USD 66.24 | EUR 81.27 | GBP 92.84 | JPY 0.61

### Cotton Market

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>19529</td>
<td>40850</td>
<td>79.37</td>
</tr>
</tbody>
</table>

#### Domestic Futures Price (Ex. Gin), April

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>20630</td>
<td>43153</td>
<td>84.35</td>
</tr>
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#### International Futures Price

<table>
<thead>
<tr>
<th></th>
<th>USD Cent/lb</th>
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</thead>
<tbody>
<tr>
<td>NY ICE USD Cents/lb (May 2018)</td>
<td>85.55</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (Jan 2018)</td>
<td>14,825</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>91.09</td>
</tr>
<tr>
<td>Cotlook A Index – Physical</td>
<td>92.45</td>
</tr>
</tbody>
</table>

**Cotton guide:** The gone by week eventually turned out to be an interesting week as far as price performance is concerned. The whole week July ICE future was trading in a very sideways trend with limited trading volume but on Friday price zoomed to end at 84.73 cents per pound up by 135 points from the previous week’s close. The other months were also traded positive. December contract settled at 7943, up 52 points for the week. Both the daily and weekly settlements were at new contract high levels. The previous high settlement was at 7891 on April 13th.

From the trading front the average daily volumes were around 30K contract while on Friday it surged to 48K contracts. The rise in price along with volume suggests the trend is clear positive. Also from the technical front it failed to go down below 81 cents hence rebounded sharply to trade higher.

Further on the open interests’ front, the OI had declined from the recent high of 282K contracts to around 258K contracts which mean there is plenty of room to add new positions. The all-time contract high open interest was 320,744 contracts on January 25th. The major trigger that pushed the price higher is the unfixed on-call sales positions adding up so much very quickly. Millers’ need to fix their positions in the July contract and has no choice to move into December contract. Hence, unfixed on call sales is likely to keep the July future on the positive tone.
Nonetheless, the gains in the price would have been much larger if the expectation of rain in the Texas region wasn’t discussed. As per weather forecast rain was expected over the weekend. However, the rained for Texas didn’t look as promising as it had earlier in the week. We believe any strong improvement in the rain in the near term might curtail the gains else the broad trend continues to be supportive. From the price perspective we see 87 to 89/90 ranges are still in the scope to achieve in the near term. The broad trading range is 81 to 87 cents per pound.

However, the futures contract has been taking lot of cues from both domestic spot and ICE future contracts performance. The April MCX cotton future ended the week at Rs. 20810 down by Rs. 60 from previous week’s close. However, during the week the contract was highly volatile as it had moved in the range of Rs. 20500 to Rs. 21K per bale. We believe the April future to remain positive in the near term. The trading range would be Rs. 20700 to Rs. 20940 per bale.

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

### Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

<table>
<thead>
<tr>
<th>Country</th>
<th>20s Carded</th>
<th>30s Carded</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2.75</td>
<td>3.05</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.56</td>
<td>2.85</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.38</td>
<td>2.77</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.10</td>
<td>3.35</td>
</tr>
</tbody>
</table>

Source: CCF Group

### China yarn

Overall cotton yarn market sentiment showed good. Spinners saw smooth sales with stable price. Open-end cotton yarn performed weaker among all varieties on modest downstream demand and slow sales of spinners. Sales of open-end cotton yarn for weaving did not perform as well as the one for knitting and prices stayed stable. Conventional cotton yarn performed well this week with smooth sales. Cotton yarn for weaving continued improving. Inventory in spinners declined but did not show tightness. Prices were mostly flat.

### International yarn

The cotton yarn market has been fairly dull in reflection of the raw cotton market. In Pakistan, domestic offtake has been supported by unfavorable currency rates which have made imported yarn less attractive. Earnings from Egypt’s textile exports during March were on a par with the same month in 2017, but those from clothing showed strong growth. In Pakistan, export yarn demand has failed to pick up. Most foreign buyers have maintained their low price ideas and volume business can only be generated at such depressed levels.

Source: CCF Group
# NEWS CLIPPINGS

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INTERNATIONAL NEWS

US-China trade war to hurt global growth: EIU

A high-octane trade dispute between the world's two largest economies -- the US and China -- will harm global trade this year as it would give rise to protectionism, an EIU report says.

According to the Economist Intelligence Unit (EIU) report, while global trade will be overshadowed by the ongoing dispute between China and the US, appetite for new free-trade deals will continue in the rest of the world including those involving India.

"Our assumption that protectionism will rise, but that a trade war will be averted, means that global trade growth will continue to slow in 2019-22, to an average of 3.5 per cent a year," the EIU report said.

As per the World Trade Organisation (WTO), the global trade growth recorded in 2017 stood at 4.7 per cent and is estimated at about 4.4 per cent for 2018.

The report, however, noted that a "full-blown trade war" -- where there is an exchange of tariff or non-tariff barriers that causes significant economic pain to both sides -- will be averted, for "both economic as well as political reasons".

With the US turning away from multilateral trade liberalisation, after Donald Trump pulled the country out of the 12-member Trans Pacific Partnership (TPP), China now has the opportunity to help to set the rules of engagement, it said.

The EIU, however, noted that China does not have "the willingness or the capability to take on the free-trade mantle for now".

Meanwhile, negotiations on the Regional Comprehensive Economic Partnership (RCEP), a China-focused trade agreement, will continue, but we do not expect these talks to be concluded in the next five years.
The proposed agreement includes the ten-member states of the Association of South-East Asian Nations (ASEAN) and six partner countries (Australia, China, India, Japan, New Zealand and South Korea). Instead, its Belt and Road Initiative, a major long-term programme, will encourage trade and investment flows with recipient countries in the short and medium term.

The report further noted that global trade growth will continue to slow in 2019-22.

According to EIU, a mild recession in the US in 2020 is likely, which will subdue economic activity and thereby pull down the rate of global trade growth in that year and elevate it slightly in 2021-22 owing to the release of pent-up demand.

On March 8, the US administration led by Donald Trump imposed broad tariffs on imports of steel and aluminium; while a number of countries were temporarily exempted from these tariffs, China and Japan were not.

The Trump administration's proposal would see tariffs of an additional 25 per cent on USD 50 billion of imports from China, covering goods that are related to the Made in China 2025 initiative such as machinery and electrical equipment.

China responded "quickly but proportionately" the report said with a list of tariffs of equivalent value on imports from the US including soybeans, vehicles and aircraft.

Source: economictimes.com- Apr 22, 2018
Trump’s next $100 bn tariff poser: hit Walmart or Apple?

*New taxes on imports from China may hurt consumers of electronics, apparel*

U.S. consumers may be about to directly feel the effects of the trade fight started by U.S. President Trump with China and other countries this year when a new list of Chinese imports to be taxed is announced in coming days.

After imposing import tariffs on solar panels and washing machines in January, Mr. Trump moved to levy steel and aluminium in March along with about $50 billion in other goods.

After China responded with a list of U.S. goods that would be subject to tariffs, Mr. Trump raised the stakes on April 4 by directing the U.S. Trade Representative to consider $100 billion in additional levies.

But a Reuters analysis of Chinese imports shows that to quickly reach $100 billion worth of goods to tax, Mr. Trump may have to target cellphones, computers, toys, clothing, footwear, furniture and other consumer goods, prompting price rises at U.S. retailers.

‘No way to avoid’

“There is no way to avoid consumer products when you’re thinking about how to hit $100 billion worth of imports coming from China,” said Hun Quach, vice president of international trade for the Retail Industry Leaders Association which represents U.S. retailers.

How much the new tariffs would hit wallets depends on variables that make calculating the impact of the tariffs on individual products hard to measure. Companies can absorb some of the costs, and some companies can shift production in China to other countries, cutting the final bill for America’s shoppers.

After washing machines imported by LG Electronics’ were hit with a 20% tariff in January, the company raised U.S. prices by about $50 per machine, or 4% to 8%. LG opted to absorb part of the tariff cost, which was imposed at a time when construction was already well underway on its new U.S. factory that will begin producing washers in late 2018, avoiding U.S. tariffs.
Companies with complex supply chains, mainly those in high technology industries, can also change how their internal costs are charged among subsidiaries to lower their tariff bill.

Mr. Trump’s first round of import tariffs deliberately left most consumer electronics untouched, but out of the $506 billion in U.S. imports from China last year, finding another $100 billion to tax without hurting U.S. shoppers will not be easy. The USTR could quickly find $100 billion but at the cost of targeting three broad categories of consumer electronics — cellphones at $44 billion, computer equipment at $37 billion, and voice, image and data recorders at $22 billion.

U.S. supply chains would also be hurt as many consumer electronics products depend on the export of American semiconductors, software and other inputs to China for assembly before being imported back.

