1 trillion US dollars and bilateral investment to 150 billion USA dollars by 2020.

Source: theinsidercarnews.com- Nov 16, 2017

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Philippine, US to start FTA talks end Nov.

The United States is expected to seek further investment access to Philippine infrastructure, public utilities as well market access for its frozen meat under a planned free trade agreement (FTA) between the two countries.

Ceferino Rodolfo, undersecretary of the Department of Trade and Industry (DTI) who is set to hold initial discussions with US officials on the FTA at the end month, said the Philippines will in exchange seek market access for garments and textile as well as agriculture.

Rodolfo said the Philippines will take advantage of the bilateral strategic dialogue and the mini Trade and Investment Framework Agreement (TIFA) talks in Washington next month to get the talks going on a possible FTA.

This was after US President Donald Trump welcomed President Duterte's suggestion in a bilateral meeting this week to elevate their current trade arrangement into an FTA.

A joint statement released by the White House Nov. 13, 2017, said the US "welcomed the Philippines' interest in a bilateral free trade agreement and both sides agreed to discuss the matter further through the US-Philippines TIFA."

"Our priority really to the US is garments and textile. Although 75 percent of our products enter the US duty free, the remaining products are garments and textile, wristwatches, carageenan and seaweed and agriculture products," Rodolfo said.

He said the US, through this FTA would have a framework for them to invest in the country and to take advantage of the Philippines as hub.

Rodolfo said a bilateral FTA is better than a regional or multilateral agreement as this would be more focused and avoids the long and tedious process of negotiating for the interest with multiple countries.

The absence of the US in the planned Trans Pacific Partnership had paved the way for Washington to tap bilateral FTAs.

Rodolfo also sees no problem meeting concessions to be sought by the US on infrastructure and utilities as the Philippines, unilaterally, has initiated moves to amend for the purpose of liberalizing the Public Services Act.

He said the Philippines is ready to discuss with the US the preliminary report of a study commissioned to the Philippine Institute for Development Studies on the impact of an FTA.

Rodolfo said likely to be discussed are the timeline as well as the scoping. The entire process from scoping and negotiation to conclusion could take two to four years.

Source: malaya.com.ph- Nov 16, 2017

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Global sportswear segment fuelling growth in overall apparel market

The global sportswear market is expected to more than double by 2020 to reach \$184.6 billion, from \$78 billion in 2016. In 2017, revenue in the 'sports & outdoor' segment was \$53,024 million, and expected to grow at 11 per cent from 2017 to 2022, thereby increasing the volume of market to \$89,428 million by 2022. User penetration was 8.2 per cent in 2017 and expected to touch 10.4 per cent by 2022. For brands, the sports industry is the second fastest growing. China, Latin America and Central and Eastern Europe are the prime markets.

As per research by Global Industry Analysts Inc, the global market for sports and fitness clothing is projected to reach \$231.7 billion by 2024. Growth is driven by a growing portion of population living healthier lifestyles and stronger participation in sports and fitness activities. According to the report, Asia-Pacific is expected to be the fastest growing region, with a CAGR of 6.9 per cent over the forecast period.

As per a Euromonitor International, the global apparel industry has been going strong riding on sale of sports apparels for the last three years. Sale of sportswear, which includes yoga pants and activewear, outpaced all other categories for the third year in a row, increasing under 7 per cent in 2016 pushing up growth in other categories.

While performance sportswear is still the biggest part of that market, 'sports-inspired is the category driving growth,' says Bernadette Kissane, Euromonitor's apparel, and footwear analyst.

Emerging markets

The next three Olympic Games will be held in Asia, while Russia and Qatar are in line to host the FIFA World Cup. South America is another region that brands should focus on; while Brazil's turn to host the Olympic Games has passed, it is still rife with opportunities. Mexico continues to be a substantial and growing market for an array of sports-related goods and events. Indeed, Brazil, Mexico, Colombia and Peru feature prominently among Adidas and Nike's trademark filings over the last few years, stressing the importance of Latin America as a target market.

However, Asia and China, in particular, continues to be the core focus. China is the second largest sportswear market after the US and holds the greatest potential for new and established sporting brands. China has a large and booming middle class with a growing appreciation for health and fitness, with strong demand for foreign sportswear brands. The country will also host the 2022 Winter Olympic Games and the government is aiming to establish an \$ 813 billion sports industry by 2025 to promote fitness across the country. The goal is to boost domestic consumption in this new economy. In Europe, while many countries already have a mature sports market, the majority of countries still show demonstrable growth in trade of sporting goods both within and outside Europe.

The impressive growth of Central and Eastern European countries is notable: Hungary, Latvia, Croatia, Slovakia, Bulgaria, and Poland were the only countries to record annual exports growth rates of above 10 per cent. Poland and Slovakia are also the only countries to record annual growth rates above 10 per cent between 2005 and 2015 for both imports and exports. Malta takes the lead for imports though; its 51 per cent annual growth rate can be attributed to its significant trade of boats and water sports equipment.

