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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 196 of 2018 September 21, 2018

USD 71.86| EUR 84.67 | GBP 95.36 | JPY 0.64

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22278	46600	**82.12**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22440	46939	**82.72**

International Futures Price	
NY ICE USD Cents/lb (Dec 2018)	78.47
ZCE Cotton: Yuan/MT (Jan 2019)	16,060
ZCE Cotton: USD Cents/lb	**90.24**
Cotlook A Index – Physical	**91.30**

Cotton Guide: The week is about to end today and most of the commodities have observed price volatility. As far as cotton is concerned it plunged sharply from its previous week's close. The Indian cotton for the old crop 2017-18 has declined below Rs. 47000 per candy, new crop arrivals have started to come in with minimal flow; the future contract for October delivery trades at MCX has declined over Rs. 500 per bale and end the session at Rs. 22270. In the similar lines the ICE cotton has also declined this week from the high of 83+ cents and currently trading around 78.40 cents per pound.

Ever since it broke this week below 80.40 key support level the market moved into another weaker zone. We think market might remain under stress unless until huge amount of buying takes places, mills fixes their unfixed positions and the spec funds involve in fresh buying. We see 78/77 is now the key support level for the near term. Market should appreciate the same and move gradually onto higher side. However, 80.40/81 will now be considered as immediate strong resistance level.

More on the market the USDA Weekly Export sales report was released on Thursday evening. Total combined net sales for the week ended September 13th were 134,400 bales (upland 130,700; Pima 3,700). That included 100 bales in cancelations. The top 4 buyers so far this season are: China 1,975,900 bales (shipped 118,100 bales); Vietnam 1,866,800 bales (shipped 276,000 bales); Mexico 968,800 bales (shipped 100,800 bales); and Indonesia 931,500 bales (shipped 127,600 bales). Weekly shipments were 157,600 bales (upland 148,900/pima 8,700). 45-1/2 weeks remain in the season.

On the other side of the market, China's ZCE futures took a breather on Thursday and almost ended unchanged. They still finished at their lowest levels since May 10th. Chinese State Reserve cotton on Thursday's auction had a turnover rate of 72.15 percent, spinners only. Offered were 30,061.528 tons (138,073 bales); and sold were 21,688.0573 tons (99,613 bales). The cumulative turnover rate is 58.9 percent (offered versus sold). This auction series started at 24.1 million bales and 13.09 million bales remain.

On the technical front, it was a down day but also an inside day. A short-term bottom may be in, but the bulls have a lot of work to do before there can be any confidence in that. A close decisively above 8050 would be a good indication that a significant bottom is in. However, the market's technical structure is currently weak enough to make such an occurrence unlikely in the short term. The technical recommendation is to sell rallies using 8000+ to gauge entry and risk/reward. The 200-day moving average finished at 8052. The supports can be seen 78/77. The daily structure is almost oversold.

Currency Guide:

Indian rupee has opened higher by 0.4% to trade near 72.08 levels against the US dollar. Rupee has edged up amid general correction in US dollar and stability in Asian and global equity markets. The US dollar has weakened against major currencies as watered down market reaction to US-China trade worries has reduced safe haven demand. China's pledge to refrain from yuan devaluation also lent some support to rupee and other emerging market currencies.

Rupee has also benefitted from reports that Reserve Bank of India may supply dollars to oil importers. As per Bloomberg reports, RBI is said to study the possibility of selling USD directly to oil companies. Rupee is also supported by market expectations that Indian government may announce import restrictions to limit dollar outflow. However, trade worries and contagion concerns are far from over and this will limit any major appreciation in rupee. USDINR may trade in a range of 71.5-72.3 and some rupee appreciation is likely on improved risk sentiment.

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

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INTERNATIONAL NEWS

OECD Sees Global Growth Slowing as Trade Conflicts Intensify

Whether it's cyclical or brought on by trade conflicts, the global economic expansion appears to have peaked, with diverging growth prospects worldwide and intensifying risks, the new "Interim Economic Outlook" from the Organization for Economic Cooperation & Development (OECD) said.

The OECD said economic growth prospects are now slightly weaker across the board than anticipated in its May "Economic Outlook." Escalating trade tensions, tightening financial conditions in emerging markets and political risks could further undermine any potential sustainable medium-term growth worldwide.

The OECD projects that the global economy will grow 3.7% percent in 2018 and 2019, with substantial differences across countries and regions. Growth performance has been strong in the U.S., India and China, for example, but has faltered elsewhere. This is in contrast to the broad-based expansion seen in the second half of 2017 and first half of 2018.

Worldwide economic confidence has weakened, and trade and investment growth have proven slower than anticipated, while wage growth has been modest in most countries despite unemployment having fallen below rates experienced before the Great Recession of 10 years ago.

"Trade tensions are starting to bite, and are already having adverse effects on confidence and investment plans," Laurence Boone, OECD chief economist, said.

"Trade growth has stalled, restrictions are having marked sectoral effects and the level of uncertainty on trade stances remains high."

Boone said it is vital for countries to end the slide toward further protectionism and reinforce the global rules-based international trade system, in addition to increasing international dialogue that will give the business sector the confidence to invest.

"With tighter financial conditions creating stress on a number of emerging economies, especially Turkey and Argentina, a strong and stable policy framework will be key to avoid further turbulence," Boone said.