U.S. allies South Korea, Japan and Taiwan also supply cellphone parts for companies like Apple Inc., including displays, cameras and fingerprint scanners, and would feel the impact.

‘China’s big toe’

“You end up shooting yourself in the foot, shooting your allies in the foot, and maybe you wound China’s big toe,” said Chad Bown, a senior fellow at the Peterson Institute for International Economics. Mr. Trump could get a quarter of the way to $100 billion in goods taxed by levying toys, games and sporting goods, categories with little U.S. content that totalled about $25.5 billion from China in 2017. But China made up 81.5% of all U.S. imports in this group, meaning that there would be few alternative sources for importers that could blunt the tariff impact.

Adding in apparel, footwear and furniture to the list would get the rest of the way to $100 billion, but price rises for those goods would be seen clearly by consumers.

According to Census data, there are about 7,600 consumer and industrial goods still available for tariffs with a combined value of $101 billion where China accounts for 40% or less of U.S. imports and so could possibly be sourced elsewhere.
Most involve small-scale production and a range of goods sold in U.S. chain stores like Walmart, including clothing, pet food and lighting fixtures. While availability of these items in other nations may curb price rises, there would still be disruptions for retailers with long-established supply chains.

Source: thehindu.com- Apr 21, 2018

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**RCEP to revive Southeast Asia**

The Regional Comprehensive Economic Partnership (RCEP) could help revive the garment and textile sector in Southeast Asia. The 16-member bloc includes the 10 Asean member countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) plus six other countries – Australia, New Zealand, China, India, Japan and South Korea.

The garment and textile industry in less-developed economies in the RCEP, such as Myanmar, Cambodia and Laos, are best placed to gain from the deal. These countries rely on low-cost manufacturing and could gain access to wealthy consumers in Australia, New Zealand and China.

Another benefit is these emerging markets will gain a strengthened economic relationship with China. They could attract increased flows of foreign direct investment from capital-rich investors eager for new, untapped opportunities abroad. Myanmar could benefit the most as it does not compete with low-cost, bulk order countries such as Bangladesh, India and Cambodia, and tends to specialise in higher-quality, more technical garments. On top of that, the country has an abundant supply of low-cost labor.

But like any other free trade deal, under the RCEP, the agreement would work only for trades between signatory states when the rules of origin are met. Hence it would not be possible for Cambodia or other Asean member states to gain benefits under RCEP for shipment into the US or EU – key export markets.

Source: fashionatingworld.com - Apr 21, 2018
Sri Lankan apparel firm Brandix selects Centric PLM suite

Brandix, Sri Lanka’s largest apparel exporter, has selected Centric Software to provide its Product Lifecycle Management (PLM) solution. Centric Software provides the most innovative enterprise solutions to fashion, retail, footwear, outdoor, luxury, and consumer goods companies to achieve strategic and operational digital transformation goals.

Surendra Karunakaran, chief information officer at Brandix said, “The company sought a PLM solution to help manage data flows and communication.

Centric Software is one hundred per cent apparel-focused, with an impressive list of over 240 customers in the industry and dedicated research and development in fashion and apparel. This expertise helps Centric align with our business processes.

Centric PLM being a highly configurable out-of-the-box solution, with an intuitive user interface and easy navigation, and its ability to develop mobile apps for PLM, as well as provide innovative updates were influential factors in our decision.”

Kaushala Prematilake, senior general manager – enterprise applications, Brandix said, “We decided to invest in a PLM solution to capture data at the source. We knew the right PLM could provide a collaborative platform for product development teams.

The Centric team gave us a high level of customer service during the pre-sales process, and we are confident that this will continue. We look forward to having a great partnership with Centric in the future that will be mutually beneficial for both companies.”

Chris Groves, president and CEO of Centric Software said, “We are delighted that Brandix, the largest apparel exporter in Sri Lanka, has decided to select Centric PLM. We look forward to partnering with them every step of the way today and on their journey into the future.”

Source: fibre2fashion.com- Apr 22, 2018
Bangladesh still popular for low-cost apparel

Bangladesh is still a lucrative destination for sourcing low-cost garment items, coming second to only China, according to the Global Sourcing Survey-2018 by the Asia Inspection, which provides inspection services to global brands.

“Outside of China, India and Bangladesh are increasingly given preferences for textile sourcing due to being lower-cost destinations,” said the report on the survey conducted by AI in December last year.

Top officials of more than 250 companies working in all major consumer product segments were interviewed for the survey.

Of the total respondents, 16 percent said Bangladesh is their destination of choice for sourcing textile and garment products.

China though remains in the lead: it is a regular sourcing destination for nearly 88 percent of the respondents and half of the businesses expect to buy even more from there in 2018.

“The work order situation is positive now,” said Asif Zahir, director of Ananta Group, a leading garment exporter.

Thanks to the rebound of economic situation in Europe and the US, the retailers and brands are placing work orders in bulk in Bangladesh.

At the same time, Bangladesh's reputation has also improved due to inspection and remediation of the garment factories by the Accord and Alliance.

However, buyers do not want to pay higher prices, although the cost of production will go up further with wage hike, port congestion and higher transportation cost.
“Of course, Bangladesh is a lucrative destination for the global garment buyers,” said Anwar-ul Alam Chowdhury Parvez, a former president of the Bangladesh Garment Manufacturers and Exporters Association.

Bangladesh is a favoured destination not only for the competitive price and quality, but also for technical upgrades and improved safety after the inspection and remediation.

After a journey of nearly four decades, the country’s production base is gradually shifting to high-end apparel items from basic products.

Of the total garment exports from Bangladesh in a year, 40 percent are high-end value-added garment items, he said.

“Previously the focus was on basic items but now we are looking at value-added items,” he added. In the footwear segment, 21 percent of the survey respondents said they will source from Bangladesh.

Some 36 percent respondents said they will source food items from Bangladesh, while 15 percent will buy electrical and electronics products from here, the survey said.

Among the top challenges in sourcing in 2017, the cost of manufacturing and raw materials comes first -- a trend expected to continue into 2018.

Politics is expected to have a more immediate impact than technology: most of the surveyed businesses anticipate to be affected by tariffs, quotas, protectionism and embargos, rather than automation and 3D printing.

Vietnam is a notable competitor for China in footwear, chosen by 50 percent of respondents, the single most popular choice of any industry outside of China, the study said. In cross industry average, 14 percent of the respondents preferred Bangladesh as their sourcing destination.

Source: thedailystar.net - Apr 23, 2018
Pakistan’s export performance is correlated to cotton prices – and this is a concern

Over the years, Pakistan’s export performance has been shaped more than any other factor by international commodity prices. When international commodity prices, particularly those of cotton, go up, exports also increase. A fall in the prices drives down exports. Due to volatility of world commodity prices, the export growth has remained inconsistent.

Pakistan’s exports registered the most impressive growth in 2010-11 when they went up by 26.13% to $24.81 billion from $19.67 billion in 2009-2010. In 2010 and 2011, average world cotton prices were high, around $1.05 per pound and $1.55 per pound, respectively, compared with $0.63 per pound in 2009.

Due to high cotton prices, exports of textiles and clothing went up from $10.35 billion in 2009-10 to $13.92 billion in 2010-11, up 34.49%. In 2011-12, total and textiles and clothing export receipts fell to $23.62 billion and $12.45 billion, respectively.

In 2012, world average cotton prices came down to $0.89 per pound before marginally rising to $0.90 in 2013. In 2012-13, total exports increased to $24.46 billion by 3.56%, while textiles and clothing exports registered 5.62% growth to reach $13.15 billion.

In 2017, however, cotton prices surged to $0.86 per pound, which mainly accounts for the 7.70% growth in textiles and clothing exports and 10.8% increase in overall exports in the first half of 2017-18 (July-December 2017). In December 2017, the rupee was also devalued by 5%; however, it had little to do with the export increase from July-December 2017. In the first three months of 2018, exports have continued to increase as there has been an upward movement of world cotton prices.

To give further credence to the correlation between world cotton prices and Pakistan’s export performance, it’s important to compare their movements on a calendar year basis. Pakistan’s total exports registered robust increase of 21.99% and 18.36% pc in 2010 and 2011, respectively. During those years, textiles and clothing exports also increased substantially by 20.19% (2010) and 16.97% (2011).
In 2010 and 2011, world cotton prices shot up 66.67% and 48.57%, respectively. In recent years, Pakistan’s total and textiles and clothing exports registered the steepest decline of 10.68% and 6.17% respectively in 2015, when world cotton prices fell by 15.66%.