Source: fashionatingworld.com- Nov 15, 2017

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China needs to push its domestic designing capabilities to build its brand

While the ‘Made in China’ tag is ubiquitous in almost all products today, there are hardly any products with the tag ‘Designed in China’. While China is known as the factory of the world, there is no focus on producing its own creations. Many flourishing designers and prestigious design schools are thus waiting to tap this opportunity. It’s a strange irony that needs attention from the Chinese companies. In fact, nearly half of all the world’s luxury goods — almost 46 per cent — are bought by Chinese shoppers. That indicates the burgeoning demand as well. It’s not just buying power that makes China the mightiest fashion consumer on the planet. It’s the workshop of the world, and that’s what actually drives its global potential.

Even though President Trump’s ‘Make America Great Again’ could impact China’s strategy but that won’t change the fact that almost every manufacturer on the planet has China incorporated into its supply chain in some way or another—and fashion brands are a crucial part of this chain.

Filling the gap between self creation and copy

Chinese designers aren’t short of talent or skill but the biggest problem they face is China doesn’t seem to be interested in its own brand. For the Chinese Swiss watches are an essential status symbol, and the country’s elite has developed a taste for high-end French wines. This is hampering the growth of homegrown talent and designers do not have a compelling vision to excel in their profession.

For instance, Japanese labels have been successful by reworking blueprints set by the West to create something new and exciting. More recently, Gosha Rubchinskiy has done the same with his quintessentially Russian take on streetwear. Chinese designers showcasing their designs in Paris, New York and London are good but they have not managed to entice the world with an authentic story.

Home to factories

China is home to some of the most advanced textile factories in the world, and has a long legacy of artisanal craftsmanship but the ‘Made in China’ tag has wrongly been associated with cheap, disposable novelties.

As Chinese designer, Xander Zhou says, China has become more closely integrated into the global community over the past decades, which means there is now a more enabling environment than ever for the fashion scene.

In mainland China distribution of trendy brands is extremely tight due to hefty import taxes on luxury goods. Luxury watches, for example, are subjected to 60 per cent import tariff, 17 per cent VAT, and in most cases an additional 20 per cent consumption tax. This makes high-end watches in China 97 per cent more expensive than those in Western markets. As a result, many shoppers have to rely on daigou—Chinese resellers—to buy.

Based overseas, Daigou purchases luxury goods on behalf of friends, family and clients, allowing them to take advantage of favourable exchange rates and lower luxury tariffs. Daigou are often spotted strolling around luxury boutiques, snapping pictures of pieces for their clients or posting them on their own Weibo profiles.

If anything takes their clients' fancy, the daigou buys it on their behalf and ships it to the mainland at a commission. The Chinese government recently tried to crack down on daigou activity but that doesn't seem to have curbed it. Successful daigou are social media-savvy, and that's meant many resellers have since become influencers in China.

Stringent IP laws need of the hour

Intellectual property rights are not enforced tightly in China, and combine that with the country's production prowess and consumers' desire for latest piece emerging from the West, that's when counterfeit clothing takes shape.

Some of the most famous knockoffs are Yeezys, Supreme, Gucci and Off-White. However, short-term thinking is not the right approach to build a legacy in fashion and that's where China is lacking.

Knowing that China is a mysterious, exotic place, one with a deeply complex history and culture, having the right talent, the country needs to tell a story and that too by looking in, not out.

Source: fashionatingworld.com - Nov 13, 2017

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Denmark looking for textile partnerships in Pakistan

Denmark wants to enhance bilateral trade with Pakistan in various sectors including textile and knitwear. Danish companies are planning to sign joint ventures in different sectors with Pakistani companies. Danish companies will work with Pakistan's corporate sector in knitwear manufacturing.

Advanced technology will be introduced in Pakistan, which would help increase production, improve quality of products and cut production costs. Danish companies will focus on various fields including renewable efficient energy, health care and food production.

Denmark played an important role in getting Pakistan GSP Plus status from the European Union, which allowed duty-free export of many products. Pakistan's problems with managing its power crisis could get valuable support from the Nordic country.

Denmark is considered to be a stronghold of renewable energy. Around 40 per cent of the world's wind turbines are manufactured in Denmark. Renewable energy is an area for cooperation, given Pakistan's focus on alternative resources in its new energy policy.

Denmark's private industry would also support Pakistan in energy conservation technologies and agricultural machinery. Denmark will work with provinces in Pakistan for capacity building and with civil society organizations on democratisation, human rights and gender equality.

Denmark is ranked as one of the least corrupt countries and the happiest nation. But it has some of the highest tax rates in the world.

Source: fashionatingworld.com - Nov 16, 2017

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Alliance to quit Bangladesh next July on term completion

Alliance, the factory inspection platform of 28 North American retailers, will leave Bangladesh in July next year after the completion of its five-year tenure.

A total of 234 Alliance-affiliated factories have completed all material items in their Corrective Action Plans (CAPs) and 162 non-compliant factories have been suspended from the Alliance factory list for delays in upgrading of their CAPs.

More than 1.3 million workers across 941 Alliance and non-Alliance factories have access to the Alliance's confidential worker Helpline.

Democratically elected Worker Safety Committees that give workers a seat at the table in monitoring safety issues have been established in 171 factories. More than 1.4 million workers have been trained in basic fire safety, and 1.3 million have participated in refresher courses.