The new outlook cites the slowdown in trade growth, combined with board political uncertainty, as the principal factor weighing on the world economy. It emphasizes that further trade restrictions could have adverse effects on jobs and living standards, particularly for low-income households.

In a blog post accompanying the outlook report, Boone, wrote, "World trade in goods has markedly slowed in recent months, with acute impacts in the sectors directly targeted.

For instance, the prices of washing machines for U.S. consumers jumped by 20 percent between March and July this year after the imposition of tariffs.

U.S. imports of steel from China are sharply down, just like Chinese imports of cars from the U.S. Down the line, higher tariffs mean higher prices for consumers, less investment and less jobs for workers, and ultimately losses in productivity and standards of living. Just consider that 13 million jobs in the U.S. and 8 million in Japan depend, directly or indirectly, on foreign consumption."

"In case risks materialize further, there is little space left for monetary policy to react in advanced economies," Boone added in her blog. "This makes it all the more important for countries currently enjoying strong growth not to widen fiscal deficits to support an already vibrant consumption, but instead to rebuild room for maneuver for those which lack it, and expand public investment to shore up the foundations for sustained growth for all."

Source: sourcingjournal.com - Sep 20, 2018

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Alibaba Won't Create 1 Million US Jobs Amid Trump's Tariffs

Alibaba Group Holding Ltd. co-founder Jack Ma said his promise to create 1 million jobs in the U.S. is impossible to fulfill because of the U.S.-China trade war, a setback in one high-profile effort for deeper cooperation between the world's two largest economies.

Ma, China's richest man, made the remarks in an interview in the state-owned Xinhua news service, saying the pledge made to President Donald Trump is no longer feasible because of the unstable trade situation.

Ma and Trump met in January 2017 to discuss how adding small and medium-sized U.S. businesses to Alibaba's platform would boost employment.

Ma has grown increasingly critical of the trade battle between the U.S. and China, warning that it will damage businesses around the world. On Tuesday, he cautioned China's business and political leaders to prepare for the conflict to last 20 years, beyond the Trump presidency, as the two countries battle for economic supremacy.

"The promise was made based on China and the U.S. having a collaborative and friendly relationship," he said in the Xinhua interview. "The situation now has completely destroyed our premise, so it can no longer be completed."

Ma also said in the interview that he will keep making efforts to push for the healthy development of bilateral trade ties. He said that trade is not a weapon and shouldn't be used for wars.

On Thursday, Ma said weakness in the economic outlook is "problematic" for the company.

"The economic outlook is not perfect of course, and it will last longer than people expect," Ma said at the World Economic Forum in Tianjin. "If you look at the government conference papers, every year they say we have complex problems in the economy."

Tensions have escalated this week as China vowed to retaliate against U.S. plans to levy tariffs on about $200 billion in Chinese goods. China said it will impose retaliatory tariffs against $60 billion of U.S. goods, ranging from meat to wheat and textiles.

"Short term, business communities in China, U.S., Europe will all be in trouble," Ma said on Tuesday, during a speech at Alibaba's investor day in Hangzhou. "This thing will last long. If you want a short-term solution, there is no solution."

Source: sourcingjournal.com - Sep 20, 2018

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US denim imports up eight per cent till July 2018

United States denim imports from January to July 2018 rose 8.22 per cent in terms of value. In volume terms, US denim imports grew three per cent during the same period.

China's denim exports to the US grew 2.89 per cent. Mexico's denim exports to the US fell by 1.85 per cent. Bangladesh's denim exports to the US rose by 16.30 per cent.

Vietnam's denim exports to the US grew by 37.84 per cent. In the same period, Pakistan's denim exports to the US jumped 18.91 per cent. Cambodia's exports surged 32.22 per cent.

Mexico's sliding share provided opportunities to both Bangladesh and Vietnam in the denim apparel segment. Pakistan is one of the biggest denim exporters in the world. Cambodia is another country which might dent the denim export value of its competitors in the near future.

Denim is on an upswing in the US. Retailers are starting to rebuild their denim assortments. Price points have increased considerably since 2014, creating a more competitive denim market.

Skinny jeans still represent 58 per cent of women's jeans. Straight leg jeans come second followed by cropped and ripped. Other silhouettes that have gained since 2016 are cropped, culotte, mom and wide.

Source: fashionatingworld.com - Sep 20, 2018

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Examining the China Trade Dispute and Cotton Flow

With no visible end in sight for the trade dispute between China and the United States, cotton industry stakeholders met recently in Lubbock to discuss the situation.

About 220 people representing all segments of the cotton supply chain such as producers, warehouse operators, merchants and shipping agencies gathered for a meeting organized by the Texas Cotton Association (TCA).

The flow of cotton from the United States to markets several thousand miles away is complex, and any trade dispute surely affects the flow.

New markets and their requirements must be considered in these situations. Therefore, the TCA meeting was significant, this year more than ever.

“The purpose of this annual meeting is to provide a forum and timely setting for each segment of the cotton industry to meet to communicate any anticipated problem associated with flowing Texas cotton to market,” stated Kandice Poteet, executive vice president of the Texas Cotton Association. “If there is one broken link in the chain, we all suffer.”