After registering negative growth in 2015 and 2016, Pakistan’s total and textiles and clothing exports went up by 9.98% and 4.03%, respectively in 2017. In that year, average world cotton prices also increased by 16.22%.

The correlation between world cotton price and Pakistan’s exports makes sense, because the country’s export basket remains largely comprised of cotton manufactures, such as home textiles, cloth and garments. Between 2009-10 and 2016-17, the T&C sector on average accounted for 55.39 pc of Pakistan’s total export earnings.

After textiles and clothing sector, Pakistan’s major export is another primary commodity, rice, which accounts for nearly 9% of total export receipts. Exports of rice also depend on rice prices in international market. Like textiles and clothing exports, in recent years, rice exports registered the highest increase of 23.04% in 2010-11.

After registering a decline in three consecutive years (2014-15 to 2016-17), rice exports went up by 12.48% during the first half of the current financial year mainly because of the price effect.

Thus one of the greatest economic weaknesses of Pakistan is that it remains primarily an exporter of primary commodities, such as rice, or commodity-based manufactures, such as textiles and clothing and leather products. High value added or technology-based products, such as electrical and mechanical goods, have a very low share in the export portfolio.

The overwhelming dependence of export revenue on primary commodities entails two perils: one, the commodity prices fluctuate steeply in the international market. At times, prices change up to 50%, and even more, over a year.

Two, over the long run, non-oil primary commodity prices exhibit a largely declining trend. As a result, countries like Pakistan whose export baskets consist mainly of primary commodities or manufactures derived from them experience sharp fluctuations in their export revenue from time to time.
Besides, such economies not only experience adverse terms of trade (the ratio of export to import prices); in the long-run, the terms of trade also deteriorates. The prices of goods imported by these countries, which mainly consist of finished capital and consumer goods, far exceed export prices.

For example, in 2016-17 Pakistan’s average terms of trade was 57.17% (index of average export price: 701.43, index of average import price 1226.92), while in 2005-06, the average terms of trade was 65.01%.

When terms of trade are less than 100% more capital leaves the economy in the form of import payments than entering it in the form of export receipts.

In order to counteract the declining price effect, a country needs to produce and export larger quantities of commodities. The problem, however, is that higher commodity supply in the international market, relative to the demand, depresses prices.

Like other countries, Pakistan’s export basket reflects its production base. As long as we remain largely a producer of primary commodities and their manufactures, we will continue to remain hostage to fluctuations in international commodity prices.

While allocating scarce resources, the government’s policies, in the form of subsidies and tax exemptions, also favour the traditional sectors. It is high time to promote value added, technology-based sectors through fiscal and non-fiscal incentives.

Source: tribune.com.pk- Apr 23, 2018
Pakistan, Indian growers tour Aussie cotton sector in Narrabri

A visiting group of cotton growers from Pakistan and India recently joined leading Australian fashion and textile industry representatives in a tour of Narrabri’s cotton industry organised by Cotton Australia. Their tour was made possible through a partnership with the Australian Government and the Better Cotton Initiative (BCI), according to Cotton Australia CEO Adam Kay.

BCI is a global organisation working towards making Better Cotton a sustainable mainstream commodity.

The Pakistani delegation has been touring farms, cotton gins, research facilities and cotton processing plants in northern New South Wales (NSW) and southern Queensland, according to a press release from Cotton Australia.

“The partnership has paired our cotton industry’s skills and resources with funding by the Australian Department of Foreign Affairs and Trade (DFAT), allowing BCI to train more than 50,000 Pakistani farmers to adopt better crop production and labour practices while improving the social and economic benefits that flow back to them. DFAT funded the BCI Pakistan training partnership via the Australian Government’s Business Partnerships Platform,” the press release said.

Participants toured Auscott’s Narrabri farm and gin before moving on to the Australian Cotton Research Institute (ACRI) in Narrabri, where they heard presentations by world-leading cotton scientists.

Some tour participants were unaware of the industry’s sustainability achievements, such as a reduction in insecticide use of more than 90 per cent over the past 15 years and a water efficiency increase of more than 40 per cent since 2003.

Source: fibre2fashion.com- Apr 22, 2018

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HOME
EU Home Textile Industry Completely Destroyed By Pakistan

Everything is not well between industry and the European Commission representatives promoting trade in the EU. In Brussels, 20 April 2018, a debate was held at The European Economic and Social Committee (EESC) with the European textiles and leather industries, together with representatives of big business, trade unions and NGOs who presented their views on EU trade policy. Of particular focus were the EU trade benefit programs Generalised Scheme of Preferences (GSP), GSP+ and “Everything But Arms” (EBA).

The event was hosted by Henri Malosse, Former President of the EESC who shared the concerns of both industry, workers and consumers, in respect of European Trade policy, which was ignoring European values in the pursuit of ever more trade. Malosse stressed that this is occurring at a time when citizens were becoming more distant from the policy makers in Brussels.

His views were endorsed by Paul Tran, former Ambassador of the EU to the World Trade Organisation WTO, credited with being the “founding father” of the GSP program. Tran stated that current European policy trends, which do not respect the views of European citizens, was not a Europe he recognised. A respect for human rights should be the root of EU policy, and development efforts must be sustainable.

Following a briefing on the current status of the European trade schemes of preferences, European Commission representative for Trade, Andreas Julin, insisted that the focus of these programs is economic development for low income countries. Julin highlighted that no country was fully complying with all the Core Conventions, indeed even in his own country, Sweden.

Despite being recognised for their reputation on equality for women, Sweden still has issues in achieving full gender equality. Hence, countries like Pakistan will also need more time. Julin said “effective implementation” is the key, but went on to admit that the European Commission has no clear definition of what constitutes “effective implementation.”

Emmanuelle Butaud-Stubbs, Secretary General of Union des Industries Textiles (UTI), stated that “the EU’s home textile manufacture sector has been completely destroyed by Pakistan”. Whilst India and Vietnam have a
substantial part of the market, it was countries like Bangladesh and Pakistan that had now distorted the sector with cheap imports, poor quality, and a total lack of respect for labour and environmental rights, conditions which European manufacturers must comply with.

In total agreement, COTANCE, the EU Leather industry representatives for business, shared similar findings. Gustavo Gonzalez-Quijano, Secretary General of COTANCE raised the concerns that “Pakistan was not fulfilling any of its social obligations,” nor respecting the core conventions stated as obligatory for these EU trade programs.

He said there was systematic abuse in both Bangladesh and Pakistan. However, turning to the Commission for Trade he also shared that the EU rules state that “there should not be a distortion of the EU market”. Gonzalez-Quijano was clear that European Development Policy must not be to the detriment of European Industry. Trade with third countries must make jobs dignified, and goods should have appropriate costs.

The International Trade Union Congress praised the European Trade programs as the only trading market conditioning its trade with meaningful human rights and labour rights mechanisms. This has resulted in many countries ratifying international core conventions, especially the International Labour Organisation (ILO) conventions, which they may not have otherwise done. However, further clarity is needed. What the Commission considers a “violation” of the conventions is unclear, and the application of human rights conditionality mechanisms are arbitrarily applied.

Yorgos Altintzis stated that, in some cases “it appears the Commission is making it up as they go along.” In the same vein, Chantelle Boduel, of the Women’s Economic and Social Think Tank (WESTT) raised the question of missing information in the Commission’s evaluation of the implementation of the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW), especially in Pakistan.

The Commission’s January 2018 report gave no mention of the ways women are discriminated against in family law (including marriage, divorce, child custody and inheritance rights). Their section on gender discrimination in employment legislation is underwhelming.
Networks Matter, an association of 40 Non Governmental Organisations also working on trade issues, gave several recommendations for the improvement of these trade programs, focusing on the improvement of monitoring efforts. In order for the supply chain to function in adherence with international labour obligations, it is imperative that transparency and adherence to the core conventions is at the forefront of discussions. If the policies of Governments in third countries was effectively blocking this process, then trade relations should be reviewed as workers, and further down the line, consumers, are not being protected.

Further concerns were raised from the audience including the need for retailers to purchase large volumes of clothing and textiles from countries like Pakistan and Bangladesh because the European markets had become accustomed to the accessibility of such products. There was also a request for the removal of schemes of preferences for countries with middle incomes, or economies which were evidently not poor, especially where they have nuclear capabilities.

Raising the issues of forced disappearances and terrorism, Paulo Casaca from the South Asia Democratic Forum highlighted justification for trade preferences to be removed is evident in the case of Pakistan, especially as Pakistani terrorists are systematically targeting Afghanistan and India. Pakistan has some of the highest forced disappearances in the world, a phenomenon which started in Baluchistan but which has now spread across the country.

