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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 103 of 2018 May 19, 2018

USD 67.98| EUR 80.16 | GBP 91.58 | JPY 0.61

Cotton Market (18-05-2018)

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

Rs./Bale	Rs./Candy	USD Cent/lb
19720	41250	**78.14**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
20710	43320	**82.06**

International Futures Price

NY ICE USD Cents/lb (July 2018)	85.03
ZCE Cotton: Yuan/MT (May 2018)	16,825
ZCE Cotton: USD Cents/lb	**102.41**
Cotlook A Index – Physical	**93.1**

Cotton guide: The week has come to an end broadly cotton price managed to trade higher. At the start of the week cotton for July was trading around 83.50 cents which closed the Thursday's trading session at 85.03 cents per pound. However, interestingly the same is seen trading higher further this morning in Friday during early Asian session at 85.37 cents per pound. We believe the broad trend continues to be bullish.

For reference, ZCE cotton is seen trading higher by 425 points up by 2.62% at 16615 Yuan/MT from its previous close. We believe the concern of crop damage in the country amid hailstorm and excessive rain has damaged the crop.

So the weather now plays a very important role for world cotton market. The bad weather in West Texas has become a worrisome situation in the west while China crop damage is likely to have major negative effect on the crop numbers. We think the overall supply this year for now seems to be tight and that should keep cotton price elevated.

We continue to keep the price range of 83.50 on the lower side to 86.50 as upper side resistance however; the market bent is indicating positive cues in the offing.

On the domestic front there has been marginal uptick in the spot price from Rs. 41600 to Rs. 41750 per candy ex-gin which translates approximate to 78.65 cents per pound. The arrivals have declined below 70K bales a day. However, the future contract of cotton trades at MCX has posted a close at Rs. 20710 just Rs. 10 down from previous close. We have seen volatile session on Thursday as the same contract has moved in the range of Rs. 20620 to Rs. 20770 per bale. We believe market may remain positive today amid strong signal from ICE, ZCE with Indian rupee depreciating in the last few trading sessions. For the day the trading range would be Rs. 20600 to Rs. 20850 per bale.

Currency Guide:

Indian rupee depreciated by 0.15% to trade near 67.79 against the US dollar. Rupee has come off the January 2017 lows set earlier this week but remains pressurized by concerns about impact of higher crude oil price on trade deficit and inflation. As per reports, India imported 4.5 million barrels per day of crude oil in April, an increase of about 2.5% from a year earlier. The US dollar is also supported by rising US bond yields.

The US 10-year bond yield has breached 3.12% level for the first time since 2011. Also weighing on risk sentiment is uncertainty about US-China trade talks and US-North Korea denuclearization talks. Amid other developments, BJP leader B S Yeddyurappa took oath as Karnataka Chief Minister but he has one week to prove majority. Rupee may remain under pressure on worries about higher crude oil price and investor outflows. USDINR may trade in a range of 67.6-68 and bias may be on the upside.

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

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INTERNATIONAL NEWS

USA: Tariff testimony spotlights apparel industry rift over trade war

While some industry leaders are fighting hard to keep tariffs resulting from the U.S.-China trade face-off from harming the apparel and footwear industries, others are vehemently fighting to have apparel on the tariff target list.

During a public hearing held by the Office of the U.S. Trade Representative Thursday, National Council of Textile Organizations (NCTO) president and CEO Auggie Tantillo testified in favor of having textiles and apparel added to the products that could face new tariffs.

“The U.S. textile industry urges the Trump administration to include textile and apparel end products in any Section 301 retaliatory tariff action against China,” Tantillo said.

As part of his effort to remedy China’s “unfair” intellectual property practices, President Trump proposed a list of 1,300 products from China that would face new tariffs, employing Section 301 of the U.S. Trade Act of 1974 as his defense for doing so. Of the 1,300 called out products, much of the machinery used to make textiles and apparel made the list, which garnered enough outrage despite being a more indirect attack on the industry.

Now, however, NCTO has formally suggested apparel and textiles be added to that list, a move that it says will improve conditions in the U.S. apparel industry.

“The U.S. textile industry is deeply disappointed that the retaliation list does not contain a single textile or apparel product,” Tantillo said during testimony at the hearing designed to allow impacted industries to share concerns about potential effects of the proposed tariffs.

“This is a glaring omission because China has used a system of predatory trade practices, including brazen theft of U.S. textile materials, technology and innovation, to dominate global markets.

Today, China holds nearly 40 percent of the world's total trade in this sector. Since 1997, China's textile and apparel exports to the United States have increased by a stunning 1,400 percent, helping to fuel the more than $44 billion U.S. trade deficit with China in our sector last year."

Though speaking on behalf of the U.S. textile industry, NCTO's perspective comes in stark contrast to other leaders in the apparel industry.

"We are disappointed that the National Council of Textile Organizations has called for taxes to be levied on American citizens," Rick Helfenbein, president and CEO of the American Apparel & Footwear Association, said in response to Tantillo's testimony.

"Tariffs are a tax – plain and simple – and levying tariffs on U.S. imports will directly raise our costs here at home. It is unrealistic to think that textile and apparel supply chains can quickly or simply shift production outside China without massive disruption that will lead to cost increases and significant retail price inflation in the United States–which will fall disproportionately hard on low-income Americans."

In his own testimony at the hearing, Helfenbein expressed concern about the potential of textiles, apparel, footwear and travel goods being added to the tariff target list, stressing that the AAFA would "strongly oppose" such a move.

Providing some additional context to drive the point home that levying tariffs against China will hurt the domestic industry more than the target, Retail Industry Leaders Association vice president of international trade Hun Quach, cited a study showing the price of a flat panel TV could increase by 23 percent, or, as she said, "about $711 million over the next year."

"Simply put, tariffs are not the answer. Tariffs will not address China's bad behavior," Quach said during her testimony.

Those tariffs, she added, will put American businesses at a competitive disadvantage.

"While there is no good time for increased tariffs, these proposed tariffs could ruin back-to-school and the winter holidays for American families across the country," Quach said. What's more, she said, "The potential for tariffs on an additional $100 billion of goods causes significant concerns for retailers. Tariffs on apparel, footwear, toys, consumer electronics, and home goods—items in every household across this country—would be a devastating blow."