Nearly 27,000 security guards have been trained in fire safety leadership while about 20,000 have received refresher training.

Alliance has designed a safety training workshop for senior factory managers and partnered with the Bangladesh University of Engineering and Technology on a graduate-level short course for Bangladeshi engineers, both designed to build in-country capacity on safety.

Fortifying safety in factories and equipping workers with empowerment tools is Alliance's focus. Factories are demonstrably safer today than when Alliance started working.

Source: fashionatingworld.com- Nov 16, 2017

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A transitional arrangement can ease Brexit impact on fashion

While the entire industry awaits the final Brexit agenda to decide their future course of action, recent developments show the UK government is pushing for a two-year transitional deal to help a smooth change. Prime minister Theresa May outlined plans to strike a deal that would effectively delay implementation of any new trade agreement between the UK and the EU until 2021.

At the end of October, Brexit secretary David Davis told a committee of MPs that he expected the outline of this transitional period to be agreed within the first three months of 2018. This move welcome across fashion and retail fraternity as everyone in unison feels an early agreement on transitional arrangements would be essential to allow companies time to prepare. Helen Dickinson, Chief Executive, British Retail Consortium (BRC), points out he would allow time to adapt new customs controls to avoid disruption and to agree a final deal that avoids new tariffs. According to her, a period of implementation is vital to offer certainty for businesses and allow them to prepare.

Brexit's impact

Nigel Lugg, Chairman, UK Fashion and Textile Association (UKFT), during a recent Association of Suppliers to the British Clothing Industry's autumn conference in Peterborough, said the government negotiation is key to the future of the industry.

There are huge benefits the industry could reap post-Brexit but the complexities of the divorce settlement run deeper than anyone can even imagine. Julia Redman, Head of buying for kidswear, menswear and home at value fashion retailer M&Co, feels no one knows the exact outcome of the treaty. It's like stepping into the unknown. The only thing that can be achieved is to plan well for the future.

The BRC is calling for a system that ensures goods can continue to be imported without delays, disruption or additional costs. This would require significant investment in capacity, staff and IT systems – all of which would take time to sort out.

Mike Flanagan, CEO, Clothesource, explains 92 per cent of clothing exports and 31 per cent of imports have to travel through European customs posts. At borders outside the EU, lorries turn up and wait for a couple of days. Lugg said one of their key demands is to remain in the European Customs Union. The speed and simplicity of sending goods to Europe has been a huge benefit. On the French side of the Channel Tunnel, there is space for just six (articulated) lorries at the border. The industry can't afford to let customs delays happen.

Draft FTA before end of time

In early October, trade secretary Liam Fox said the government expected to have draft FTAs on the table long before it reached the end of Brexit transitional period. This is good news for the fashion and textiles industry. There is a need to conclude meaningful trade deals with the US, Japan, Australia, New Zealand, and so on, as the opportunities are unbelievable. FTAs could provide a huge boost to the sector's export drive, and the growth of UK manufacturing.

The US is the UK's largest export market outside the EU but duties and tariffs, the ATA Carnet – an international customs document that permits the temporary tax-free and duty-free export and import of goods for up to one year – and other non-tariff barriers make many UK companies reluctant exporters to the US. An FTA would simplify the process, allowing brands to enter the US easily. The US has shown substantial interest in UK-made products. The buzz is EU is likely to offer an interim arrangement but limit it to 21 months. Whether it extends to 21 or 24 months, securing such a deal must be a priority for the prime minister.

Opportunities & challenges

A two-year transitional Brexit arrangement would give fashion businesses more time to adapt to new customs controls. Allow EU nationals in the UK more time to settle their migration status. Give more time to establish new administrative systems for customs. Potentially give the government time to negotiate draft FTAs. Give ministers time to agree on a final deal that avoids new tariffs. However, it could also keep the value of sterling low for longer, ultimately leading to retail price rises.

Source: fashionatingworld.com- Nov 15, 2017

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NATIONAL NEWS

Suresh Prabhu sees economy touching \$5 trillion in a few years

Commerce and Industry Minister Suresh Prabhu today exuded confidence that exports will gather momentum going forward as the economy is on course to double to USD 5 trillion and become the third largest in the world, over the next few years.

"Our economy shall grow from USD 2.5 trillion now to USD 5 trillion and it will become the third largest over the next few years. With such an economic growth, our international trade will also grow," Prabhu told World Trade Expo 2017 here in a video message.

Earlier this week, the American brokerage, Bank of America Merrill Lynch, had projected that India would overtake Japan to become the third largest economy in the world by 2028 as it expects the nominal GDP to clip at 10 per cent over the next one decade.

The report noted that at USD 2.26 trillion the country has already overtaken Brazil and Russia to emerge as the second largest BRIC economy after China and is well on track to cross France and Britain to emerge as the world's fifth largest after Germany by 2019.

Last year the economy closed at USD 2.26 trillion. But the report did not quantify the size of the economy by 2028 when it would be the third largest after China and the US. At around USD 5 trillion, Japan is the third largest economy now.

"This expo is being held at a time when the economy is growing faster than before. I am sure this expo will help foreign countries understand India and its economy better in promoting trade," Prabhu said.