Whilst much evidence was presented, the European policy makers in the Trade Commission appear to be unwilling to review the facts presented by civil society, and instead transfer the onus for complying with obligations directly onto the Governments of third countries. However, several European Member States, and some members of the European Parliament, are now calling for an deeper investigation into the way these trade benefit programs are being implemented.

Source: newdelhitimes.com - Apr 21, 2018
Bangladesh: BGMEA critical of ‘propaganda’ against industry

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Siddiquur Rahman said on Saturday that a vested quarter continues to criticize and spread propaganda against a safe and transparent industry in the name of ‘so-called’ research.

He made the remark at a press conference held at BGMEA conference room ahead of the fifth anniversary of Rana Plaza disaster on April 24.

Mentioning the incident as a wake-up call and turning point for the industry, he said “BGMEA is working more to ensure safe, risk-free and build sustainable industry. So the whole world has recognizing our garment industry as the ‘role model’ for the safe and transparent industry.”

“Garments are now being established after fulfilling the conditions of Alliance and following the directions of BNBC.

BGMEA is now more alert in providing new membership to ensure the safety at high level though every garment gets the certificate from the government providing all necessary things. Even we have established a directive for the sub-contracting garments too,” he said.

He informed that a ‘Transitional Accord’ for six months will start their work from June 1. There will be monitoring committee with equal numbers of representatives from Brands, BGMEA and also trade Union.

Safety Monitoring Organisation (SMO) will be another platform for checking the safety after the completion of the six month period of Accord. A signing ceremony will be held very soon between BGEMA and Alliance.

“Though we are working to develop our industry relentlessly, a vested quarter is also trying to spread propaganda in name of so called research. Any type of negative campaign will affect the labourers much more than the industry,” he added.

He also added that any type of accident is unexpected, casualty is more unexpected.
Though accidents are happening across the world, huge criticism and propaganda are made during the Rana Plaza Collapse.

The vested quarters are only highlighting the negative aspect, not discussing the positive side, he alleged.

The Rana Plaza collapse in 2013 was a structural failure where a five-story commercial building named Rana Plaza, housing several RMG units, collapsed leaving 1,134 people dead and over 2,500 others injured.

Source: unb.com.bd - Apr 21, 2018
NATIONAL NEWS

Export growth may falter in Financial Year 2019; here’s why

Merchandise exports hit a three-year high in 2017-18 but slowing growth in shipments of manufacturing goods and raw materials, collateral impact of a global trade war, unfavourable base effect for roughly half the year and temporary discomfort to traders due to last month’s ban on the widely-used letters of undertakings (LoUs) pose risks to export growth in the current fiscal year.

GST refunds, unless expedited, would be an additional dampener for exporters to sail through in 2018-19 and sustain the almost double-digit growth achieved in the last fiscal. Manufacturing export growth eased to 4.1% year-on-year on a three-month moving average basis in March, against 8.3% in February, while expansion in farm exports contracted by -3.1% from 2.3% while growth in other commodities (mostly raw inputs) continued to decelerate, according to an estimate by Nomura.

Within manufacturing exports, while engineering goods performed better in March than the previous month, drugs and pharmaceuticals, electronic goods and garments moderated while gems and jewellery registered an even sharper contraction in growth compared with February. Overall, goods exports dropped 0.7% in March from 4.5% in the previous month.

Partly driven by an unfavourable base, the sequential contraction in exports in March comes at a time when the blockage of working capital due to delayed GST refunds, ban on LoUs and letters of comfort (which could hit trade temporarily with a lag) and rising oil prices have threatened to undermine India’s already fragile export competitiveness. A looming trade war between the US and China and resultant uncertainties in global trade growth just heightens the risks for Indian exports.
The World Trade Organisation (WTO) has forecast trade growth at 4.4% for 2018, down from 4.7% in 2017. Although the IMF has raised its trade growth by 50 basis points for 2018 from an earlier prediction, it has flagged risks from protectionism. “We expect the current account (CA) deficit to widen to 2% of GDP in 2018 from 1.7% in 2017 (given the domestic cyclical recovery and elevated commodity prices). The basic balance of payments is already negative, making funding vulnerable to global risk sentiment,” Nomura said.

According to Nomura, only Rs 3,000 crore of the Rs 13,000 crore of GST refunds have been cleared. Exporters continue to struggle with working capital as GST refunds remain unprocessed. “Indian trade remains vulnerable to global trade tensions, as the US is India’s largest export market, and China is its largest import partner. Finally, rising oil prices will worsen the current account (CA) balance; every USD10/bbl rise in oil prices deteriorates the CA by 0.4% of GDP,” said Nomura.

Even in services, with the high 20.3% growth in exports being overshadowed by the sharp 40.2% expansion in imports, the services surplus declined to a four-month low $5.6 billion in February 2018, according to Aditi Nayar, principal economist at ICRA.

Source: financialexpress.com- Apr 23, 2018

Endgame for garment exports?

The sector needs radical restructuring to survive

Every Indian city has one or several colourful, buzzing roadside or footpath markets. These have stalls festooned with trendy-looking clothes, often sporting surprisingly familiar global labels. India’s ‘export surplus’ markets — or, to be more accurate, ‘export reject’ markets — have been ensuring that youngsters (as well as the hard-working poor and the ever-thrifty middle class) can actually buy fashionable clothes at pocket-friendly prices.

But these markets are only a side note to the real story. India’s huge $100 billion-plus textiles and apparels industry, which employs more than 45 million people, accounts for almost 14% of exports and over a quarter of foreign exchange earnings. It is the second-largest employment sector after
agriculture. Of this, the apparel sector alone accounts for more than 12 million jobs and a chunk of the exports.

**Alarming data**

However, all that may soon become a thing of the past. Not that India’s apparel sector is going away or anything — a nation of 1.3 billion people needs a lot of clothes — but India is quickly losing its place at the top of the table of apparel-exporting nations.

Last week, some alarming confirmation of this came by way of official export data, which went by somewhat unnoticed amidst the incidents of rape and a widespread shortage of cash which sparked nightmare flashbacks of demonetisation and sent people scurrying to ATMs to hoard more cash and worsen the situation.

Apparel exports in February (the latest month for which data are available) stood at $1.44 billion, a decline of 10.25% compared to the year before. In fiscal 2017-18 (April to February), overall apparel production declined 10.4%, while garment exports fell 4%. Worse, the trend is clearly downwards. Garment exports have fallen for six months in a row now and, except for a spike in a couple of months, have been mostly negative.

There are no signs of any immediate turnaround. The sector got hit with a double whammy: demonetisation and the goods and services tax (GST). Meanwhile, the rupee has also been appreciating, gaining 6.4% against the dollar through 2017. This means that an exporter who quoted, say, ₹100 per piece last April and quotes the same rate this April is already 6% more expensive to his buyer.

And the industry simply does not have the margin to take this 6% hit and still stay competitive with countries like Bangladesh and Vietnam which are eyeing India’s already shrinking share of the pie. Apparel exports from Bangladesh crossed India’s in 2003, while Vietnam passed India in 2011.

Both nations enjoy the same advantage that India does — an abundance of cheap, skilled labour. In addition, they also enjoy favoured access through treaties to major markets like the U.S. and the European Union, while India is under intense pressure from the World Trade Organisation to phase out
subsidies and incentives given to the textiles sector as the sector has already achieved ‘export competitiveness’.

The trouble is that while India’s garments sector is large in the aggregate, it is comprised mostly of tiny units. Almost 90% of India’s garment manufacturing units are in the unregistered sector.

About 78% of the firms employ less than 50 workers and only 10% more than 500 workers. This means that individual entrepreneurs have severe limitations on the kind of capital they can invest in capacity and technology. So, most Indian garment exporters tend to compete at the bottom end of the market where competition is toughest.

Other challenges

With margins already wafer-thin, exporters also have to struggle with other challenges of doing business in India. For example, the Economic Survey 2016-17 made a strong case for focusing on the textiles and apparels sector as a job creator.

Apparels are 80 times more labour-intensive than automobiles and create 240-fold more jobs than steel, the Survey pointed out. The Chief Economic Adviser’s team also highlighted the key issues: “Logistics, labour regulations, and tax and tariff policy, and disadvantages emanating from the international trading environment compared to competitor countries.” In other words, trade treaties.

Logistics costs are also high: around $7/km by road transport, while it is just $2.5/km in China and $3/km in Sri Lanka. Add onerous tax issues and huge difficulties in even claiming one’s legitimate dues. The biggest impact of GST has been that refunds due to exporters have been stuck for months, leading to locking up of working capital.