While discussing the demand for U. S. cotton, Poteet stated that, in a recent meeting, the China National Textile and Apparel Council indicated that the demand for U. S. cotton in China would increase by one million bales over previous years – highly significant while there are trade disputes between the two countries.

Steve Verett, executive vice president of Plains Cotton Growers, Inc., updated the status of the 2018 cotton crop from the High Plains and Rolling Plains of Texas. His analysis on the quality of this year’s cotton showed that cotton maturity is on track and will be better than the 2017 crop.

He was optimistic about the staple length being good and micronaire returning to normal ranges. There has, however, been significant abandonment of dryland acres in the region.

Yet, as expected, the impact of recent tariffs dominated the discussions. As China's lead as the number one importer of U.S. cotton has eroded in the past two years, it still imports a significant quantity.

As textile processing continues to shift away from China, focusing on the needs of emerging markets in Southeast Asia and the flow of cotton to these markets must be carefully considered by the U.S. cotton industry.

Stated simply, the situation needs attention.

"We are much better without tariffs, but trade wars come and go," stated Darren Hudson, professor of Agricultural Economics at Texas Tech University. He added that an extended trade war may not be good, as it affects the supply chain.

Setting aside the current trade dispute, providing contamination-free, good quality cotton based on a reasonable delivery schedule is important for the United States to have premium markets.

"The U.S. cotton industry has worked hard for many years to build the reputation of being contamination free," noted Verett.

"The whole industry, from producers to ginners, must do everything possible to keep plastic out of cotton harvesting and processing so that we do not diminish our reputation of contamination free cotton."

Source: cottongrower.com - Sep 20, 2018

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Bangladesh upstages Mexico as the US' new denim partner

Apparel business from the US is gradually skewing towards Bangladesh. Recent OTEXA figures reveal, Bangladesh exported denims worth $507.90 million to the US in 2017, a 9.57 per cent surge over previous year. Mexico's exports, on the other hand dipped 7.92 per cent to reach $793.46 million.

During the first six months of the year from January to June '18, Bangladesh exported denim worth $245 million, a 16.86 per cent growth, while Mexico, the second biggest denim apparel supplier to the US, reported a 2.73 per cent decline to reach $360 million.

Rising wages in Mexico as well as trade negotiations on NAFTA is affecting Mexico's growth. Bangladesh, on the other hand, has a growing denim fabric base, low wages and automation, which has helped it to manufacture more of value-added garments and beat Mexico in women's and girl's (WG) jeans category.

Low unit prices, controlled supply chain driving growth

The key factor behind Bangladesh's steep rise is its low unit price. The unit prices offered by Bangladesh were around $76.27 per dozen in H1'18, which is Bangladesh upstages Mexico as the US new denim partner 001 much less than Mexico whose unit prices were $101.92 per dozen.

High unit prices hurt Mexico's denim exports despite having 'zero' duty rates advantage for jeans shipped to the US under the North American Free Trade Agreement (NAFTA).

In FY 2017-18, Bangladesh exported denim apparels worth $2 billion which is expected to cross $6 billion by 2021. This will be drive by new investments by Bangladeshi denim exporters both in fabrics and garments manufacturing which would increase capacity, push up export earnings, offer competitive prices, and take the lead in the global denim market.

Bangladesh has complete control on its entire denim supply chain and has also improved safety standards in apparel units.

World's top LEED certified factories in Bangladesh are producing denim fabric every year.

Challenges hindering investments

Bangladesh, which holds a large share in the US market, has an enormous opportunity to grow its exports, especially in premium denim jeans which is expected to grow at a CAGR of 12.23 per cent by 2020. However, there are numerous challenges on its growth path for example; expensive utility services are hindering new investment in the country's denim sector.

The country is still dependent on imported fabrics for 50 per cent of its production, which increases the cost of the product as well as shipping time. And even though manufacturers are opting for value-added products, it still needs to focus on how to stay ahead in the race.

Source: fashionatingworld.com- Sep 19, 2018

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Indonesia Textile Industry Targets Export Value of US$14 Billion in 2018

The Indonesian textile and textile products industry is believed to be able to contribute significantly to foreign exchange (forex) revenues from exports this year.

Throughout January-July 2018, the value of Indonesian textile products shipments has reached US$ 7.74 billion. The value is targeted to reach $14 billion by the end of this year.

"Exports in the textile industry can be increased again as the completion of the comprehensive economic cooperation agreement scheme between Indonesia and Australia (IA-CEPA)," said Minister of Industry Airlangga Hartarto when visiting UPT Tekstil in Majalaya Regency, Bandung, West Java, Tuesday (19/ 9/2018).

In the presence of 100 small and medium industries (IKM) in the textile sector from the Bandung area and its surrounding areas, the Minister of Industry explained that the import duty on Indonesian textile and clothing products to Australia would be abolished or to be zero percent. This bilateral policy will be signed later this year.

"Through the CEPA, all Indonesian products are exported to Australia, the import duty is zero percent, including textile products, which previously charged 10-20 percent. That is, this strategic partnership is for our opportunities to expand the export market, he explained.

The Indonesian government is also trying to finalize the free trade agreement (FTA) negotiations with the European Union and the United States.

"We continue to encourage exports for the three leading Indonesian manufacturing products, namely clothing, textiles and shoes," continued Airlangga.