His statement comes two days after his ministry said exports dipped 1.12 per cent to USD 23bn in October and trade deficit ballooned, retreating from a six-month high growth in September as shipments of textiles, pharma, leather and gems and jewellery fell.

Imports, however, grew by 7.6 per cent to USD 37.11 billion in October from USD 34.5 billion in the year-ago month. Trade deficit widened to USD 14 billion from USD 11.13 billion in October 2016.

Cumulative exports during April-October rose an anemic 9.62 per cent to USD 170.28 billion, while imports grew almost three times faster at 22.21 per cent to USD 256.43 billion, leaving a trade deficit of USD 86.14 billion.

Addressing the event, MSME secretary Arun Kumar Panda expressed hope that trade expos like this will act as a unique platform to integrate the khadi and village industries, micro, and MSMEs in the global value chain.

Noting that around 60 million MSMEs contribute 90 per cent to industrial production, he said "it is time MSMEs look beyond the borders and showcase their skills and excellence to the global market.

The foreign trade policy aims to increase share of exports in world to 3.5 per cent from under 2 per cent, according to the commerce ministry.

"The commerce ministry has also highlighted the need to shift the focus to emerging sectors and promote the bottom 10 items in the list of exports," additional director general of foreign trade Sonia Sethi said.

Representatives from over 37 countries are participating in the expo. These countries account for 17 per cent of the country's total trade.

Source: economictimes.com- Nov 16, 2017

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Pink bollworm may eat up half of Maharashtra's cotton crop

Warning of unprecedented loss, experts call for quick action to curb spread. The State is staring at an unprecedented loss of cotton crop this year, as the pink bollworm pest is estimated to have affected nearly half of the total crop. Government bodies, committees and even Opposition parties have asked the government to take measures to curb the pest. Failing to do so is likely to harm more crop next year, fear experts.

The government, however, has said the problem is limited to certain areas and the numbers are exaggerated.

Kishore Tiwari, president of the Vasantrya Naik Shetkari Swavalmban Mission — a State government initiative — said, “The infection of pink bollworm has been plaguing the crop for last two-three years, and this year it has affected almost 50% of the crop. The total loss to the cotton economy could go up to ₹10,000 crore.”

Mr. Tiwari said he has reported to the government about the extent of the spread of the pest, and that Bt cotton seed Bollgard II (BG II) from Monsanto has failed to counter it. “There is a need to find an alternative,” he said.

V.N. Waghmare, acting director of Nagpur's Central Institute for Cotton Research, told The Hindu that the infection is on a scale never seen before. “The problem has been growing for last few years in Gujarat and Maharashtra. The pest has overcome the resistance of BG II, and is now overpowering it. It is feeding on the present crop and is here to stay for years to come if serious measures are not taken,” he said.

Dr. Waghmare said that in the absence of urgent action, the pest may spread to a larger area in future.

Past warnings

The inability of BG II to fight the pink bollworm is not a sudden occurrence. In December 2015, a report by former CICR director K.R. Kranthi had warned the government that “the pink bollworm [has] developed resistance to two Cry toxins deployed in Bollgard II”.

The Opposition has criticised the government's inaction against the pest.

"First, the government ignored Dr. Kranthi's report. Then it sidelined questions raised by me in the legislature. The government's inaction indicates a major cotton seed scam," said Dhananjay Munde, Leader of Opposition in the Legislative Council.

Farmers, too, are unhappy with the performance of the Bt cotton seed.

"The government failed to maintain quality control on BG II. This is a seed scam destroying farmers. The companies should be penalised," said Rajan Kshirsagar, vice-president, Maharashtra Rajya Kisan Sabha.

Damage control

Agriculture minister Pandurang Fundkar told The Hindu that his department is at present carrying out panchnamas of the loss.

"Yes, damage has been done in areas of Yavatmal, Wardha, Jalna; in the rest of the districts, the damage is around 5-10%. We have decided certain measures such as selling hybrid seeds from next year, and also mixing in refuge seeds. This will control the damage," he said.

Mr. Fundkar said that thanks to crop insurance, every farmer will be compensated.

In 2016-17, a total 38 lakh hectare was under cotton in the State, and as per the estimates for 2017-18, the figure is now over 40 lakh hectare. As per the government's own admission, farmers have used the BG II seed on around 95% of this land.

The State Agriculture Department has already written to the Centre to denotify BG II as it has lost its efficacy to fight the pest.

Source: thehindu.com- Nov 17, 2017

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Why We Need To Fashion An Export Revival, Fast

On Tuesday came news that India's exports contracted for the first time in 13 months in October. Our trade deficit has widened to a near three-year high of \$86 billion.

Ready-made garment exports in October shrank 39 percent from a year earlier to \$829.44 million. Apparel exports in April-October 2017 totalled \$10 billion, rising just two percent year-on-year. More significantly, apparel exports declined by nearly six percent in the July-October period after the Goods and Services Tax (GST) was introduced.