What this needs is a holistic policy response rather than temporary band-aids and piecemeal incentives. The tax policy needs to be aligned with global trends, while the scale problem needs to be met through aggregation of individual units in large clusters, preferably with quick access to export points, thus curbing logistics costs.
Technology upgradation needs serious funding, while trade treaties need to be reviewed to ensure that India gets access for its competitive products in major markets. Above all, Indian entrepreneurs need to also focus on creating their own global brands rather than simply producing for other labels.

Source: thehindu.com - Apr 22, 2018

How to reverse the trend of jobless growth

Promoting the growth of MSMEs, skilling for an industry-ready workforce, producing periodic data on employment, promoting & tracking entrepreneurial sector are some ways that can lead to sustainable employment generation.

In a jobless growth economy, unemployment remains stubbornly high even as economy grows. This may be because a relatively large number of people may have lost their jobs or new members entering the workforce are much higher than jobs available. In India, the latter seems to be the case, thereby obstructing the benefits of growth from reaching the masses. While analysing the paradox of jobless growth, I have categorised the reasons and the possible solutions into a ten-point action plan:

*Formalise labour arrangements:* India experienced decline in jobs due to a reduction in contract workers (nearly 70,000 were retrenched in the first half of FY16, compared to 161,000 additions in the first half of FY15). Contractualisation is a universal phenomenon and the solution is to simply end the informal nature of employment. Better pay, job security, safe work environments and social security benefits will only help workers bring out their best. In fact, companies making high-specification products realise that contract labour can lead to batch rejections.

*Improve business sentiment:* Employment in export units, reeling under a shrunken global demand, has seen a sharp decline. In the automobile sector, only a handful of jobs have been added. Large manufacturers are trimming operations; Nokia shut down its handset factory in Chennai, rendering 8,000 workers jobless, and for Microsoft, the new owner of Nokia, making smartphones in China and Vietnam was cheaper.
Following on the heels of Goldman Sachs and Nomura, JP Morgan Asset Management also exited its onshore India-based mutual funds business. Cement major Lafarge is another case in point. The focus should be on kick-starting the investment cycle, incentivise job creation by giving infrastructure a push, finding a way to lower interest rates and improving ‘ease of doing business’.

* **Improve labour-absorption**: The economy is generating fewer jobs per unit of GDP—more work is being done with fewer employees due to major improvements in automation, robotics and productivity. So, more focus on labour-intensive sectors will generate employment. While sectors like financial services and e-commerce seem obvious as ones to focus upon, the significance of new economy enterprises shouldn’t be underestimated. These could be in education, hospitality, healthcare, as also green sectors such as solar and wind.

* **Policy push to speed up the five labour market transitions**: Transitioning from farm to non-farm, rural to urban, subsistence self-employment to wage employment, informal to formal, and school to work will enhance productivity norms.

* **Schemes to promote MSME growth**: Arresting the lacklustre global demand and weak exports, and diversifying the exports basket are the dire needs of the MSME sector. Enhancing the employment potential of MSMEs is critical as the sector contributes 40% to India’s manufacturing output, employing 14 crore workers.

* **Skilling for an industry-ready workforce**: Given India’s demographic dividend, it acquires special significance. With 54% of our population below 25 years of age, we are sitting on a massive workforce. Unfortunately, many of them are unemployable with their skills not matching the emerging industry requirements. While curriculum has largely remained static, its application has become dynamic.

  Major gaps in skills are in industries such as auto, building and construction, textiles and retail. Also, there is a skills shortage for jobs ranging from welders to masons and from electricians to nurses. Industries require market-driven skills to meet their business needs of higher productivity, lower costs and higher efficiencies.
It is imperative that apart from beefing up their in-house training facilities, the industry focus on tie-ups with educational/training institutes, and refurbishing curriculum, content, teaching/training methodologies.

*Manufacturing sector needs a boost: While the services sector contributes 58% to India’s GDP, the manufacturing sector’s contribution is 24%. India’s late policy resurgence towards manufacturing is the main reason why the country lags behind China. The sector’s role in triggering structural change has remained unattended while we have focused on the less employment-providing, less tradeable and less technology-oriented services sector.

India is not likely to emulate China where 34% of its labour force is involved in manufacturing. But even if we can increase this to 20%, up from the current 11%, it would account for another 100 million jobs!

*Producing periodic and reliable data on employment: Regular estimation of job numbers and related indicators has long guided policy creation in some of the other successful economies. Employment generation must be the soul of policy creation; to do that, it is imperative to know the statistics on the same periodically.

The last time India carried out a focused and comprehensive estimation of the employment situation nationwide was in 2012 through the 68th round of NSSO. Needless to say, these figures are no longer used for gauging policy exigencies in the country.

*Promoting entrepreneurial sector: Many of the jobs in the economy are created by Flipkarts, Myntras and Snapdeals of the world. Start-ups are an engine of job-creation. According to NASSCOM, 3-4 IT start-ups are born every day in India and India is the third largest start-up base; just behind the US and the UK but ahead of China and Israel, with 1,400 new start-ups in 2016, up by 8-10% from 2015. These ventures are poised to grow 2.2 times to reach 10,500 by 2020.

*Dignity of labour: It remains an exotic concept in India. Shuffling papers is seen as more dignified as compared to holding a torque wrench and rolling up of sleeves on the shop-floor. The faster this mindset changes, the better it is for India.
UNDP's Asia-Pacific Human Development Report 2016 warned India could face a critical shortage of jobs in the coming 35 years. There are two ways to look at it—as a huge wave of unemployment and demographic disaster that will leave India floundering, or as an unprecedented resource for wealth creation that will outpace much of the world if equipped with right skills.

Source: financialexpress.com- Apr 20, 2018

GST roadblocks hit India's export prospects in FY'18: PHD

Roadblocks such as delay in GST refunds and after effects of note ban hit India's export prospects in 2017-18 amid a revival in global demand mainly in key markets of the US and the EU, a report by PHD Chamber said.

India's exports grew by just 10 per cent to USD 302.8 billion against expectations of USD 325 billion in the last fiscal.

A moderate export growth of 10 per cent last financial year also led to a 45 per cent jump in trade deficit at USD 157 billion in 2017-18 against USD 108 billion, the report said.

While releasing the study on Impact of GST on Business, Industry and Exporters', PHD Chamber President Anil Khaitan said that various structural and domestic factors such as after-effects of demonetisation and teething problems of GST have significantly impacted the potential of exports growth.

Many of the exporters are still struggling for their IGST refunds and are out of exports business as their working capital has been squeezed. Crores of rupees have been stuck in the IGST refunds process, said Khaitan.

On the other hand, the trade deficit ballooned by 45 per cent to USD 157 billion in 2017-18 compared with USD 108 billion in 2016-17 on the back of tremendous rise in imports vis--vis revival of domestic demand, said Khaitan.

He noted that the trade deficit at USD 157 billion is observed at the highest in the last five years.
The domestic import demand has increased significantly vis--vis larger increase in import volume by 20 per cent during 2017-18. India's imports grew by around 20 per cent at USD 459.6 billion in 2017-18 from 384.3 billion in 2016-17.

He said that the labour intensive exports, where we hold significant competitiveness and opportunities for India, such as textiles, footwear, farm products, and gems and jewellery have been impacted significantly. He said, "We are not able to capitalise the emerging global market opportunities due to roadblocks in the IGST refunds."

He was of the view that 2017-18 can be translated as a missed opportunity for India to touch an unprecedented growth in exports, as world economy showed remarkable signs of growth and major economies like the US, the EU, Japan showed rise in their import growth.

South Korea, Indonesia and Malaysia registered robust export growth during 2017. South Korea’s exports grew by 16 per cent, Indonesia by 17 per cent and Malaysia by 15 per cent during 2017.

"Despite being the fastest moving emerging economy in the world, we are struggling to contribute to the global value chains across the world. Apart from the IGST refund issues, inadequate transport infrastructure facilities has adversely affected timely shipments and have hindered the true growth potential of Indian exports," he said.

There is an environment of despair in the exporters' community and they are in the stressed mode because of losing their competitiveness to China, South Korea, Indonesia, and other countries, he added.

"If the problem of IGST refunds is resolved properly, we look forward to a 20 per cent growth at USD 360 billion in 2018-19 on rising global demand and improving supply side scenario at domestic front," he said.

Merely announcing policy reforms would not boost the export environment, ground level assessment for the implementation of those reforms and continuous feedback looping is required, he added.

Source: business-standard.com- Apr 23, 2018
GST jigshaw: Why E-way bill is a vital piece of the puzzle

The performance of IT infrastructure is critical to assess its true accomplishment

An integral part of achieving the ‘no tax evasion’ objective of the goods & services tax (GST) has been the prescription of a requirement for e-way bill (electronic-way bill).