Keeping optimistic, the national textile industry has global competitiveness. Because, this sector has been integrated from upstream to downstream and has good quality in the international market. In order to boost productivity and competitiveness, the Ministry of Industry also facilitates the rejuvenation of textile machinery and equipment.

In addition, in line with the development of the 4.0 industrial revolution, the Ministry of Industry spurred the national textile industry to apply modern technology to be more efficient and improve the competence of human resources (HR) as needed in the digital era.

At present, the manufacturing industry is preparing to face the 4.0 industrial revolution that integrates the online world with production lines, he explained. Characteristics of industrial technology 4.0 include automation, internet of things, machine-to-machine communication and human-to-machine, and artificial intelligence.

The development of the industrial revolution 4.0 technology is something that cannot be avoided, but it becomes a new opportunity, so that Indonesia needs to prepare itself with a road map Making Indonesia 4.0. Moreover, the TPT industry is one of the five sectors stipulated in the roadmap to be a pioneer to implement the 4.0 industrial revolution in Indonesia, he said.

The Minister of Industry asserted that the TPT industry is also one of the manufacturing groups categorized as an export-oriented labor-intensive sector. Therefore, in accordance with the National Industrial Development Master Plan (RIPIN), the TPT industry is included in the development priority.

The Ministry of Industry noted that the export value of the national textile industry reached USD 12.58 billion in 2017, up 6 percent over the previous year. By targeting the TPT industry export of $14 billion in 2018, it is projected to take in 2.95 million workers.

Increase productivity

On the same occasion, Minister Airlangga expressed his appreciation to the textile industry players in Majalaya who had formed the TPT community. This community is a place for IKM actors to jointly develop the textile industry and find solutions to the challenges that exist.

"We continue to encourage the growth of the textile industry in Majalaya. The industry potential possessed by Majalaya is very prospective, especially to support the needs of the domestic market," said Airlangga.

Various efforts have been carried out by the Ministry of Industry for the TPT Majalaya IKM, including facilitation of production machinery and equipment, improvement of UPT services, as well as technical guidance and product promotion.

Source: en.netralnews.com- Sep 20, 2018

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Vietnam’s textile and garment industry faces tough seas in 2019

2019 will be a challenging year for Vietnam’s textile and garment industry as it needs to obtain major breakthroughs to take on new roles in the global value chain, including shifting from simple processing - Cut, Make and Trim (CMT) - to purchasing materials, free on board (FOB), original design manufacturer (ODM) and original brand manufacturer (OBM) modes.

The information was heard at the seminar “Prospects for textile and garment export in 2019” held in Hanoi on September 20 as part of the Vietnam Hanoi Textile & Garment Industry Expo (HanoiTex) 2018.

Experts said that Industry 4.0 will have huge impact on Vietnam's sector, forcing it to shake up and make heavy investments in both equipment and human resources. Now, thorny problems for the garment and textile enterprises are not only number and value of orders and growth pace, but also technological innovation and human resources training.

According to economist Le Dang Doanh, made-in-Vietnam garment and textile products are facing fierce competition from those in Bangladesh, Cambodia, Laos, Sri Lanka and Myanmar. He suggested local firms to enhance competitive edge to grasp opportunities and gain foothold in the fluctuating market.

A representative from the Ministry of Industry and Trade said that the Vietnamese economy has attained significant achievements during the international integration, with stable economic growth and favourable business climate, to which the garment and textile sector has made significant contributions.

Last year, the sector earned more than 31 billion USD in export revenue, up 10 percent from 2016. In the first eight month of 2018, Vietnam exported 23 billion USD worth of clothing products, a year-on-year surge of 15 percent. Export revenue for the whole year is forecast at 35 billion USD.

The HanoiTex 2018, which opened in the capital city on September 19 and runs until September 21, help firms learn about new technologies, thus increasing the rate of locally-made materials and meeting foreign clients' demand.

Also, it provides a platform for businesses in the field of finance, investment, manufacturing to meet partners, expand markets and work out long-term business strategies.

Co-hosted by the Hong Kong's CP Exhibition Company and the Vietnam National Textile and Garment Group, the event lured 120 exhibitors from China, Germany, Japan, the Republic of Korea, Pakistan, Taiwan (China), Thailand and Vietnam on a site of over 6,000 sq.m.

On display are patterned, dyed, high-tech and micro-fibre fabrics, anti-dry weaving materials, and machinery used in sewing, weaving, embroidery, dyeing chemicals and many other materials.

On the sidelines of the event, seminars on building fiber – textile - weaving connectivity chain and improving workforce quality in the field to meet demand of the Fourth Industrial Revolution will also be held.

Source: en.vietnamplus.vn- Sep 20, 2018

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Pakistan: Readymade garments worth $488.81m exported in two months

Pakistan exported about 21,440,000 dozen of knitwear worth $488.815 million in first two months of the current financial year as compared to the exports of 16,992,000 dozen worth $439.224 million in the corresponding period of last year.

During the period from July-August, 2018, the exports of knitwear grew by 11.29 per cent as compared the exports of the same period of the last year, said the data released by the Pakistan Bureau of Statistics.

Meanwhile, 7,450,000 dozen of readymade garments, valuing $435.425 million, were exported during the period under review as compared the exports of 6,108,000 dozen worth $418 million in the same period of last year.