Source: sourcingjournal.com- May 17, 2018

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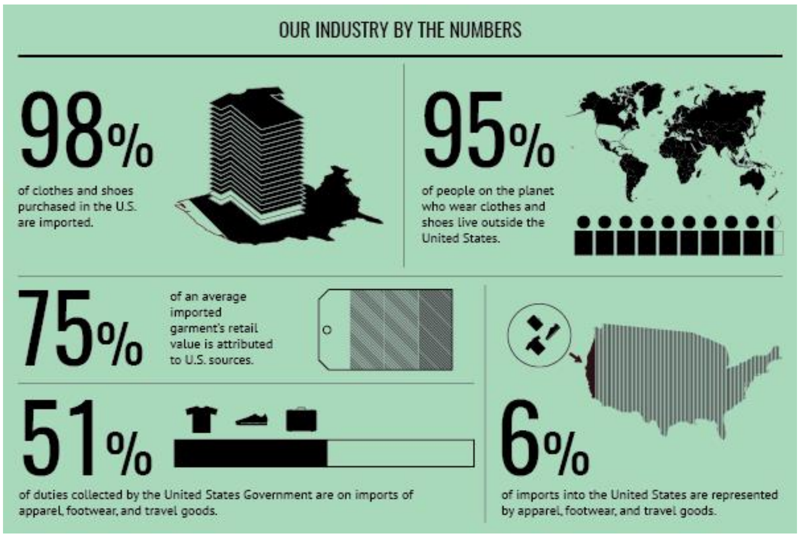
USA: A By-the-Numbers Look at the Apparel Industry Proves What's at Stake in Tariff Wars

If you want to understand our industry, you must first understand five numbers: 98, 95, 75, 51 and 6.

Here's what they mean and how critical the awareness of them is to grasping how the proposed tariffs between China and the U.S. stand to impact the industry.



98 – This represents the percent of clothing and shoes purchased in the U.S. that are imported. While we still make clothes and shoes in this country, most of what we consume is physically produced offshore. China is the dominant source, but other top trading partners include Vietnam, Indonesia, India, among others.

95 – This represents the percentage of people on the planet who wear clothes and shoes and live outside of the United States. The power of these foreign consumers is growing, not only in number but in purchasing power. Another sobering fact? There are more middle-class consumers in China than there are people in the entire United States.

These first two numbers tell us that, to be successful in this industry, you need access to global markets and global suppliers. Gone are the days when you can make and sell only in the U.S. Most companies make and/or sell their product in multiple countries—sometimes that combination gives them a “local for local” model, but many times it gives them a supply chain that stretches through many countries and continents.

75 – This represents the percentage of an average imported garment’s retail value that is attributed to U.S. inputs.

This high value-added figure makes sense once you realize all the steps a garment goes through from concept to consumer, and that most of the value is added at the beginning and ending stages of the value chain. This high U.S. value-add also reconciles with the fact that 4 million U.S. workers are employed in the U.S. apparel and footwear industry, engaged in a wide array of skills including design, distribution, compliance, legal, manufacturing and retail. Of course, given the high import penetration noted above, that means these 4 million U.S. workers are almost entirely dependent upon imports.

51 – This is the percentage of duties collected by the United States Government on imports of apparel, footwear, travel goods and textiles.

6 – This is the percentage of imports into the U.S. that are represented by apparel, footwear, travel goods and textiles.

The last two figures go together and bear repeating–our industry accounts for just 6 percent of all imports but generates more than 51 percent of all duties collected.

This situation is a consequence of the very high duties (as high as 67 percent) still in place from the 1930s for our industry. They also shine a spotlight on the imbalance and regressive nature of U.S. tariff policy.

Most of the tariff burden is concentrated on apparel and footwear, items that literally touch everyone. If the good news is that we all wear clothes and shoes, the bad news is that we all pay this tax.

And the poor pay the tax at a disproportionately higher rate than wealthier Americans since a much larger portion of their budget goes to these products.

Such tariffs are levied and paid without most Americans' knowledge, which means they constitute a massive hidden consumer tax.

Recent trade war talk suggests this tariff burden could become far worse if additional tariffs on U.S. imports from China are levied on our industry. While these products were excluded from the first list of items proposed earlier this month, it is unclear whether they will miss the second tranche that has also been proposed.

China remains a substantial supplier of these products to the U.S. market; accounting for 41 percent of all U.S. apparel imports, 72 percent of all U.S. footwear imports, and 84 percent of all U.S. travel goods imports.

If these goods face an additional 25 percent tariff when they enter from China, a family of four could see their annual clothing and shoe bill increase by more than $500 per year.

Collectively, these five numbers–98, 95, 75, 51, and 6–tell a powerful story about our business. We are a global industry that supports many U.S. jobs. But we are an industry that is overtaxed–and that tax burden has consequences that hurt U.S. consumers and U.S. workers alike.

While many of us implicitly know this story and see it every day in our businesses, most Americans don't.

But if each one of us can get others–customers, stakeholders, policy makers– to collectively understand these numbers and what they mean, we can affect real change in Washington that can benefit our industry and the communities they support.

Perhaps the most important number, therefore, is one.

Source: sourcingjournal.com- May 18, 2018

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China's FTA with the EAEU Will Improve Market Access, EU Transshipments

China signed a free trade agreement (FTA) with the Eurasian Economic Union (EAEU) today in Astana, Kazakhstan, as indicated by us would occur earlier in the week.

Early reports suggest the FTA is "non preferential". Kazakhstan's Minister of National Economy Timur Suleimenov stated, "The agreement is non-preferential by nature and does not imply cancellation of duties or automatic reduction of non-tariff barriers.

At the same time, the agreement will make [it] possible to improve conditions for access of goods to the China market, through norms for simplification of trade procedures present in the document, [and] increase the transparency level and improve the level of interaction across all spheres of trade cooperation."

Chris Devonshire-Ellis, Founding Partner of Dezan Shira & Associates, commented, "Without seeing the document it is hard to ascertain exactly what Suleimenov meant. However, the normal language concerning the FTA suggests that the China-EAEU agreement has rules of origin in place to prevent goods from non-parties gaining preferential access through the member country of the free trade zone with the lowest customs tariff.