Our apparel industry is in deep trouble. It employs about 12.9 million people, most of them in small and unorganised units; the textile sector as a whole employs 44 million. A study just published by the Indian Council for Research on International Economic Relations (ICRIER) says grimly that total employment in the country declined by 12.8 million between 2013-14 and 2015-16. ICRIER says the apparel industry accounted for 19 percent of the total 13.25 million workers in the organized sector. These were 'good jobs' and deserved encouragement.

Apparel exports have hovered around \$17 billion annually for the past few years. This is only 3.8 percent of the global garment-export market. China, with \$148 billion in garment exports last year, alone accounted for one-third of the world market of \$442 billion. Vietnam does about \$28 billion and Bangladesh about \$32 billion. Our wages are lower than China's, and we are self-sufficient in cotton and other raw materials.

The garment industry is one of the best value creators in India: an investment of just Rs 1 crore generates about 70 jobs, and 70 percent of those jobs go to women. So you would think it's a no-brainer to help this industry. Right?

Wrong. The government is trying, but most of the time it seems to build new tax and procedural labyrinths for exporters and then struggles to map an escape route for them. It has recently announced a number of steps to try and mitigate the situation, but there is no sign of the Textile and Commerce & Industry ministries joining hands on a war footing.

For instance, 40 percent of India's garment exports go to the European Union but we do not have a Free Trade Agreement (FTA) with the EU. The Europeans want us to open our markets to their wines, cheeses and automobiles. Is that a big ask? Garment exports from India face a 9 percent import duty in the EU, which has FTAs with competitors of ours like Bangladesh, Vietnam, Sri Lanka and Pakistan.

The GST has wreaked havoc. Many large garment makers farm out operations among units in different Indian states. Activities like cutting, sewing, embroidery, washing and packing can take place, say, in five different GST jurisdictions. This means each unit has to pay the Integrated GST (IGST) and file multiple tax returns. Technically the IGST paid will be refunded, but this has tied up valuable working capital. Several exporters I spoke with complained that their GST problem had severely affected Christmas orders from overseas buyers, so you can expect a further export contraction through the winter.

The ameliorating steps announced in October include an 'e-wallet' that would be filled by the government with a notional tax refund; this can be used to offset payments of IGST and GST. Interestingly, India ranked 146th among 190 countries in trading across borders in the World Bank's Doing Business 2018 survey released on October 31. The Bank noted that the average time taken by exporters was 38.4 hours for documentary compliance, and 106 hours for border compliance.

It is not just slow processes and paperwork that are problems. We need to carry out urgent and drastic reforms to help our manufacturers and exporters. Commerce and Industry Minister Suresh Prabhu has promised a new foreign-trade policy soon, but world markets are not waiting for us. Last month the World Trade Organization (WTO) issued a strong upward revision of its 2017 forecast, predicting that world trade would grow by a robust 3.6 percent this year after a lacklustre 1.3 percent in 2016. India should be cashing in on this improved sentiment.

July-September gross domestic product data are due out at the end of November. This is just before voting takes place on December 9 and 14 in Gujarat. If GDP growth slows further from the 5.7 percent in April-June and 6.1 percent in January-March, Prime Minister Narendra Modi will have to buckle down to real reform in the final 18 months of his term.

Last week the National Council for Applied Economic Research (NCAER) projected that real GDP will grow at 6.2 percent in 2017-18.

The Index of Industrial Production (IIP) rose by a weaker 3.8 percent in September after 4.3 percent in August and by only 2.5 percent in the first half of 2017-18. Manufacturing grew 3.4 percent in September, up only slightly from 3.1 percent in August. But the Nikkei Manufacturing Purchasing Managers' Index (PMI) fell to 50.3 in October – barely above the level at which an economy is seen to be contracting – from 51.2 in September.

There was worse to come. Consumer price index (CPI) inflation rose by 3.6 percent in October after 3.3 percent in September; food prices are very likely to shoot up as winter progresses and bad weather affects vegetables.

Nothing daunted, however, the ecstasy unleashed by India's rise of 30 notches in the World Bank's Doing Business survey, which was announced just a week before the first anniversary of demonetisation, has not fully dissipated. Finance Minister Arun Jaitley called a late-evening press conference as the news embargo was lifted in Washington D.C. to celebrate "the highest jump any country has made" – from 130 to 100 out of 190 countries. An Ease of Doing Business event was quickly organised four days later; Modi said: "I sense a well-deserved mood of celebration here...India has Walked the Talk."

The EODB ranking is by no means a blanket endorsement of India's economic policies. The World Bank noted that although India had made substantial changes in areas like getting electricity, getting credit, and paying taxes, it still ranked poorly on several fronts: 156th in starting a business, 181st in dealing with construction contracts, 154th in registering property, and 164th in enforcing contracts. "In fact, the time taken to enforce a contract is longer today, at 1,445 days, than it was 15 years ago (1,420 days)," the Bank said.

"Over the last three years, we have systemically and critically evaluated business regulations. We have tried to understand the pain points of businesses with regard to interface with government. We engaged with businesses on a regular basis, understood their concerns and sought to modify regulation to address their concerns," Modi told the Nov.4 audience. Such optimism is not shared by our beleaguered exporters.