The textile group exports from the country during the first two months of the current financial year grew by 3.71 per cent as compared the corresponding period of the last year. The textile products worth $2.280 billion were exported in the year under review as compared the exports of $2.179 billion in the same period last year.

From July-August 2018, about 79,733 metric tonnes of cotton yarn valuing $224.145 million were exported as against the exports of 81,064 metric tonnes worth $210.418 million in the same period of last year.

As many as 1,988 metric tonnes of yarn other than cotton yarn, valuing $5.065 million, were exported during the period under review as compared the exports of 1,725 metric tonnes worth $4.925 million in the same period of last year.

However, during the period under review, exports of raw cotton came down from $8.695 million in July-August, 2017 to $3.292 million in the same months of the current financial year, recorded decrease of 62.14 percent.

The exports of cotton cloth also reduced from 345,229,000 square meters, valued at $346.780 million, which were recorded at 328,741 thousand square meters worth $349.197 million during the same period of last year, it added.

In first two months, the textile products which recorded positive growth in their exports included cotton yarn by 6.52 per cent, yarn other than cotton by 2.84 per cent, knitwear by 11.29 per cent, bedwear by 2.72 per cent and towels by 7.02 per cent respectively.

Source: pakistantoday.com.pk- Sep 20, 2018

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Vietnam: Textile industry must renovate

The textile and garment industry is likely to face challenges in 2019 as the industry goes through a transition period which requires breakthroughs to shift its position in the global value chain.

This was the highlight of a seminar on the prospects for textile and garment exports held on Thursday within the framework of the three-day Hà Nội Textile & Garment Industry – Fabric & Garment Accessories Expo which will close today.

A representative from the Ministry of Industry and Trade said at the event that 2019 would continue to be a challenging year for the textile and garment industry.

The sector needed to make big changes to shift towards a new position in the global value chain, from Cut-Make-Trim (CTM) to Original Equipment Manufacturing (OEM)/Full Package/Free on Board (FOB) and Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM) to generate higher added value, experts said.

Experts also said that the Fourth Industrial Revolution would also have significant impacts on the industry, forcing producers to invest more in equipment and staff.

However, experts warned that Việt Nam's textile and garment sector would face fiercer competition from Bangladesh, Cambodia, Laos, Sri Lanka and Myanmar, adding that it was important to enhance competitiveness to be able to grasp opportunities.

Recent analysis by Bảo Việt Security Company said that countries with competitive advantages in garment and textiles would benefit from the growing US-China trade war, including Việt Nam, Bangladesh and Cambodia.

The US was the biggest importer of Vietnamese textile and garment products in 2017. Statistics from the Việt Nam Textile and Garment Association showed that in 2017, textile and garment exports to the US reached US$12.8 billion, accounting for more than 40 per cent of the sector's total export revenue.

Textile and garment export to the US are forecast to reach $13.8-14 billion this year.

Textile and garment export revenue totaled $23 billion in the first eight months of this year, representing a rise of 15 per cent over the same period last year.

Source: vietnamnews.vn - Sep 21, 2018

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NATIONAL NEWS

Trade talk: GSP benefits not the issue in Indo-US trade

GSP benefits look odd since India is no longer a poor country, but these offset the advantages China has as well as those that Mexico/Korea get from FTAs with US.

Heads of government do not, as a rule, make raucous statements on trade or tariff policy. President Donald Trump is an exception. Trade policy warnings, threats and declarations flow freely from him—typically through tweets. These have been directed mainly against the major trading partner nations of the United States – China, the European Union, Canada, and Mexico.

Occasionally, India has also been the object of his ire. A few months ago, in the context of Harley Davidson motorcycles manufactured in the US, he railed against high import tariffs in India. More recently, the US president declared his intention to stop subsidising India and China.

Subsidising India and China? By what he said at a rally in Fargo, North Carolina, it appears that he was referring to the preferential tariff treatment to goods under the Generalised System of Preferences (GSP). The US GSP scheme was introduced in 1976, with India included in the list of beneficiary countries. The mention of China is puzzling as it has never been a beneficiary country.

Non-reciprocity is one of the explicit requirements of the 1979 decision in GATT 1947, which provides the legal basis for preferential treatment of developing countries in GSP schemes, notwithstanding the general obligation to extend non-discriminatory treatment to WTO members.

However, from the outset, the US has made the grant of benefit under the scheme subject to policy conditionality and one of the tests applied is whether the beneficiary concerned is providing equitable and reasonable access to its markets.

From this perspective, the US government takes up review of the beneficiary government's practices every year. This year, the US trade representative (USTR) has commenced a review of the GSP eligibility of three beneficiary countries—India, Indonesia and Kazakhstan.

The notice published by the USTR mentions that the review has been launched against India based on complaints against trade barriers made separately by US dairy interests and the medical device industry. It is evident that continuation of this benefit is going to involve a process of give and take and president Trump's recent remarks have raised the stakes. There are several trade issues between India and the US but the GSP review sets up a mini-agenda of three issues for intensive dialogue. India has to be prepared for hard bargaining ahead.

In this context, we need to first evaluate the benefit that India derives from preferential tariffs in the US. All products included in the US GSP get the benefit of duty-free treatment when imported from beneficiary countries. Even though the MFN tariffs of the United States on industrial products have come down considerably after successive rounds of negotiations, duty free access under the GSP remains meaningful, as even low duties make a difference in an intensely competitive world.