If so, this will be because the EAEU itself has not fully harmonized its internal tax system between member states, and there are some discrepancies between them. However, the fact that the agreement has been signed is a major boost for the EAEU and a significant step forward for Eurasian and Russian trade with China. The important aspect is that it has been signed. Tariff reductions and amendments as required to further facilitate trade can always be added later."

The EAEU as a single zone, essentially, sits between Europe and China. The agreement means that it will be possible to transport goods from China via train through Kazakhstan, Russia, and Belarus directly to the borders of the EU under one common agreement.

A statement on China's Ministry of Commerce website references the structure of the FTA as follows: "The conclusion of the agreement is beneficial to China and the [EAEU] members, which will further reduce non-tariff barriers to trade, improve trade facilitation, create favorable environment for industry development, promote the docking between the Belt and Road construction and [EAEU] construction, and enhance a deeper trade and economic relationship with the [EAEU] members."

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The EAEU is also negotiating FTA with several countries, among them India, Iran, Indonesia, and Singapore. Vietnam already has an FTA with the bloc. An article predicting the likely impact of the China-EAEU trade agreement upon Russia and the potential for future growth in the Russian market can be found here on our sister website, Russia Briefing: "Transhipping China Trains To Europe – Russia's Economic Potential In 2018 & Beyond".

China has also stated that it wants the EAEU to become an integral part of its Belt & Road Initiative and has additionally been discussing with Russia the possibility of opening up the maritime Northern Sea Passage via the Arctic Ocean, with goods also being subjected to the China-EAEU FTA.

Devonshire-Ellis concludes, "The China-EAEU FTA is a game-changer and good news for Russia and the other members of the bloc as it provides better access to the China market. It will also facilitate trade in China manufactured goods with the EAEU. The EU will also benefit as this agreement will lower the administration costs of goods being transported to China as well as Chinese goods accessing the EU. This EAEU deal effectively brings China right to the borders of the EU and will permit EU exporters easier administrative access to the Chinese consumer market when goods are transported overland."

Source: china-briefing.com- May 17, 2018

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Sri Lanka says FTA talks with China progressing smoothly

Sri Lanka on Friday said that talks on a Free Trade Agreement with China (FTA) were progressing smoothly.

Sri Lanka's Minister of Industry and Commerce Rishad Bathiudeen said that once the proposed FTA with China is completed the trade levels between both countries will grow stronger.

The Minister was speaking after opening the 2018 Guanxhi Product Exhibition and China Guanxhi Brands Silk Road series in Colombo.

"Sri Lanka is considered as a destination in the One Belt One Road (OBOR). Sri Lanka's trade with China has been on a growing trend. Last year's China Sri Lanka total bilateral trade was at $ 4.4 billion. This is a huge, 46% increase in comparison to trade total five years ago at USD 3 billion in 2013. With the completion of the proposed FTA with China, I am sure that these trade levels will grow in strength. As for the FTA, I am pleased to say that the consultations are progressing smoothly," he said.

The Minister also said that China has become a major Foreign Direct Investment (FDI) provider to Sri Lanka. In 2017, China provided more than 32% of Sri Lanka's annual FDI.

Chinese investments are mainly in infrastructure projects and strategic development projects in Sri Lanka.

"I am sure that with this week' announcement that China will be providing US $ one Billon for our central expressway project China's leading position as a major development partner of Sri Lanka is re-affirmed again," he said.

Guangxi Zhuang Autonomous Region's (GZAR) Director of Department of Commerce Diao Weihong said that Sri Lanka is a hub in OBOR.

He said that over the last few years the China-Sri Lanka strategic partnership has growing and both countries are closer than ever before.

Source: thesundayleader.lk- May 18, 2018

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China Can't Cut Its Trade Gap by $200 Billion

There's no way to make the math add up here.

The great thing about large numbers is they can get so huge that you can bamboozle people by chucking them around.

That's the best way to view Beijing's reported offer to reduce its trade surplus with the U.S. by $200 billion (the country's foreign ministry cast doubt Friday on whether such a proposal had been made). In the context of economies with a combined gross domestic product in the region of $30 trillion, it looks like a rounding error. The trouble comes when you try to work out where the reduction will come from.

Consider, for instance, that the U.S. exported $154 billion of goods to China in 2017, and imported from it $431 billion. Taking $200 billion off that deficit would involve either more than doubling U.S. exports, almost halving its imports, or some combination of the two.

To be sure, there are some trade categories that have seen spectacular growth in recent years. China is scouring the world to feed its voracious energy demands, and the U.S. began exports of crude oil and liquefied natural gas only in the past few years.

The U.S. was the fastest-growing major crude exporter to China last year, with a 1,476 percent improvement on 2016 that saw its volumes leapfrog those of Malaysia. Strengthening consumption and flatlining output from domestic fields is likely to continue pushing up China's oil imports, with the International Energy Agency estimating that demand will increase by about 2 million barrels a day by 2023, equivalent to about a fifth of U.S. output.

It's a similar story with natural gas. Long a laggard in methane consumption, China is fast turning into the big beast of the global liquefied natural gas market, with import volumes doubling over the past two years.

That trend is only getting started: Domestic gas prices rallied as much as 32 percent in the past three weeks, a remarkable indicator of supply tightness given it's almost summer.

LNG consumption will rise by 23 percent a year from 2016 to 2020, taking imports to 61.2 million metric tons annually from 26.2 million tons in 2016, according to Wood Mackenzie, a consultancy. Total regasification capacity will rise to more than 100 million tons a year in 2022, at a time when U.S. liquefaction capacity will be approaching 70 million tons a year, according to the International Gas Union.

The trouble is, that will barely move the needle. Let's assume for the sake of argument that the U.S. supplies every additional barrel of oil consumed by China between now and 2020.

The additional 400 million-odd barrels, at mid-2020 Brent futures prices of around $70 a barrel, gets us $28 billion closer to Beijing's $200 billion target. Assume that the U.S. supplies every additional ton of LNG under Wood Mackenzie's estimates at current import prices of $500 a ton 1 and you can add another $17.5 billion. Even doubling prices for each commodity gets less than halfway to $200 billion.