Global crude oil prices are now close to \$63.50 a barrel, up nearly 24 percent from their levels in April, putting an end to a three-year bonanza for our foreign-exchange reserves. But is our cash-strapped government racing to grease the wheels of business quickly enough to counter these trends? You be the judge.

Source: blogs.economictimes.com- Nov 15, 2017

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MoU inked to develop plastic, textile park in Odisha

The Indian Oil Corporation Ltd (IOCL) on Thursday signed two memoranda of understanding (MoUs) to set up a plastic park and textile park in Odisha.

The MoUs were signed at the Petrochemical Investors Conclave, the first-of-its-kind to attract investments to eastern India, inaugurated by Union Petroleum Minister Dharmendra Pradhan here.

IOCL and Industrial Development Corporation of Odisha (Idco) signed an MoU to collaborate in the setting up of a Plastics Park at Paradip.

Indian Oil is setting up a 700 KTA (kilo tonnes per annum) Polypropylene unit at Paradip Refinery, to be commissioned in 2018, to serve as a mother plant for downstream polymer or plastics ancillary units.

Indian Oil signed another MoU with MCPI Ltd for setting up a Textiles Park.

With the coming up of an MEG (Mono Ethylene Glycol) Unit at Paradip Refinery and availability of PTA (Purified Terephthalic Acid) in the East, the polyester downstream industry can flourish very well in eastern region as well, said Pradhan.

"By achieving synergy of cotton fibre with polyester fibre to promote and popularise synthetic textiles, the Textiles Park will majourly benefit Micro, Small and Medium Enterprises (MSMEs), with employment potential of up 22 lakhs," he added.

Pradhan said that India's petrochemicals sector is going through a golden period, with growth rates of 14-15 per cent per annum.

"Odisha, with ready availability of raw material, skilled, low-cost manpower, port infrastructure and rail connectivity and a large regional market, must fully utilise the opportunity to create investment opportunities in the downstream plastics park and textiles park being developed in the state," he said.

Highlighting the developmental vision of Prime Minister Narendra Modi for eastern India, he said that accelerated development of eastern states is one of the top priorities of the Indian government.

While the per capita consumption of plastics in India is only 10 kg as compared to the world average of 32 kg, it is much lower at 5 kg in eastern India, he said.

The Petrochemical Investors Conclave has been organised to create a new inspiration and a new eco-system for the growth of petrochemicals sector in Odisha, and generate wealth for a new generation of entrepreneurs, while at the same time creating employment opportunities for the youth of the state on a large scale, he said.

Pradhan hoped that the conclave, with the theme "Purvodaya - The Dawn of New Investment Opportunities in Eastern India", would serve as an effective platform for young investors to interact with business leaders of the petrochemicals industry, government functionaries, financial institutions, supply chain professionals as well as incubators in the academia at one place.

He also inaugurated an exhibition set up at the conclave venue.

The exhibition, with over 35 exhibitors, focussed on how the petrochemicals sector caters to a number of other sectors, by providing raw material for clothing, housing, construction, furniture, automobiles, household items, toys, agriculture, horticulture, irrigation and packaging to medical appliances.

Also present on the occasion was Odisha Finance Minister Shashi Bhusan Behera who said that the state is attracting large investments in energy, mineral and manufacturing sectors.

With the state government according high priority to petrochemicals sector, Indian Oil, as anchor tenant, will have a lead role to play in developing a PCPIR (Petroleum, Chemicals and Petrochemicals Investment Region) in Paradip, he said.

Odisha Micro, Small and Medium Enterprises Minister Prafulla Samal said that the state government is according top priority to development of Paradip, Dhamra and Bhadrak regions.

Indian Oil's Polypropylene unit coming up at Paradip will help boost the growth of plastics industry in the state and also raise the state's per capita consumption of plastics, he added.

Source: business-standard.com – Nov 16, 2017

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City garment Inc stares at major losses as exports nosedive

In a development that might prove to be disastrous for the knitwear, garment and textile industry of Ludhiana, which alone has a turnover of Rs 15,000 crore per year and accounts for 95% of total hosiery production in India, the Union government's move to cut down the duty drawback incentive on export of readymade garments from 7.7% to 2% from October 1 seems to have backfired.

In one of the worst downfalls registered this year, the exports from the country have fallen by more than Rs 3,712.67 crore in the month of October as compared to corresponding period last year.

According to city exporters, this massive decline is just the beginning and the worst is yet to come as Pakistan has announced a large number of incentives for its garment and textile exporters under its prime minister's package of incentives.

Exporters are very worried as they are of the view that this move by Pakistan will hit them very hard in the global market as they will be unable to compete with the exporters of Pakistan due to cut in their incentives.

Harish Dua, president of Knitwear and Apparel Exporters Organisation, said, "The 41% decline in exports of readymade garments from the country is just the beginning of the worst times and I hope government realizes its mistake now or else it will be too late."

"Our repeated requests to hike the duty drawback rates to a nominal level have gone unheard and nothing has been done till now. This has given a chance to our neighbouring country like Pakistan to take advantage of this situation which is clear from their announcement of series of incentives for their garment exporters which even include huge incentives in the form of duty drawbacks, concession in local taxes," Dua added.

"Pakistan's move will definitely hit India's garment exporters very hard in global markets as we will not be able to match the rates given by the Pakistani exporters for the same products," he further said.