It gives beneficiaries a significant advantage over China and eliminates the disadvantage vis-à-vis countries like Korea and Mexico, which are the United States' partners in FTAs. The rules of origin are relatively simple: if the product is not wholly produced in the beneficiary country, there should be at least 35% value addition in that country.

But the scheme also has a number of features that limit its benefits. First, several categories of products are excluded altogether from the GSP benefits. These include textiles and apparel, footwear, leather wearing apparel, glassware and a number of electronic and steel items considered to be import-sensitive. Thus, most of the main labour-intensive manufactures, in which India has an export interest, are excluded from the purview of the US GSP scheme. Second, even for products included in the scheme, the benefit is limited by the competitive need limitations (CNLs).

An individual beneficiary country gets excluded from the benefit once its exports of a product exceed a certain value limit in a calendar year ($185 million in 2018) or its share equals or exceeds 50% of the GSP imports of that product from all beneficiaries. In subsequent years, if the share in imports of an excluded beneficiary falls below the CNLs, the benefit can be restored for that beneficiary, but the process is not automatic and many times the USTR decides to continue the exclusion.

Further, the law bars waivers for products that have a large or dominant share of GSP imports, and even provides for the revocation of waivers in such cases. The CNLs can be waived if the total imports of a product in a year are less than a certain value considered de minimis ($24 million in 2018).

As regards the benefit of the US GSP for India's trade in recent decades, there is reason to be more than mildly positive about the assessment. US total imports of merchandise from India have increased roughly three-fold from $16.4 billion in 2000 to $48.7 billion in 2017, while the GSP imports were more buoyant, rising from $1.1 to $5.7 billion, or five times, during the same period. India's share of US imports under the GSP from all beneficiaries has also increased impressively.

From 6.9% in 2000, India's share has grown to as much as 26.7% in 2017. India has been the largest beneficiary developing country every year continuously from 2011.

Some of the products that have benefited from the preference and continue to do so are auto components, machinery and mechanical appliances and electrical machinery, while some others, like jewellery, have benefited in the past, with imports touching a high of $2.4 billion, before their GSP treatment was curtailed under the CNLs.

Clearly, the GSP has helped to push forward India's exports to the United States. In the trade dialogue, India should not be content only with the continuation of its GSP beneficiary status, but should up the ante by asking for the restoration of the benefit for the excluded jewellery tariff lines in which imports into the US have been below the statutory red lines of the CNLs in recent years.

In the GSP hearings before the USTR, the US industry interests have focused on the certification requirement related to livestock feeding practices, which impede market access for dairy products.

The concern in India regarding the use of animal products in the livestock feed springs from religious sentiment, but the US industry argues that the Indian government's demand does not have a scientific basis in addressing a risk for either food safety or animal health. The use of labelling has been suggested to resolve the issue.

On medical devices, the US industry contends that the price control that the government has imposed on coronary stents and knee implants have severely impacted their sales and caused them to withdraw their products from the Indian market.

Here, too, a suggestion has been made that instead of capping the price at the retail level, the trade margin should be capped at each point of sale, from manufacturer to distributor to hospital to patient.

The success rate in the India-US bilateral trade dialogue has not been very high in the past. Issues on the bilateral agenda have remained trapped in discord for long periods. Is there a basis for hoping that things will be different this time?

Source: financialexpress.com- Sep 21, 2018

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TSC appoints T Rajkumar as new chairman

T Rajkumar is TSC (Textile Sector Skill Council) chairman. DL Sharma is vice chairman.

TSC was formed on the initiative of the Confederation of Indian Textile Industry (CITI) as a an industry-driven non-profit, registered under the Companies Act 2013 and set up under the aegis of the National Skill Development Corporation (NSDC) and governed by 14 major textile industry associations and export promotion councils and has representatives from textile research associations and NSDC on its board.

TSC has been set up to develop a skilled work force for the textile industry by setting a curriculum for training and accreditation of trade competency. TSC plans to facilitate scalable skill training to the complete work force engaged in the manufacture of textile and handloom products.

TSC has been implementing Recognition of Prior Learning (RPL) projects in different locations in India to recognize informal learning in the textile and handloom industry.

The objectives of the program are to enable a large work force to take up industry relevant skill training for better livelihood, to enhance career opportunities for trainees, to assess and certify the skills of traditional weavers and reduce inequalities between skills.

A RPL program was conducted for power loom weavers of Tamil Nadu who are known for their artistic skill of making good quality and attractive fabrics.

Source: fashionatingworld.com- Sep 20, 2018

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Easier tax refund regime for exporters in the works

The government is examining the tax refund mechanism for exporters under goods and services tax (GST) and may announce some measures over the next few days to streamline the process and speed up repayments. “Some measures are being looked at…,” a senior official told ET, adding that these could be unveiled by the weekend.

Exporters say delay in refund under GST impacts business and raises working capital cost. Last week, Finance Minister Arun Jaitley had said the government would take steps to boost exports.

The Central Board of Indirect Taxes and Customs (CBIC) has taken several steps to ease the process of refund for exporters, but some issues persist. It has had a detailed discussion with industry representatives on the issues faced by them in getting refunds seamless.