There's nothing else out there that can make the numbers stack up. Even if the U.S. were to increase exports of every billion-dollar trade category to its maximum level of the past decade, that would still chip only $23 billion more from the total.

As Council of Foreign Relations senior fellow Brad Setser pointed out on Twitter, a reclassification of semiconductor exports to Hong Kong would result in an easy win, given they're mostly re-exported to mainland China – but beyond that there's little that can have a major impact:

With the threat of a trade war looming, it's tempting to take whatever we can get to avert the self-destructive course the world is now on – whether it's a cut in auto tariffs that won't really help U.S. auto companies, a Chinese government loan to a Trump-connected resort development, or the promise of some unlikely trade number in the unspecified future. Just don't expect these fantasy league numbers to be translated into reality any time soon.

Source: bloomberg.com- May 18, 2018

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The high price of cheap clothes made in Britain

Leicester was at the heart of the textile industry when Britain was the global powerhouse of garment manufacturing. But clothing retailers, like shoemakers, are the wildebeests of international trade. They graze where labour and other costs are lowest. Thus by the 1970s and 1980s much of the UK's part of the business had begun migrating offshore to China and Bangladesh.

If some of it has wandered back in recent years, it is in part because of changing retail and consumer patterns. There is also a dark side to the story, as told by the Financial Times's Sarah O'Connor in an investigation published this weekend — an illegal micro-economy of pop-up sweatshops whose existence in the 21st century UK should not be tolerated.

Garment manufacturing is on nothing like the scale it was in its heyday in the Midlands. But in a fragmented way it has enjoyed a comeback in the city of Leicester that should be good news for those championing "Made in Britain" labels.

Bits of the business survived with orders from wholesalers who needed to top up popular fashion lines at short notice. What has led to a wider resurgence is a booming fad for trendy, fast and cheap clothes that meet the fleeting tastes of the Instagram generation — and the nimbleness and low overheads of online retailers in meeting this demand.

The cheap bit of that equation is what poses problems in a country with a minimum hourly wage for over 25s of £7.83. It stretches credulity that companies can consistently retail £6 and £7 dresses — such as the ones from Leicester that our correspondent bought online — made in ways that comply with labour laws.

Asked to cost these and two other cheap garments, one Leicester manufacturer came up with revealing findings. Even with zero margins, he would not be able to make three out of the four economically. Yet factories like his, which comply with the law to appeal to ethical retailers, are being driven into a "commercial no mans land" by sweatshops that do not.

How many "dark factories" exist outside UK employment law is hard to pin down. A 2015 study by the University of Leicester concluded that the majority of the city's garment workers earned less than minimum wages. Our correspondent found anecdotal evidence of average wages of £4.25 an hour.

At its worst, this is a working culture that takes advantage of immigrants with poor English and little knowledge of their rights. Parts of it also pay scant attention to health and safety law. Some of the old buildings housing these cottage industries look like disasters in the making.

There are challenges in policing an industry where fly-by-night subcontracting is rife, and apparently fiddling the books is too. But the abuses going on in Leicester are an open secret. How to stamp them out is no secret either.

Government agencies have been far too laissez faire to date. They need the resources to put in place a more rigorous inspection regime, to apply much stiffer penalties to individuals and businesses that break the law, and seize goods from retailers who — knowingly or not — source illegally made products. Properly financed, a licensing regime, like the one New York has created alongside a database of compliant factories, would be helpful.

Retailers also have work to do. Even among some of those that cleaned up their act, buying practices tend to incentivise a race to the bottom. The rationale for a niche on-the-doorstep industry spared shipping costs and one that can deliver quickly, will remain. But it should not be allowed to do so at the cost of Britain's reputation for upholding labour and safety standards.

Source: www.ft.com- May 18, 2018

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Uganda cotton production rises

Uganda's cotton output in the 2017-18 season rose by a third after higher prices the previous year encouraged farmers to plant more.

Production has been the highest since the 2011-12 season before drought and lower prices cut yields. While harvesting is complete, ginneries are still processing the crop and marketing will continue until the end of September.

Uganda is East Africa's second-biggest cotton grower. Companies such as UK-based Plexus Cotton are supporting smallholder cotton farmers in the East African nation to boost yields.

A positive trajectory is anticipated for production in the coming season.

Cotton, tea and tobacco are major exports in the nation that's also Africa's biggest shipper of coffee beans. Uganda ranks behind Tanzania as the region's largest cotton producer.

Uganda is the only country in the world that grows one variety of cotton, the long-stapled Bukalasa Pedigree Albar. This focus on one type ensures uniformity and easier quality control measures in producing lint and yarn. Currently cotton is cultivated in about 1,00,000 hectares.

Uganda's cotton has found favor with textile importers in Germany, Denmark and other European countries.

Ninety per cent of Uganda's cotton is exported. Cotton production in Uganda is entirely rain-fed.

Source: fashionatingworld.com- May 18, 2018

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H&M needs to refocus on its strategy to bring back sales

2018 sales data of H&M reveals rather an alarming figure for the company as the operating profit dropped by 13 per cent for the year to 30 November 2017 while sales grew by just 3 per cent, which was not an expected performance.

The problem started in 2016 when shoppers started purchasing online, and heightened competition in the fast fashion sector added pressure. According to Richard Chamberlain, analyst, RBC Capital Markets, H&M has been somewhat stuck in the middle, between value fashion retailers such as Primark, and retailers with more margins that can absorb the costs of online development.

Giving Zara's example, he said that the company uses centralised distribution from La Coruña, north-west Spain, and can easily adapt to fulfil online orders. H&M, however, operates from local warehouses, necessitating replication of stock.

In order to boost sales, H&M has started piloting RFID (Radio Frequency Identification) technology, which aims to improve how it can locate items with digital price tags.

It will be gradually rolled out across more markets this year. while the signs are encouraging, H&M still needs to buckle up, believe trade analysts. The company also needs to work faster to offer competitive delivery and collection options.