Narinder Chugh, EC member of Apparel Export Promotion Council, "We are facing a very tough time at the moment as garment exports have tumbled since duty drawback on garments export was slashed to 2% by Union government on October 1. The latest data is evidence of its real impact and if government does not takes a call now, garment exports from India are bound to decline further.

Ever since the duty drawback on export of garments was slashed by 6% our exports have nosedived and several of orders have not matured as we were forced to hike the rates of our products. This is a huge cut and therefore time and time again we had been requesting the union government to revise its orders and fix the rate at 5%

Harish Dua | President, Knitwear and Apparel Exporters Organisation

This is like an emergency situation for the garment exporters as the duty drawback has almost been totally finished by our government while our neighbours are enjoying hosts of benefits from their governments which makes us uncompetitive at the international level. Until the union government tries to match the incentives given by the neighbouring

countries like China, Pakistan and Bangladesh to their exporters, the situation is not going to improve.

Harish Kairpal, Finance secretary, Knitwear Club

Key points

Garment exports fall by over Rs 3700 crore following the cut in duty drawback

Pakistan set to spoil the game further for the garment exporters

The knitwear, garment and textile industry of Ludhiana alone has a turnover of Rs 15,000 crore per year and accounts for 95% of total hosiery production in India

Readymade garment exports already on the fall

Barring April, May and September, India's readymade garment (RMG) exports in financial year (FY) 2017-18 have already registered a significant drop during last few months. October 2017 has been the worst month for the exports when more than 40.75% decline was registered.

Source: timesofindia.com- Nov 17, 2017

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Exporters in a spot as GST refunds delayed

Exporters have said their failure to receive goods and services tax (GST) refunds is dragging down the sector.

“After paying the GST four months in a row and without receiving any refunds, small and medium enterprises are at a breaking point. There is an immediate need for remedial measures to prevent a further decline in exports,” said Ganesh Kumar Gupta, president of the Federation of Indian Export Organisations.

In the GST regime, exporters have to pay taxes on realised profits upfront and then apply for refunds.

Exports grew for 13 straight months, peaking at over 25 per cent growth in September, but then declined in October by 1.12 per cent.

Gupta added that production had declined sharply in employment-intensive sectors such as leather goods, jewellery and garments. Smaller industries such as handicrafts and carpets, which are more sensitive to tariff and price movements, have become unstable.

The Export Promotion Council for Handicrafts is preparing a proposal for a financial package for the sector, according to officials.

The GST refund process has been delayed because the government extended the date of filing the GST returns, according to the EEPC. The July refunds will thus only be available in the third week of November. Exporters also alleged that implementation of measures approved by the GST Council was slow. They added specific difficulties in filing returns remained.

Garment exporters had recently told a parliamentary standing committee that the GST had not helped the sector.

Struggling to stay afloat

* Under the GST regime, exporters have to pay taxes on realised profits upfront and then apply for refunds

* Exports grew for 13 straight months, peaking at over 25 per cent growth in September, but then declined in October by 1.12 per cent

* The GST refund process has been delayed because the government extended the date of filing the GST returns

* The Export Promotion Council for Handicrafts is preparing a proposal for a financial package for the sector

“The overall effect on apparel exporters, especially SMEs, is burdensome due to a substantial increase in working capital requirements and higher transaction costs,” said Ashok G Rajani, chairman of the Apparel Export Promotion Council.

The body wants extension of the Integrated GST exemption on imports under the Export Promotion of Capital Goods (EPCG) scheme and the Advance Authorisation scheme from March 2018 to December 2018.

However, some are hoping the government's decision to reduce the rate of taxation for a wide variety of products would help shore up growth prospects.

"The announcement by the Council to bring leather goods and leather garments under the 18 per cent slab, from the 28 per cent earlier, and finished leather to under 5 per cent slab, from 12 per cent earlier, is a big relief to our industry" Mukhtarul Amin, Chairman of the Council for Leather Exports.

STORY IN BRIEF

GST still pummeling exports, say traders MSMEs going through severe liquidity crisis as tax refunds under GST regime still not materialising Sharp fall across major employment-intensive sectors such as leather & leather products, gems & jewellery, readymade garments.

After witnessing continuous growth for thirteen straight months and peaking at more than 25 per cent growth in September, India's exports fell for the first time in October by 1.12 percent Traders express concern over 'slow' implementation of measures approved by the GST Council back in October

Source: business-standard.com- Nov 17, 2017

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Job creation: Just over 3 lakh new ones created in corporate manufacturing in FY17

With CMIE chief Mahesh Vyas estimating around 1.5 million jobs were lost to demonetisation in Jan-April 2017 over Sept-Dec 2016 and economist Surjit Bhalla arguing jobs grew by 4.2 million in Jan-April 2017 over a year ago, the debate over jobs is both heating up and getting curiouser.

HRD minister Prakash Javadekar has, for instance, interpreted provident fund data from EPFO to claim 10 million new jobs were created in FY17.