The government is now looking at all the procedures, as also execution issues at the central and state government levels, which are impacting exporters.

According to the official, it could consider some procedural relaxations to make refunds seamless and easier. The restriction on inputs imported under some exemption notifications retrospectively is in focus, the official said, adding that the government could consider restricting refund of taxes only for those exports that use inputs under some exemption notification.

Industry representatives say challenges are more on account of state tax authorities lacking familiarity with some export schemes. State officers, they said, demand different set of documents and withhold refunds even after they have been sanctioned by the Centre. This is especially so in cases of services exports.

Sometimes refunds are rejected due to minor issues such as change in the jurisdiction of officers. The jurisdiction office appearing on the GSTN portal may be different from the actual jurisdiction in the record of the department, and that sometimes leads to issues despite instructions from the CBIC that the issue should not hold up refunds.

The official said the government could look at providing a reconciliation mechanism for exporters to understand against which claims they have received the refund amount for integrated GST rebate claim.

Experts say the government must provide some new formulation to assuage exporters' concern on refunds.

"Integrated GST refunds have streamlined largely except for internal container depots, but input tax credit refund still remains an issue," said Ajay Sahai, director-general of Federation of Indian Export Organisations. "The government needs to address the situation expeditiously."

Anita Rastogi, partner at PwC, said, "It is an expectation from the government to formulate a solution to eradicate the concern of businesses.

Ideally, the methodology may be prescribed where the restriction shall be applicable only on those outputs which are exported after using the inputs procured under the said notifications."

Source: economictimes.com- Sep 21, 2018

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Thailand seeks to enhance economic cooperation with Maharashtra

India and Thailand have emerged as prominent trade and economic partners and both countries offer ample opportunities for cooperation in several sectors of mutual complementarities.

Thailand has initiated discussions with the officials of the Government of Maharashtra for bilateral cooperation in areas of mutual interest and is keen to participate in investment Summits such as Magnetic Maharashtra as and when it takes place in the state.

These observations were made by Mr. Ekapol Poolpipat, Consul-General, The Royal Thai Consulate – General, Mumbai at an interactive meeting organized by MVIRDC World Trade Centre Mumbai on September 20, 2018. Mr. Poolpipat was leading an official delegation from Thailand to explore opportunities for trade and economic cooperation with Maharashtra.

Mr. Poolpipat identified three prominent sectors viz. harvest and post-harvest technologies, digital technologies, and film production & distribution as focus areas for collaboration between both the countries.

The locations for these sectors would ideally be Pune, Mumbai, Ahmedabad, and Surat, he informed. According to Mr. Poolpipat, there were excellent possibilities of cooperation in wine production, dry fruits, and dairy processing and production, with value addition.

Mr. Poolpipat expressed that in building a strong India-Thailand trade relationship, WTC Mumbai would serve as an ideal partner in the coming years.

Speaking on this occasion, Mr. Siddhartha Rastogi, Director – Asset Management, Ambit Capital Private Limited observed that Maharashtra and Thailand share several complementarities that could provide a fillip to bilateral economic cooperation.

Deliberating on Maharashtras economic potentials, Mr. Rastogi highlighted that both Thailand and Maharashtra excel in key areas such as textiles, automobiles, food processing, fisheries, and sea trade. While Thailand is a front-runner in technologies, India offers superior quality labour force.

According to Mr. Rastogi, the technology of Thailand could be combined with the superior labour resource of Maharashtra to build global brands for products and services.

Mr. Rastogi identified several key areas such as food processing, auto-manufacturing, computer and IT hardware parks, textiles, solar panels, biodegradable packaging, banana processing, cement manufacturing, LED lighting systems, robotics, tourism and ayurvedic products, where both India and Thailand could cooperate successfully.

For instance, in the sector of computer and information technology, Maharashtra excels in IT-enabled services such as BPOs, KPOs, medical transcriptions, while Thailand has the core competence in the manufacture of IT hardware such as computer hard disks. This could open up excellent possibilities for cooperation in the IT sector with Thailand offering hardware components and combining those with the software capabilities in Maharashtra.

Further, in the automotive sector of Maharashtra, Thailand could bring in their expertise in robotics technology. An area of challenge for both Thailand and Maharashtra is waste disposal. With Maharashtras speedy urbanization, there are excellent opportunities for cooperation in the sector of waste treatment and disposals, Mr. Rastogi emphasized.

Earlier in her welcome address, Ms. Rupa Naik, Senior Director, MVIRDC World Trade Centre Mumbai mentioned that there is great scope for cooperation between India and Thailand, particularly in areas such as food processing in order to reduce post-harvest wastage.

Maharashtra is home to several industry clusters in sectors such as an automobile, engineering, food processing, dairy, information technology, among others and these could be strengthened with appropriate technologies from Thailand.

Bilateral trade between India and Thailand stood at USD 10.79 billion in 2017-18 and Ms. Naik hoped that this could be doubled in the next five years.

Ms. Naik urged Mr. Poolpipat to organize an exhibition at World Trade Centre in Mumbai to showcase Thailands innovative manufacturing technologies for the benefit of trade and industry in Maharashtra.

Source: fastnewsmedia.com- Sep 20, 2018

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Review GST provisions for exports: Manpreet writes to Jaitley

Punjab finance minister says the state's small-scale industry has been hit severely by issues related to GST.