Currently, customers pay for deliveries and returns unless a minimum purchase is made. A click-and-collect service, meanwhile, only started in the UK in 2017. Cedric Lecasble, European retail senior analyst at Raymond James, stated that offering these services for free might pressure its margins a bit, but it is really a top-line issue. To recover the top line, one should recover volume and traction, and to recover traction, they need to be more competitive in what they are offering consumers.

While the company highly banks on its physical stores growth, the company's ambitious digital plans point towards online sales growth of 25 per cent in 2018.

Pointing towards some of the aspects that the company needs to be work on, Martin Newman, executive chairman, Practicology, said that it has not taken the step to provide product ratings and reviews, which rivals such as Arcadia's Topshop offer.

These tactics are important in boosting conversion as they can give customers a feeling of empowerment. Even with value price points, people want to know that what they are buying is ultimately a good purchase and has some durability. It's that reassurance they can get from other people like them that is missing. It is all about customer empowerment.
New launches in the offing

H&M Group has announced a string of launches in recent months. These include the April launch of online luxury label Nyden and an affordable bridal range. Discount fashion site Afound, meanwhile, will launch later this year. Premium basics brand Arket, which launched last year, continues to expand with new stores, and H&M's latest designer collaboration with Moschino will hit selected shops in November.

Anusha Couttigane, senior fashion analyst, Kantar Consulting, averred that it seems that every month there is a new brand or fascia. They are trying to innovate, and that they are struggling so they want to find new ways to stimulate new interest, it's a little bit of a distraction in getting some of the basics right.

But it needs to scale back a bit, and focus on building out some of those ranges. With a changing market, demanding shoppers and an expanding portfolio of brands, H&M Group has its work cut out, but it finally seems to be addressing the issues that have caused it to lag behind in recent years.

Source: fashionatingworld.com - May 18, 2018

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Pakistan: Textile value-addition stressed to increase exports

Governor Sindh Mohammad Zubair on Friday emphasised value-addition in textile sector to increase exports, boost domestic economy and create jobs opportunities.

“Value addition in textile sector is of immense importance as it is a crucial component of our exports,” Zubair said while talking with Humyoun Zafar, president of Textile Institute of Pakistan (TIP). Abdul Jabbar, dean/director of Quality Enhancement Cell TIP was also present on the occasion, a governor house’s statement said.

Governor Sindh said value addition is the way forward for textile industry and as it guarantees enhancement in exports and would also result in accelerated industrialisation and employment opportunities.

Zubair, while pointing towards various incentives for textile sector, said separate ministry was constituted owing to the importance of the sector to resolve the problems being confronted by the industry as well as boost garments exports.

He said the government is resolving issues of the textile sector that contributes more than 50 percent in the country exports and generates around 38 percent of employment.

“During this fiscal year exports have again picked up momentum as compared to previous fiscal year and textile sector’s performance is also improving,” he added.

Governor Sindh said there is room for further expansion of the textile sector with improvement in law and order and energy situations. “As compared to 2013, Pakistan is a changed country now with conducive environment for both local and foreign investors,” he added.

Zubair hoped that textile sector would perform better in all the six major sub-sectors, including spinning, weaving, processing, printing, garment manufacturing, and yarn manufacturing, by adopting value addition and modern techniques.

Governor Sindh lauded contributions of Textile Institute of Pakistan in producing professionals of highest quality in textile science, design technology, management and marketing, apparel manufacturing and merchandizing, fashion design management and industrial manufacturing and management. "It is commendable that graduates of TIP are performing at the highest level both in and outside the country."

Zubair said problems confronted by Textile Institute of Pakistan would be resolved in consultation with concerned quarters to facilitate the institute in its functioning. Zafar said graduates from Textile Institute of Pakistan are engaged in textile industry in Bangladesh, Sri Lanka and Vietnam.

Source: thenews.com.pk- May 19, 2018

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Indonesia: Industry group seeks to enhance trade with India

In an effort to boost economic cooperation between Indonesia and India, the Indonesian Chamber of Commerce and Industry (Kadin), in collaboration with the Indian Embassy in Jakarta, launched on Friday the India Bilateral Committee of Kadin.

Shinta Widjaja Kamdani, Kadin deputy chairwoman for international relations, said the committee would have several roles to play to enhance business and economic cooperation between India and Indonesia and help the two countries reach their trade and investment target.

"We strongly believe there are still sectors with huge potential and that we can optimize further to reach our ambitious trade and investment target of US$50 billion by 2025," said Shinta in her remarks during the launch event.

To propel cooperation beween the two countries, the committee will have several tasks, including facilitating discussions on business cooperation, business matchmaking, and assisting local and Indian businessplayers who are interested in establishing or expanding businesses in indonesia.

"This committee is also expected to identify more promising sectors in trade that we could maximize to reach our investment and trade traget," she added.

Currently, Indonesian-Indian business and economic cooperation covers at least six sectors: mining, infrastructure, manufacturing, pharmaceuticals, the digital economy and services. In manufacturing, the two countries have been cooperating in investment and trade in the textile and automotive industries.

Indonesia is the biggest trade partner of India within the ASEAN region, while India is the biggest palm oil importer and one of Indonesia's main export destinations for coal. Meanwhile, India's investment in Indonesia has reached $286.6 million, up significantly from $55 million in 2016.

Moreover, according to Central Statistics Agency (BPS) data, Indonesian-Indian trade reached a value of $12.9 billion in 2016, with Indonesian exports of $10.2 billion and Indonesian imports of $2.1 billion. The trade volume has increased by 28.7 percent in 2017, with Indonesian exports of $14.08 billion and imports of $4.05 billion.

Source: thejakartapost.com- May 18, 2018

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NATIONAL NEWS

Mandi Tax can stay, says Law Ministry

Will not be subsumed under GST, unlike other taxes and cesses

Shishir Sinha/TV Jayan The Union Law Ministry has said that States can continue to levy Mandi Tax despite the introduction of the Goods and Services Tax (GST).

GST subsumes 17 types of indirect taxes and 23 types of cesses levied by the Centre and the States, but not the Mandi Tax. The Law Ministry was responding to a recent query from the Union Finance Ministry.