Akin to the pre-GST regime requirement of state permits for movement of goods into various states, the GST law has also contemplated a requirement of a document, e-way bill, for any movement of goods exceeding a consignment value of Rs 50,000.

While the requirement of a document for movement has been inherited in the GST regime, the mechanics/technicalities have been significantly reformed with modifications like uniformity in the document for movement/entry into any state, primary liability in most cases being that of the supplier vis-à-vis the earlier recipient liability, requirement for all movement of goods irrespective of supply or not, etc.

The e-way bill requirement was originally slated for February 1 this year, but owing to the heavy load/technical glitches, the portal crashed within hours of its launch. To address the same, the government deferred the launch of the e-way bill system, citing technical glitches as the reason for such rescheduling.

After well-assuring the stability of the system and adequate dry run, the government proposed a phased launch of the e-way bill system from April 1; with e-way bill being mandated only for interstate movements from April 1 and staggered launch for intrastate movements commencing with Andhra Pradesh, Gujarat, Kerala, Telangana and Uttar Pradesh from April 15.

Owing to the phased implementation and bolstering of the IT infrastructure for handling a higher load, the relaunch of the system has ensured upkeep of the government’s promise of a stabilised and centralised system for generation of e-way bills.
Also, initiatives of the government to explain the technicalities of the e-way-bill-related rules including amendments to the rules for catering business requirements, creation of a central help-desk with 100 people exclusively to deal with queries related to e-way bills and state help-desks in local language are worthwhile to applaud.

While clarity on various issues has been provided through FAQs by the government like remedies for non-configured vehicle number formats, consignment refusal by a customer, bill-from dispatch-from scenarios, movement in SKD/CKD form, etc, some issues remain unclear, entailing apprehensions of unwarranted detention and requirement of bank guarantee by businesses.

Of the various open issues, a significant area of concern has been on the mechanics of e-way bill generation in case of bill to ship to transactions—where while the goods are billed to ‘X’, the same may be shipped to either ‘Y’ or a different location of ‘X’. There is ambiguity on whether such movements would require issuing two e-way bills, i.e. by the shipping party as well as the bill to party.

Given that there is a single movement, the industry while seems to be inclined to a one e-way bill requirement, a different opinion by the revenue authorities could entail unnecessary hassles for businesses. Also, one e-way bill issuance would need to be included as a reconciliation item by the ‘bill to’ party on account of a mismatch between the e-way bill report and GSTR-1.

A clarity on the said issue with prescription of a one e-way bill requirement would annul apprehensions of businesses, and also address issues like margins of the bill to party getting disclosed to the first seller and delay in shipments on account of lead time for obtaining e-way bills from the ‘bill to’ party.

Further, while FAQs explicitly clarified the mechanics for generation of e-way bills in SKD/CKD forms, technicalities for movement of consignments of a single invoice in multiple conveyances is still awaited. A clarity on the said issue could bring about uniformity in practices and deter any unwarranted hassles by GST officers.
E-way-bill-related rules contemplate deemed acceptance of a consignment by a recipient, where he does not communicate his acceptance or rejection within 72 hours of the details being made available to him or time of delivery of goods, whichever is earlier.

While there is a provision for deemed acceptance in case of non-communication of a response, the same could become tedious where at the time of audits/inspection, businesses are required to provide a reconciliation of e-way bills generated for delivery to them and actual receipt of goods.

While the requirement of communicating a response for each consignment received by a business is in itself distressing, communicating a response before actual receipt of goods (where the delivery time is more than 72 hours) with no option of modifying the same is practically challenging.

Also, while the law provides for an option for cancelling an e-way bill generated for reasons like non-transportation or incorrect details, it is only allowed for a period of 24 hours from the generation of the e-way bill. The said provisions fail to address practical business scenarios, where a shipment may be cancelled on account of order cancellation by a customer after 24 hours of scheduled movement of goods, etc.

While such cases could be reconciled and explained to the revenue authorities, any irrational action by lower-level authorities of not accepting such reconciliation with related demand notices could entail unwarranted harassment for businesses.

While these technical issues could be resolved with appropriate clarifications being issued by the government, given the significance of pragmatism in this compliance, there is a need for upholding the letter and spirit of e-way-bill-related rules by ground-level authorities.

Actions like interception and detaining of a vehicle for more than 30 minutes, recurrent stopping of vehicles for physical verification without intelligence, unnecessary hassles to the torch-bearers of business (the logistics industry), impeding movements, and imposing penalty for difference in opinion on consignment values, especially cases where the e-way bill has not been generated for movements on delivery challan and the value is declared at less than Rs 50,000, etc, could lead to a catastrophe for businesses.
While the efforts of the government to achieve the ‘one nation, one tax’ objective through standardisation of e-way bill for the entire country is appreciable, the performance of the IT infrastructure post the full-fledged roll out of the e-way bill compliance would be critical to assess the true accomplishment of the objective.

Source: financialexpress.com - Apr 23, 2018

Miffed over fall in exports, garment exporters demand cut in lending rate

Concerned over continuous fall in the exports of readymade garments (RMG) from India, garment exporters of the city are now demanding that the central government should lower lending rates for them and bring out new incentive schemes else the fall will continue.

According to the recent data released by Directorate General of Commercial Intelligence and Statistics (DGCI&S), there has been decline of 7.60 percent in India’s export of RMG to the world in financial year 2017-18 as compared to financial year 2016-17.

As per the data, total exports of RMG from India was 1,16,554 Crores in 2016-17 which has fallen to 1,07,698.80 crores in 2017-18. Alarmed over the fall, prominent garment exporters of the city on Saturday attended a meeting organised by Apparel Exporters Promotion Council (AEPC) and discussed the next course of action.

Speaking on the issue, Harish Dua, president, Knitwear and Apparel Exporters Organisation and executive member of AEPC said” In 9 months out of last one year, huge fall has been registered in exports of RMG from India.

Various reasons are responsible for this grim situation, the biggest being non seriousness of union government for solving issues concerning garment exporters.
Its been months now since various incentives and subsidies available to us were withdrawn and reduced, but ever since no new initiatives have been taken by the government for revival of exports" Dua also added, "We once again request government and especially ministry of commerce to start new schemes to encourage exporters and also introduce incentives to support us”

According to Narinder Chugh, permanent invitee to AEPC, "This is a very critical situation especially for Ludhiana which has the highest number of garment exporters in the region.

From past one year the growth of garment exports has suffered a big blow, but this problem can be overcome even with little initiatives by government like reduction of rate of interest on bank loans for exporters to 2 percent. In addition to this solving the issue of delay in GST refunds and bringing new schemes for technology upgradation can change the entire scenario for us".

Source: timesofindia.com - Apr 22, 2018

24X7 Customs clearing fails to boost trade at Petrapole

General consignments are detained to make way for priority customers

Recently in Petrapole

“Baichung Parking” reads the sign on a gated compound near Bongaon on Jessore Road, approximately 10 km ahead of the Petrapole land border with Bangladesh. The owner must have been a fan of former Indian football captain Baichung Bhutia.

Inside the compound, nearly a dozen trucks are lined up. They are carrying export consignments to Bangladesh but detained due to heavy congestion at the entry point.

There are numerous such private parking and warehousing facilities in Bongaon and more are springing up, indicating strong demand.
Nearly seven months since the introduction of round-the-clock Customs clearance by India and Bangladesh on August 1, there is no visible improvement in cargo movement at Petrapole-Benapole (Bangladesh) border, the most preferred route for bilateral trade.

At ₹18,501 crore, Petrapole-Benapole (Bangladesh) border accounted for 35 per cent of the $7.5 billion bilateral trade in 2016-17. While the total for 2017-18 is not known yet, trade through this gate increased marginally to ₹18,798 crore.

24X7 a failure?

Land port officials say that the pace of clearance has increased lately as nearly 450 trucks are currently entering Bangladesh a day as against 300 trucks year ago. However, that is very small compared to the daily arrival of 3,500 trucks with export cargo.

Moreover, much of the incremental volume of clearances reportedly went to serve a few in the name of priority cargo, claim Kartik Chakrabarti, representing the C&F agents’ association.

Ideally, perishables are due for preference treatment at the gates. But, beginning last year, Petrapole gives preference to 40-plus sealed containerised export cargo, mostly cotton fabric. Bangladesh insits on priority clearance for its import of truck chassis, approx. 100 a day.

In all, roughly, 200 consignments are now getting priority status, leaving a small window to serve majority exporters. Naturally, congestion is a rule here. And, many starting from Bomgaon Municipality to private parking lots, are making a killing. For an average detention of 10 days on Indian side of the border, trucks pay in excess of ₹4,000 as a parking fee. Extortion fees extra.