Adding to the confusion is the fact that India has several sources for labour data, almost none of which match—there is the NSS, the Labour Bureau, the ASI and even an Economic Census. In the absence of real time data, Radhicka Kapoor of ICRIER has estimated employment trends in the manufacturing sector by computing elasticity estimates from ASI data and applying this to the national accounts or GVA data—this shows that only 4.08 lakh jobs were created in the private corporate manufacturing sector in FY16 and an even fewer 3.15 lakh in FY17—in FY16, total employment in the unorganised and organised manufacturing sector was just under 50 million. In other words, the pace of job creation is woefully short of the required 1-2 million a month.

Kapoor argues the Mudra loans—the government claims these created at least 70 million jobs over the past few years—were probably given to those who were already employed and chose to strike out on their own; also, given the average loan size of `44,000 in FY17, it is unlikely they are creating sustainable businesses.

As for provident fund data, Kapoor looks at the number of accounts in both exempted and unexempted funds and finds these rose dramatically, from 88.8 million in March 2013 to 117.8 million in March 2014, 158.5 million in March 2015, 171.4 million in March 2016 and 193.4 million in March 2017—the increase, she points out, is due to employees having multiple accounts and increased drives by the EPFO to ensure greater compliance; the fact that only 22% of these accounts received any contribution in 2015-16 lends credence to the multiple accounts theory.

Fixing India's jobs famine requires creating a better environment for companies to hire people—the recent changes proposed in the Maharashtra law which makes retrenchment easier is a good step in this context, as are some of the sector-specific packages like the one put in place for apparel exports.

Moreover, the operating environment must be made easier so that SMEs are able to run their businesses without any stress—apart from the usual ease-of-doing-business parameters, this means costs of electricity, rentals, etc, also have to come down sharply.

An additional factor that has come into the picture now is demonetisation and GST, both of which make it more difficult for firms to survive in the unorganised sector—if this is not taken care of, employment will show an even bigger hit when the next set of data are in.

Source: financialexpress.com- Nov 17, 2017

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GST rate cut: Centre doubles down on GST's gains for consumers

A day after the Centre notified the latest set of cuts in the rate of tax to be levied on a wide range of goods as part of the Goods and Services Tax (GST), the Union Cabinet on Thursday approved the creation of the National Anti-profiteering Authority to ensure that businesses pass on the benefits of GST to consumers.

Coming well over four months after the new indirect tax system was introduced on July 1, the decision to set up the enforcement body marks the government's resolve to ensure that the latest tax rate reductions approved by the GST Council on more than 200 items are implemented immediately by businesses. Crucially, the authority has been granted wide-ranging powers, including to cancel the registration of offending firms in extreme cases.

“The Union Cabinet has given its approval for the creation of the posts of Chairman and Technical Members of the National Anti-profiteering Authority (NAA) under GST, following up immediately on yesterday's sharp

reduction in the GST rates of a large number of items of mass consumption,” the government said in a release.

“This paves the way for the immediate establishment of this apex body, which is mandated to ensure that the benefits of the reduction in GST rates on goods or services are passed on to the ultimate consumers by way of a reduction in prices.”

The GST Council, at its 23 meeting last Friday meeting, held that restaurants had failed to pass on the benefit of input tax credit to customers by way of lower prices. It decided to remove restaurants’ ability to avail themselves of input tax credit while at the same time slashing the final tax rate to 5%.

The changes including removal of input tax credit immediately spurred controversy, with some restaurant chains including McDonald’s raising their pre-tax base prices while keeping the final bill charged to customers unchanged, triggering a storm of protests on social media.

“The government has brought down GST from 18% to 5%, but there has been a removal of input tax credit,” McDonald’s India tweeted in reply to criticism it received for raising prices. “Due to this, our operating costs have gone up. However, keeping customer convenience in mind we have structured the changes in such a manner that total amount paid by the customer remains the same.”

“From an industry perspective there are lot of implementing challenges and operational issues as to how to pass on the benefit,” Abhishek Jain, Tax Partner at EY, wrote in a statement. “Industry would accordingly expect that detailed guidelines providing guidance... are issued at the earliest by the GST Council,” he wrote.

“The ‘anti-profiteering’ measures enshrined in the GST law provide an institutional mechanism to ensure that the full benefits of input tax credits and reduced GST rates on supply of goods or services flow to the consumers,” the government said in the release.

“This institutional framework comprises the NAA, a Standing Committee, Screening Committees in every state and the Directorate General of Safeguards in the Central Board of Excise & Customs (CBEC).”

According to the rules, if the NAA confirms that there is a need to apply anti-profiteering measures, then it has the authority to order the supplier to reduce its prices or return the undue benefit availed by it along with interest to the recipient of the goods or services.

If this can't be done, then the company can be ordered to deposit the amount in the Consumer Welfare Fund. "In extreme cases, the NAA can impose a penalty on the defaulting business entity and even order the cancellation of its registration under GST," the release said.

"The provisions of penalty for making excessive profiteering and even cancellation of registration of such taxpayers will certainly help in achieving the objective of establishing this body," Aditya Singhania, DGM GST, Taxmann, wrote in a note.

"The measure will certainly keep a check on inflation as it will help in monitoring the prices of the products for which rate cuts have been made."

Source: thehindu.com- Nov 16, 2017

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