Mandi tax rates on rice

Punjab	6% for non-basmati 4% for basmati
Haryana	4%
Uttar Pradesh	2%
Rajasthan	1.6%
Delhi	1%

Entry 66 of the State List under the Seventh Schedule of the Constitution says: "Fees in respect of any of the matters in this List, but not including fees taken in any court."

This forms the basis of levying Mandi Tax, as trading, whether wholesale and retail, is a State subject. "As Entry 66 has not been struck down by the 101st amendment of the Constitution, and also Mandi Tax has not been subsumed like other State cesses under the State Goods and Services (SGST) Act, the Law Ministry believes States can continue to levy such a tax," a senior government official told BusinessLine on Thursday.

He, however, explained that once the States make an amendment to the SGST, it will be possible to abolish Mandi Tax.

Mandi Tax is technically not a tax but a fee on the sale and purchase of agriculture produce. Since the States, invoking their powers under the Constitution, use it, it is better known as Mandi Tax. It is levied to defray the costs of running an agricultural wholesale market where farmers get good prices from buyers.

"While in an ideal world, there should not be any State-specific tax and all taxes should be common across the country, this is difficult to achieve considering the diversity of the States," said MS Mani, Senior Director with Deloitte India.

Complicating it further is the fact that Mandi Tax rates vary from State to State and also from one foodgrain to another. For example, Punjab levies Mandi Tax at 6 per cent in the case of rice while it is 1 per cent in Delhi. Similarly, the rate on wheat varies from 1 to 4 per cent while on pulses it is 0.6 per cent to 2.5 per cent.

Such a tax hurts not just trade and business but also farmers. "There is a need to rationalise market fees into a uniform rate, which is reasonable and just. In the absence of that, a good part of sales goes underground, adversely affecting farmers mainly," said Vijay Setia, President of the All India Rice Exporters Association (AIREA). Having a uniform market fee will have several benefits, he said. Giving an example, he said: "Currently, a large number of Haryana and Punjab farmers prefer to bring grains to mandis in Delhi because they get better prices in the mandis in the capital: the market fees levied there are a lowly 1 per cent."

"If the rates are uniform across the country, farmers do not have to haul the produce long distance but can sell them in local mandis, and thus it would help ease vehicular traffic on highways and reduce associated pollution," he said. He added that a uniform market fee of 2 per cent would be ideal, as it could raise sufficient funds to develop mandi infrastructure.

Now, the big question is why this cess was not — and now cannot be — subsumed in GST. The general belief is that the institution which collects Mandi Tax, the Agriculture Produce Marketing Committee (APMC), is very powerful politically across party lines.

Second, as Mani said, all States did not agree to subsume it in GST. "Since it is applied only on certain agricultural commodities and is levied at a different rate by various States, it was possibly felt that its inclusion would be complicated in the initial stages of GST," he said while advocating that since GST is settling down now, "it is time to deliberate on its inclusion."

Source: thehindubusinessline.com- May 18, 2018

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Why the falling rupee failed to arrest a 7-month decline in apparel exports

Lack of export benefits under GST renders Indian exporters uncompetitive globally

Despite rupee depreciating against the greenback by almost 6 per cent in recent months to trade around Rs 68 per US dollar, India's apparel exports have not benefited from the trend, resulting in a 22.76 per cent fall for the month of April in dollar terms, sliding for the seventh consecutive month.

April 2017 saw ready-made garment (RMG) exports worth $1.747 billion, whereas the number declined by 22.76 per cent to $1.349 billion in the same month this year.

Apparently, RMG exports have fallen for the seventh consecutive month since October 2017, a result of Goods and Services Tax (GST) rendering Indian exporters uncompetitive as the new regime is not conducive for exports.

In the new regime, exporters have seen the cost of working capital rising and are experiencing fund crunch due to delays in the refund of taxes paid.

Low rupee needed for a few months

Rahul Mehta, President, Clothing Manufacturers Association of India said, "If Re remains at 68/69 levels for the next few months, it can offset the loss of Duty Drawback to some extent and may see a growth of three-to-five per cent."

Exporters have said that while consumption in the international market is growing at around one to two per cent, competition is increasing too, as the business sees new entrants like Myanmar and Ethiopia.

Competitors' currencies are also depreciating, but they don't have problems that Indian exporters do.

Falling production of apparels

Fall in apparel exports has led to a decline in production. According to the latest IIP figures, quoted by the Apparel Export Promotion Council (AEPC), India's apparel production fell 18.6 per cent in the month of March and saw a decline of 11 per cent for the period 2017-18.

March saw the eleventh straight monthly decline in apparel production.

"Last year (2017-18), the industry witnessed strong growth, but the continued backlog in GST and RoSL (refund of state levies) is affecting the sentiments. We would like the government to address the issue at the earliest, so as to reverse the trend of stagnating exports," said HKL Magu, chairman of AEPC.

Other costs also high

Best Corporation caters to global brands including Mothercare. Its managing director R Rajkumar said that apart from the delay in refund of levies and reduction in drawback, "Availability of manpower is also a big concern in all the existing textile centers and productivity is low due to huge labour turnover."

Apart from these, high costs of raw material and labour also put pressure, according to R S Jalan, managing director of GHCL. He said, "All these put together makes Indian exports at least 10-12 per cent costlier than competing countries. Ususal margins have been in the range of five per cent only, and hence, high cost is hurting both the topline and the bottomline."

Led by AEPC, the apparel exporters have urged the Centre to look at schemes to boost exports, besides looking at labour laws, as their protection is directly linked with productivity, in which India is far behind peers like Vietnam and Bangladesh.

Further, Ashok G Rajani, former Chairman of AEPC stated that it was disappointing that the Government was not looking at this sector seriously or helping, despite the fact that textile is one of the largest employment sectors in the country.

"Every $1 billion of additional business can create 700,000 jobs. But, after the implementation of GST, withdrawal of duty drawback, delay in refund and lack of incentives to the sector are resulting in units to shutting shop," he said.

Meanwhile, an exporter from Tirupur, the knitwear hub of India, said that while India's apparel exports growth dipped, competing countries like Bangladesh and Vietnam are growing at around five to ten per cent.