Nexus at Benapole

The source of the entire trouble seems to be in Bangladesh which suffers from capacity constraint to clear cargo. Bangladesh has invested in passenger terminal but its cargo operations are in dismal shape vis-a-vis modern cargo handling facilities on the Indian side.
While Indian land port ensures unloading of import cargo from Bangladeshi trucks in flat 12 hours, Indian trucks carrying export cargo are detained for six days on an average in Bangladeshi land port.

According to Indian users, infrastructure inadequacy and poor warehouse management are also to blame for the longer wait for trucks in Benapole.

The clue lies in tariff structure. The Indian land port charges ₹5,000 a day penalty for occupying space beyond 24 hours. Bangladesh didn’t introduce this progressive tariff and influential Bangladeshi importers use Benapole land port as a low-cost warehousing solution.

Commodities imported from India are often stored at Bangladeshi land port for months, allegedly to be cleared depending on domestic market conditions. International trade slows due to capacity constraint.

Professor Selim Raihan, Executive Director of the Dhaka-based South Asian Network of Economic Modelling (SANEM), points out that Bangladeshi land port suffers both from infrastructure inadequacy as well as poor utilisation of the existing resources.

This slow pace of clearing cargo and the resulting congestion, however, helps rent seeking. While private warehouses and parking bays thrive on Indian side, truckers allege that they are forced to pay ₹3,000-4,000 goonda tax in Bangladesh on every trip.

“The 24X7 Customs clearing makes little sense for general traders. Making Benapole cargo-handling efficient will pace up the trade,” said an Indian source.

Source: thehindubusinessline.com - Apr 22, 2018
E-commerce think tank to hold first meet on April 24

The think tank set up by the government to deliberate on issues related to e-commerce sector and cross-border digital trade will hold its first meeting here on April 24.

Issues that would be taken up at the meeting include cross border data flow, non-discriminatory treatment of digital products, data localisation, protection and disclosure of source code, desirability of permanent moratorium on payment of customs duty on electronically transmitted goods, and online consumer protection, said a source -- who did not wish to be named.

Other matters that could be discussed include online data protection, facilitating cross-border e-commerce, and promoting paperless trading.

The think tank is led by Commerce and Industry Minister Suresh Prabhu and comprised officials from ministries of finance, home affairs, corporate affairs, and electronics and information technology.

Representatives from industry chambers including CII, exporters body FIEO, MSME, telecom companies, IT and ecommerce firms including Bharti Enterprises, Reliance Jio, TCS, Wipro, Ola and Makemytrip would take part in the meeting.

The setting up of about 70-member body assumes significance as cross-border digital trade is growing at a faster pace and developed countries want an agreement on ecommerce trade under the aegis of the World Trade Organisation. India wants resolution of important pending issues first such as finding a permanent solution for food security purposes before negotiating new matters like ecommerce trade in the WTO.

Commerce Secretary Rita Teaotia had in March made a case for framing a national ecommerce policy and a related consolidated legal framework to address the challenges of the sector. There are several issues which the sector is grappling with and that includes who owns the business-to-consumer ecommerce space and involvement of multiple agencies like departments of IT, telecom, industrial policy, revenue and the RBI.

Source: thehindubusinessline.com - Apr 22, 2018
New Industrial Policy to boost manufacturing GDP: Suresh Prabhu

Commerce and Industry Minister Suresh Prabhu on Saturday said the new Industrial Policy was in the stage of inter-Ministerial consultation and is hoped to be approved by the Cabinet very soon.

He said this will also result in new investment coming into the industrial sector and improving the contribution of manufacturing to GDP in a big way. Speaking at an award giving function in Mumbai on Saturday, Mr Prabhu said the Government is working on export promotion, administrative changes, regulatory and financial infrastructure in a big way.

He exhorted the industry to work as partners with the Government in boosting exports, thereby helping the nation grow faster. He gave away the CHEMEXCIL Export Awards and Certificates of Merit for the year 2016-’17, to 75 firms in recognition of their outstanding export performance.

The Minister said that manufacturing of chemicals has become very difficult in most developed countries, due to the stringent conditions they have imposed on manufacturing.

He said that it is time to take advantage of this situation and claim a larger share of the global market. A macro-strategy is required for this, the Minister said.

He said that Export Councils should strategise and work as think-tanks in coming up with sectoral strategies for export promotion, market access and other aspects.

The Minister said that the Government has taken a huge number of initiatives in order to promote the growth of Indian industry, and chemical industry in particular.

He said however, that the key role in penetrating new markets would have to be played by the industry itself, while Government would be there to provide required support.
Stating that India would become a $5 trillion economy in the next 7-8 years, the Minister said that the nation cannot then afford to be governed by the trade rules for a poor country. He said that the industry must think seriously about creating new market opportunities in this changing context.

He said that the Government will help the industry implement its plan for export promotion.

Assuring the industry that the Government will sort out all issues faced by the industry, Mr Prabhu said that it is important not to get bogged down in these issues and in the process lose sight out of opportunities on the horizon. Speaking on the Mid-term Review of Foreign Trade Policy, the Minister said that very many strategic initiatives have been taken by the Government.

The Minister said that the “Trust Based Self Ratification Scheme” has been introduced to allow duty-free inputs for export production under duty exemption scheme with self-declaration.

Under this scheme, instead of getting a ratification of the Norms Committee for inputs to be used in the manufacture of export products, exporters will self-certify the requirement of duty free raw materials/inputs and take an authorisation from DGFT.

Noting that GST is a very important matter, the Minister said that the Government has met with export organisations and many issues have already been addressed. He said that outstanding issues on GST will be taken to the GST Council and properly addressed.

Source: dailyexcelsior.com- Apr 21, 2018
Replanting Indian cotton

Researchers say it is time India moves on from hybrids

Pink bollworm infestation in Bt cotton in India has turned the spotlight on an important question: has hybrid cotton lived up to its promise? India was a pioneer in this technology in the 1970s; today, it is the only country that exclusively grows cotton hybrids. Yet, cotton researchers are now asking if our over-reliance on this technology is responsible for our biggest problems in Bt cotton, such as infestation and low yield.

The world’s first commercial cotton hybrid, Hybrid-4 (H-4), was developed in 1970 by the scientist Chandrakant T. Patel. The crop revolutionised cotton farming in India. Due to a genetic phenomenon called heterosis, hybrids often outyield open-pollinated (OP) varieties. So, from paltry yields of 122 kg of lint per hectare, production in India rose to 290 kg per hectare by 1992-93. The advent of hybrids also led to a mini-employment boom in the 1980s, with some 25 million people, mostly women, joining the labour-intensive hybrid industry.

But the high cost of hybrid seeds prevented farmers from adopting them in a big way until 2002. This was the year when Bt cotton changed the economics of cotton production by cutting down on the costs of pesticides for bollworms. Farmers adopted Bt cotton in great numbers, despite Monsanto restricting it to hybrids. As a result, by 2011, over 95% of cotton in India was under hybrids, from less than 50% before 2002. Bt cotton’s insecticidal traits helped raise Indian yields further.

Why productivity plateaued

Eventually, though, productivity plateaued. As of today, India’s average yield is around 500 kg of lint per hectare, about a fourth of Australia and Turkey which plant OP varieties. This is puzzling. Why has India’s productivity stagnated despite an ostensibly high-yield technology?

Too many factors have contributed to this problem, some of which are uncontrollable, like climatic conditions and the sheer area under cotton production (11 million hectares). But other factors, such as the suitability of hybrids grown, are within India’s control and it is crucial to understand them.
A big mistake that India made was in going overboard with the number of hybrids it approved after Bt cotton arrived. Until then, approval of new hybrids was a careful process: every time a seed company applied to release one, the Indian Council of Agricultural Research tested its agronomic traits in field trials for three years. This testing became less stringent after 2002, when the Genetic Engineering Approval Committee (GEAC) took over the process of Bt hybrid approval.

Concerned that hybrid approval was taking too long and costing too much for seed companies, the GEAC simplified it. It said that as long as the genetic event (such as Monsanto’s Bt event, Mon 531) had been tested in field trials, the cotton hybrid containing it required testing for only about a year.

This led to a deluge of poor-quality hybrids in India, with 1,128 hybrids being approved till 2012. Many of these inadequately tested hybrids were unsuited for the regions in which they were approved and hurt farmers and yield. “Farmers had to go through the harrowing experience of experimenting with new hybrids, only to burn their fingers in trying to identify the best,” says K.R. Kranthi, who headed Central Institute for Cotton Research (CICR) in Nagpur till 2017 and is now with the International Cotton Advisory Committee in Washington, DC.