Even as the slide in rupee should cheer exporters, Punjab's small scale industry has not able to cash in on it. State finance minister Manpreet Badal has written to Union finance minister Arun Jaitley urging him to address issues in the Goods and Services Tax (GST) regime at such a critical time.

The letter says with the rupee crossing the 72 mark against the US dollar and the country's current account deficit burgeoning, this is a time to undertake a quick review of the GST provisions to ensure that exports are not impinged in any manner.

"Punjab's small scale industry has been impacted severely by GST issues. I have written to the Union FM based on suggestions received during my interaction with exporters. We need to improve ease of doing business for exporters as well as cut the cost of compliance," he told HT.

Among the measures suggested by him are that exporters be allowed duty-free import of inputs meant to be used for export products. "This concession is no more available to exporters who have first exported and later wish to replenish the inputs.

It is wrong to deny the benefit on the grounds that the exporter has already fulfilled the export obligation and doesn't require inputs as the import of inputs is a continuous process for future exports.

This will help exporters in better working capital management and reduce the need for refunds, with all the accompanying hassles," the letter states.

The FM has also called for restoring other pre-GST sops such as advance authorisation for deemed exports. This benefit too has been withdrawn under the GST regime.

Deemed exports, Manpreet says, should be entitled to all the benefits that are available for physical exports. “A dollar earned is a dollar saved and there is no need to make any distinction between the two in GST,” he added.

He has also asked the union minister to restore the benefit of refund of GST paid on exports as the decision has been made with retrospective effect making exporters run for cover.

“The fact that this decision has been taken without the GST Council, itself is highly questionable, as to whether such decision of a far-reaching consequence can be taken by the GST implementation committee,” he adds.

Source: hindustantimes.com- Sep 20, 2018

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9.5 lakh jobs created in July, show EPFO data

Net payroll data for September-June revised upwards

The new payroll data, prepared by the Employees Provident Fund Organisation (EPFO), show that nearly 10 lakh jobs were created in the formal sector in July. This is the highest accretion in any month since September last year, for which the first monthly payroll data is available.

The new data was placed on the EPFO’s website on Thursday.

The data also showed a revision in the monthly numbers. The number for September 2017 has been revised downwards, while for all other months it has seen an upward revision. The total fresh payroll numbers for September 2017-June 2018 have gone up to 52.30 lakh as against 47.14 lakh, according to the estimate released in August.

According to the EPFO, the data is provisional as the updation of employees’ records is a continuous process and gets updated in subsequent month/s, which is why both monthly and total number have been revised.

The net payroll data also explains which sector and which State has created more fresh jobs and provides age-wise figures.

For example, in the age bracket of 22-25, the top 10 sectors include Export Services, Electric, Mechanical or General Engineering Products, Trading, Engineer Contractors, Building & Construction Industry, Manufacturing, Textiles, Hospitals, Heavy-Fine Chemicals and Cleaning Business. In the similar age bracket, Maharashtra was the first among the States followed by Karnataka, Tamil Nadu, Gujarat, Haryana and Delhi besides other States and Union Territories.

Net payroll data

	As on August 20	As on September 20	Difference
September 2017	4,99,677	4,82,442	(-) 17,235
October 2017	2,64,861	2,89,522	24,661
November 2017	5,07,423	5,53,914	46,491
December 2017	3,31,816	3,75,323	43,507
January 2018	4,47,283	5,21,856	74,573
February 2018	3,81,366	4,33,915	52,549
March 2018	2,69,180	2,96,408	27,228
April 2018	5,80,165	7,27,662	1,47,497
May 2018	6,38,653	6,91,544	52,891
June 2018	7,93,308	8,57,934	64,626
Sept 2017-June 2018	**47,13,732**	**52,30,520**	**5,16,788**
July 2018	NA	9,51,423	
Total	**NA**	**61,81,934**	

Source: EPFO

The net payroll data is arrived at after subtracting the number of members exited from number of new EPF subscribers and then adding the number of exited members who rejoined and re-subscribed. EPF is managed under the aegis of Employees' Provident Fund Organisation (EPFO).

It covers every establishment in which 20 or more persons are employed and in certain organisations even if they employ less than 20 persons each, subject to certain conditions and exemptions. It is a mandatory savings scheme. The pay limit is ₹15,000 per month. Persons drawing pay above ₹15,000 are exempted or can be enrolled with some permission or on voluntary basis.

The number of members subscribing to this scheme gives an idea of the level of employment in the formal sector.

The importance of payroll data to assess job creation in the formal sector came into limelight after a study advocated the need for monthly payroll reporting in India like in other economies.

The study had estimated that around 70 lakh jobs might be generated in 2017-18. It was criticised initially but later, based on enrolment under EPFO, NPS (National Pension Scheme) and ESIC (Employee State Insurance Corporations), the number came out around 67 lakh which was very close to the study.

Research has revealed that the payroll data have the most profound impact on all high frequency economic reports and major policy implications.

Data release

Now, the Ministry of Statistics & Programme Implementation (MOSPI) releases employment related statistics in the formal sector using information on the number of subscribers who have availed benefits under EPFO, ESIC and NPS.

The first such data was released in April covering the period September 2017 to February 2018.

Source: thehindubusinessline.com- Sep 21, 2018

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