The price difference between Indian and Bangladeshi products is around 20 per cent. Vietnam has a cost advantage of around 10 per cent, while also having increased its production as more Chinese and Taiwanese players have set up their factories in the country.

According to Tirupur-based exporters, those operating in niche areas and exporting premium products have been able to survive.

Source: business-standard.com- May 18, 2018

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Chabahar: India Ports Global may ease norms for picking operator

Strategic investor re-writing commercial, financial terms as fear of US sanctions discourages bids to manage Iranian facility

The spectre of being impacted by the US sanctions on Iran could force Indian firms from bidding on a tender to manage, operate and maintain (MOM) the container and multi-purpose terminals at Chabahar port. This will make it tougher for New Delhi to develop the Iranian port for strategic reasons.

Earlier, interest in the MOM contract was shadowed by viability concerns.

Now, with the decision of the US to scrap the nuclear accord and reinstate sanctions on Iran, India Ports Global Pvt Ltd is re-writing the commercial and financial terms of the MOM contract to attract bids, a person briefed on the development said.

Payment terms

While the earlier tender terms stipulated bank guarantee and upfront payment by the successful bidder in dollar terms, the new terms will prescribe these payments in Indian rupees because of difficulties in getting dollars.

"The deal will be between India Ports Global and the successful bidder and the commercial and the financial terms will be in rupees. Still, the deal will be risky for us because of the fear of attracting US sanctions for operating in Iran. This could act as a dampener yet again," said an executive with one of the three firms that had applied on the earlier tender.

No smooth sailing

A Shipping Ministry official said that the Government was waiting to see how the reinstatement of sanctions on Iran will pan out. "Definitely challenges will increase. All said and done, Iran is a risky country and Chabahar port project is not commercially viable," an official said.

India Ports Global, a 60:40 joint venture between Jawaharlal Nehru Port Trust and Deendayal Port Trust (previously Kandla Port Trust), was set up by the government to make strategic investments in ports overseas.

India Ports Global and Aria Banader Iranian Port signed a deal in May 2016 to equip and operate the container and multi-purpose terminals at Shahid Beheshti – Chabahar Port Phase-I with capital investment of $85.21 million and annual revenue expenditure of $22.95 million on a 10-year lease.

New norms

Accordingly, India Ports Global had invited bids to select a strategic private MOM partner.

The earlier contract had set a fixed management fee and a variable management fee with the bidder quoting the lowest variable management fee from IGPL winning the deal. These terms are also being eased, the person mentioned earlier said.

The new terms will have to signed off by the Union Cabinet, he said.

The successful MOM partner had to incorporate a special purpose vehicle (SPV) in Iran with a local private partner. This SPV will take a 10 per cent stake in a separate SPV floated by IGPL in Iran to run Chabahar port. This clause is expected to be removed.

India Ports Global had earlier set a March 31, 2018 deadline to finalise the MOM partner.

Equipment

India Ports Global, meanwhile, has picked an Iranian firm to run the port for about 18 months from mid-June till an MOM partner is finalised for a 10-year period, Managing Director Arun Kumar Gupta told BusinessLine.

"By that time, we should finalise everything; not only the Indian MOM partner but all the equipment, etc should be in place to enable full-fledged operations.

Those equipment are not off the shelf, they have got their own lead time ranging from 12 to 18 months. The existing equipment are not ideal, we can discharge cargo with them, but efficiency will not be there," Gupta added.

India Ports Global has ordered four rail mounted quay cranes (RMQCs) for a combined $29.8 million from Chinese crane maker Shanghai Zhenhua Heavy Industries Co Ltd (ZPMC) and 14 rubber tyred gantry cranes (RTGCs) for about $18 million from Finnish crane maker Cargotec OYJ for erecting at Chabahar port.

Source: thehindubusinessline.com- May 19, 2018

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Industry raises concern over decline in apparel exports

According to the latest trade data available with the apparel industry, country's apparel exports witnessed a decline to the tune of 22.76 per cent (1.34 billion dollar) in April, 2018, as compared to April, 2017, when the apparel exports were worth $1.74 billion.

In the terms of money, exports for the month of April, 2018, were approximately Rs 8,859 crore as compared to approximately Rs 11.272 crore in April 2017.

The apparel exporters are much worried over the sharp decline in exports.

Narinder Chugh, member, state-level Committee of Apparel Export Promotion Council, said the decline in exports was a disturbing trend.

"Exports are in a negative territory since October due to several reasons. Major reason was that our GST refunds were blocked for a long time and we did not have cash and other countries/exporters took advantage and fetched orders.

Secondly, the duty drawback was decreased from 10 per cent to just about two and a half percent. Thirdly, we cannot not compete with Vietnam and Bangladesh as we are not given enough facilities and benefits," said Chugh.

The exporters said the infrastructure provided by the Centre to give boost to the apparel exports was also not up to the mark.

Another exporter Harish Dua of KG Exports said: "The high-base effect has been due to the release of rebate of state levies (RoSL) amount during April 2017, but the continued backlog in GST and RoSL is affecting the sentiments.

The government should address the issue at the earliest and reverse the trend of stagnating exports," he said.

Source: tribuneindia.com- May 19, 2018

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Farm to Fashion summit generates business worth ₹1,000 cr

With over 1,500 buyers from various countries at Farm to Fashion, the Indian Textile Global Summit has successfully generated business worth ₹1,000 crore in just 3 days.

The recently concluded event from May 4-6 was a gateway to endless global opportunities. Bringing together the stakeholders on one platform, the summit discussed opportunities and challenges to elevate the Indian textile on a global scale.

The summit organised by the Gujarat Chamber of Commerce & Industry (GCCI) and Maskati Cloth Market Mahajan (MCMM) provided a platform for the textile value chain to develop a vision for textiles industry for 2030.

The content-rich conference at the summit deliberated on various topics covering the entire value chain of textile industry such as co-operative farming, ginning, spinning, weaving, processing, garments, exports, etc. The exhibition focused on the best Indian fabrics and showcased the strength of Gujarat in fabrics industry.

A fashion show was also organised under the ambit of the summit and living up to its name, Farm to Fashion showcased exclusive ranges of clothing lines by MSMEs, apparitional stylists and leading fabric companies of the world. An industrial visit to composite textile unit was also organized for learning best technology and processes.