An unsuitable hybrid

What was the problem with an inadequately tested hybrid? Sometimes the seeds were of poor quality, sometimes the hybrids didn’t express enough Bt toxin, and sometimes hybrids meant for one agro-climatic zone were approved in other zones.

For example, many hybrids that were meant for irrigated farmlands ended up in areas with no irrigation, a recipe for disaster. Hybrids are a high-cost, high-reward technology; they need the right irrigation at the right time, as well as large doses of fertilizers and pesticides.

All this is expensive and beyond the reach of poor farmers. Vijay Kumar, a researcher who headed CICR’s Cotton Research Station in Surat, cites the example of Wagad tracts in Gujarat. These are barren lands where only a few Indian OP cotton varieties can survive. “People started growing Bt hybrids there,” he laments. “It pulled down yields.”
Indian hybrids had another downside. Many were designed to be tall and bushy, unlike OP varieties which are short and straight. This meant that hybrids could not be planted in large densities — one of the contributors of high yields in Australia and Brazil. Low densities led to farmers prolonging the cotton-growing season to increase output, which in turn triggered pink bollworm attacks.

Apart from being bushy, some of these hybrids also had a low harvest index, meaning that the mass of their seeds and lint was low compared to the mass of the rest of the crop, like shoots and leaves. This meant that fertilizers pumped into these hybrids were diverted to leaves rather than lint. This pulled down yield even in irrigated regions like Punjab. Further, Punjab suffered repeated whitefly infestations, which Bt cotton doesn’t protect against. Tackling this needed well-timed insecticide sprays, which farmers did not always do.

**Can OP varieties save the day?**

Some cotton researchers believe that it is time to ditch hybrids and return to OP varieties, at least in rain-fed regions. Varieties are compact and can be selected for resistance against pests like whiteflies. When planted at high densities, they can rival hybrid yields, Mr. Kranthi and Mr. Kumar say.

What route India takes towards varieties depends on the patent issues surrounding Bt cotton. The Delhi High Court ruled this month that the patent on Bollgard-2, Monsanto’s second generation Bt cotton, was unenforceable. This means that India has the option to use Bollgard-2, which confers resistance against pests like the American bollworm, in OP varieties. This was impossible until now, given Monsanto’s licensing agreement with seed companies. However, Monsanto may appeal the decision in the Supreme Court.

Another, more radical, option is for India to skip Bt technologies altogether in OP varieties. Some researchers argue that Bt cotton is unnecessary, at least in some parts of the country. It was the cultivation of long-duration cotton that triggered both the pink and American bollworm infestations in these regions, creating the need for Bt cotton, they say.
In a 2015 study, Andrew Paul Gutierrez, who studies pest control at the University of California, Berkeley, modelled data from Maharashtra’s Yavatmal district to show that pink-bollworm infestations began with the advent of irrigated, long-duration cotton. Mr. Gutierrez argued that if rain-fed farmers can control pink-bollworm with short-season cultivation alone, the comparative benefits of Bt cotton wouldn’t outweigh its high costs.

Source: thehindu.com- Apr 23, 2018

Fortunes begin to swing for Sircilla weavers

*Apparel park would employ over 10,000 people, with focus on women*

Future prospects of distressed powerloom weavers of the Sircilla textile town are looking bright, if measures being taken by the State government over the past few years are anything to go by.

The town earlier attained the dubious distinction of having the highest incidence of suicides by powerloom weavers in the State. However, measures initiated by IT and Handlooms Minister K.T. Rama Rao, who also represents the Sircilla Assembly constituency, have reversed the fortunes of the weavers.

Initially, the government had sanctioned bulk orders to weave school uniforms for the Rajiv Vidya Mission (RVM). Later, the weavers were also employed to provide sarees that were distributed on the occasion of Bathukamma festival.

In order to provide regular employment to weavers living in the textile town, the State government had proposed an Apparel park on the outskirts of Sircilla town. The sole objective of the park was to provide employment to over 10,000 persons, mostly women, who otherwise depended solely on rolling beedis, an industry that is in a slump.

The park would sprawl across 60 acres in Pedduru village and would be constructed at a cost of ₹110 crore in a phased manner. The Tamil Nadu firm Kay Ventures Private Limited had come forward to set up the park.
Talking to The Hindu, Assistant Director (handlooms and textiles) Ashok Rao said land had been acquired and ground levelled for the allotment of sites for entrepreneurs to set up their units. Major companies such as Arvind cotton and Jockey have already expressed interest in setting up units and start garment production in the park, he said.

The department has also decided to train women in Juki sewing machines to produce garments in the proposed park.

He said a total of around 8,000 sewing machines would be set up by various companies, producing around 3.5 million pieces of garments annually.

To empower powerloom weavers, the government is mooting setting up weaving sheds spreading over 88 acres of land in Peddur village at a cost of ₹245 crore and benefit 1,104 weavers.

The process of setting up weaving sheds, along with warping units and identification of beneficiaries, had already started, said Mr. Ashok Rao. The government would provide initial support to the units by placing orders to school uniforms and Bathukamma sarees to be woven.

Source: thehindu.com- Apr 21, 2018

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Why the State must promote crafts as vigorously as it promotes industries

India’s crafts people are unique in the world for their variety, and their skills, for the beauty of their products too. The craft practices are the second-largest employer after agriculture, some estimate that they employ as many as two hundred million people. But for far too many of those people their crafts do not provide an income, which sustains them adequately or guarantees security.

Reading recently about the chief minister of Andhra Pradesh, Chandrababu Naidu, vigorously wooing the automobile industry to establish a manufacturing hub in his state, I remembered a remark made by economist Arvind Panagariya when he was the vice-chairman of the Niti Aayog.
He wondered why so much effort was made by governments to woo industries, which were no longer labour-intensive.

He was well aware that industrial manufacturing generates jobs well beyond the factory floor and its spin-offs benefit local economies and spread wider than them.

Nevertheless the fact is that there are economic activities which would pay far richer dividends in creating sustainable employment if governments paid as much attention to encouraging them as they do to the businessman they invite to their investment jamborees.

I think in particular of what are often known as craft practices. They are the second-largest employer after agriculture, some estimate that they employ as many as 200 million people. But for far too many of those people their crafts do not provide an income which sustains them adequately or guarantees security.

India’s crafts people are unique in the world for their variety, their skills and the beauty of their products. That beauty was on display at a recent exhibition of textiles in Delhi’s Crafts Museum.

Gorgeous would be an inadequate adjective to describe the textiles, which were part of the collection of the late Martand Singh, the leading authority on Indian textiles and the techniques of Indian weavers. He had put the collection together by researching and documenting the textile skills, which were still surviving and then commissioning work from the weavers he discovered.

Between 1981 and 1991, Mapu, as he was called, initiated a series of textile collections, which led to the revival of weaving communities and a new interest in textile art. The exhibitions were called Vishwakarma, the god who is the patron of artisans. Speaking at the conclusion of this exhibition of Vishwakarma textiles Ashoke Chatterjee, former director of the National Institute of Design in Ahmedabad and former President of the Crafts Council of India, said: “Vishwakarma is now in crisis”.

The crafts industry is being buffeted by competition from manufacturing, declining demand, lack of marketing skills and resource crunches. Inevitably the blame for all these deficiencies is often put on the government.
Chatterjee did complain that the government habitually ignored the crafts industry. As an example, he pointed out that the government had not consulted the crafts community over GST. But Chatterjee also believed: “We, the crafts community, have to make a strong argument for crafts. We have to create demand and livelihood”.

Talking to weavers in a village just outside Barabanki in Uttar Pradesh, I was convinced that there was much the government could do to create demand and livelihood for crafts workers.

The weavers complained that none of the government institutions established to promote handloom textiles helped with marketing, so demand for their cloth was declining. In fact, the government was doing the opposite, apparently by providing subsidies to purchase powerlooms.

Barabanki weavers were in the hands of middle-men who would pay as little as Rs 20-25 for a gamcha. With the whole family weaving, the household’s monthly income would only be between 6-10,000 rupees.

The weaver families used to buy cotton from local farmers and spin it for themselves but the farmers have switched to cash crops and the weavers have to buy expensive mill spun cotton. The only help reaching the weavers was coming from an NGO called Digital Empowerment Foundation. They had a small resident team devising methods of marketing the weavers’ cloth digitally.

For all their disadvantages handloom weavers still produce millions of metres of cloth each year. The crafts industry as a whole has enormous potential to expand. The crafts’ community needs to create awareness of the scope and richness of Indian products to create demand. Governments have to promote crafts as vigorously as they promote manufacturing industries.

If they fail, there will be no weavers to be inspired by Mapu’s collection and India’s second largest job provider will wither and die.

Source: hindustantimes.com- Apr 21, 2018