"We held 12 different conference sessions during the three-day event where several national and international speakers discussed various challenges and solutions. It will be our sincere attempt to present the outcome of these conferences in the form of a white paper to the government.

We want the government to incorporate the inputs in the yet-to-be-announced textiles policy. Our vision for textiles and garment industry for 2030 is for India to shine in the field of textiles, for which a proper policy structure is vital," said GCCI president Shailesh Patwari.

"It is for the first time that the industry is focusing on Farm to Fashion. It was an opportunity to meet customers and manufacturers from various regions of the country. The fair is well organised and it should be held on yearly basis. The event should be promoted on the national and international level for the growth of the Indian textiles industry," said Parth Ahuja of KR Creation, an exhibitor at the summit.

"We could connect with stakeholders from Farm to Fashion. It was a platform for interaction to identify difficulties in the sector and improve the qualities in terms of demand and supply. We hope that this fair continues for next 20 years as it will help the buyers and sellers to bond, which will be beneficial in the long run," Naveen Nandi, assistant vice-president (operations), Komal Texfab Private Limited, another exhibitor.

Source: fibre2fashion.com- May 18, 2018

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GST: Deadline for filing April GSTR-3B return extended by two days

The last date for filing of return in Form GSTR-3B for the month of April has been extended by two days.

Taxpayers can now file their April GSTR-3B return till May 22. Filing GSTR 3B is mandatory for all those who have registered for the Goods and Services Tax (GST)

The move to extend the due date follows the "emergency maintenance" being carried out on the system in the wake of technical issues being faced by the taxpayers during the filing of Form GSTR-3B.

MS Mani, Partner-GST, Deloitte India, said considering the difficulties faced in filing the GSTR 3B returns including issues such as data not being saved, data becoming null, etc, it would be preferable that the return filing timeline is extended by a week and not two days.

Abhishek Jain, Partner, EY, said the extension is expected to bring substantial relief to those taxpayers who were struggling with system issues on the last working day (for most) before the due date for filing on May 20.

Source: thehindubusinessline.com- May 19, 2018

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The ease of doing business conundrum

The focus of reforms should now shift to enforcement of policy at the micro-level and transparency on the ground

Prime Minister Narendra Modi and his Cabinet colleagues must be commended for their focus on incremental reforms that resulted in India breaking into the top 100 in the World Bank's Doing Business rankings for the first time.

However, despite this success a common refrain in several committees and private-public stakeholder meetings across ministries in Delhi relates to why India continues to perform relatively poorly in many perception based surveys of trade facilitation and 'open-ness' despite all these major reform initiatives.

Part of the explanation is that other countries are reforming as well, and in a relative context perhaps reforming faster than India, making the country appear a laggard in comparison.

But this is only part of the explanation. Perhaps the key to the puzzle lies in the fact that perceptions about India reflect the actual interface between investors and businesses interacting with regulators and government departments on the ground. It is on this ground level experience that India falters, even compared with countries in the wider Asia-Pacific region that are perhaps formally more trade restrictive, or have less transparent laws and regulations.

The governance challenge

To my mind, this sub-optimal actual experience of those doing or wanting to do business in India can be ascribed to three broad institutional challenges in the Indian system.

The first relates to mismatch between the intent of reforms and quality of actual enforcement and transparency on the ground, — the governance challenge. All businesses, Indian and foreign, complain that risk management and transparency related reforms that are boldly announced by senior officers in ministries are not adopted in spirit and content by their junior colleagues responsible for enforcement.

This is true for a wide array and departments and services ranging from fire and safety inspectors and indirect tax officials to road transport regulators and municipal officers.

Part of the problem is that a high level of discretion still exists with the officer enforcing rules on the ground.

This is aggravated by the lack of a time-bound grievance redress mechanism, and the absence of independent 'auditors' who monitor on-ground enforcement quality and ensure there is accountability for poor decisions made in the field.

The stress here is on the word 'independent' since officers of the same government cadre might fail to be objective in judging the performance of their fellow service persons.

The design challenge

The second problem can be called the 'design challenge'. Procedures are often designed to cater to the few instances of failure or non-compliance and not for efficiency and facilitation.

Two examples would be adequate to illustrate this mindset. India is perhaps the only country in the world that requires a boarding pass to be stamped after security check at airports (earlier even luggage tags needed the stamp).

This entire activity is to ensure that no one 'slips' through the security system and is eventually apprehended at the boarding gate.

It is therefore a vote of no-confidence in the government's own enforcement mechanism. The other example is that despite GST, if a truck is caught with a shipment about which authorities have some doubt, the entire vehicle is held up at the check-post.

The optimal design would have been to record the details of the shipments requiring further processing and asking the transporter to drop the shipment off at a designated government holding area, thereby allowing the truck to continue on its journey with rest of its cargo. In case this is not done, a stiff penalty can be imposed on the transporter.

But such a 'facilitative' design would require confidence in the government's own enforcement ability, i.e. ensuring follow-through on whether shipment was dropped off at the designated location and ensuring errant transporters and traders are brought to book without the 'sword' of a detained vehicle hanging over their heads.

The management challenge

The third problem is the management challenge. There is a tendency to blame poor quality of government services on lack of infrastructure or human resources. This often over-looks the fact that there are many examples of better services with effectively less resources. Take a very commonly discussed problem, the quality of policing in India. Yes, per capita police personnel deployed is one of the lowest in India. But this cannot be an excuse to make the simplest of tasks, the filing of a formal complaint (i.e. FIR), to become an insurmountable challenge for the common person.

Similarly many efficient ports and cargo terminals in other countries have higher square-meter per ton ratio compared to Indian counterparts that are much less efficient. These management challenges add to transaction costs, from using private security resources to paying extra for off the port or airport facilities for processing of goods.

While we can truly be proud of the extent of India's macro-policy reforms, it is time we started to focus on the micro-policies of enforcement. Top down macro reforms can only be effective if they are twinned with bottom-up micro reforms. Unless the day-to-day experience of doing business improves, we will continue to under-perform relative to our true potential.

Source: thehindubusinessline.com- May 19, 2018

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