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# IBTEX No. 251 of 2019 December 24, 2019

US 71.19| EUR 78.94 | GBP 92.14| JPY 0.65

| Cotton Market (23.12.2019) | | |
|---|---|---|
| **Spot Price - Shankar 6 ( Ex. Gin), 28.50-29 mm** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 18660 | 39000 | **69.82** |
| **Domestic Futures Price (Ex. Warehouse Rajkot), December** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 19170 | 40065 | **71.73** |
| **International Futures Price** | | |
| NY ICE USD Cents/lb (March 2020) | 67.96 | |
| ZCE Cotton: Yuan/MT ( May 2020) | 13,400 | |
| ZCE Cotton: USD Cents/lb | 86.75 | |
| **Cotlook A Index – Physical** | **76.65** | |

**Cotton Guide**- The ICE prices have touched a new high of six months. The ICE March touched a whopping 68.31 cents per pound before settling at 67.96 cents per pound. The change was seen at +38 points. The ICE May contract settled at 69.00 cents per pound with change of +38 points. This morning while we write the report the March contract is trending sideways at 67.93 cents per pound.

We are today on the first day of the Christmas week, tomorrow will be Christmas eve, therefore based on the price trends of the previous years' data we can confidently speculate that prices would not display massive jittery patterns. We can expect the prices to remain consolidated in the international market.

While speaking about speculators, they have increased their net long position for the ICE March contract. As they are speculating on the basis of technical analysis, with the ICE March well above the 200 day Moving Average.

The MCX contracts on the other hand have had its fair share of ups and downs. The MCX contracts settled positive with the MCX December contract settling at 19,170 Rs per Bale with a change of +40 Rs. The MCX January contract settled at 19,400 Rs per Bale with a change of +70 Rs. The volumes were seen at 1666 lots.

The Cotlook Index A has been updated with +75 points at 76.65 cents per pound. The Prices of Shankar 6 are at 39,000 Rs per Candy. The arrivals throughout India are seen at around 2,25,000 lint Equivalent Bales. Maharashtra, Gujarat and Telangana have the highest arrivals at 55,000 Bales each. The estimated arrivals in the Northern States were around 32,000 Bales.

On the fundamental front, the prices are for both ICE and MCX are presumed to show consolidation. On the technical front, in daily chart, ICE Cotton March price are once again testing the lower end of an upward sloping channel, after it retraced from the support of the breakout level of Double Bottom formation. However, price have sustained at the resistance of 67.90 (61.8% Fibonacci extension level). Meanwhile, price is above the daily EMA (5, 9) at 67.43, 67 with a positive crossover acting as an immediate support for the price. The momentum indicator RSI is at 61, also supports sideways to bullish bias. The immediate support would at 66.30/66.00 (38.2% Fibonacci extension level & breakout of double bottom). Thus for the day we expect price to trade in the range of 68.50-67.00 with a sideways to positive bias. In MCX Dec Cotton, we expect the price to trade within the range of 19100-19300 with a sideways bias.

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

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# INTERNATIONAL NEWS

## China vows more support for private sector to stabilise economic growth

China unveiled its latest slate of measures designed to bolster private-sector businesses as policy makers double down on efforts to support what is by far the country's largest source of jobs.

The steps announced Sunday by the State Council, China's cabinet, aim to help private firms gain better market access and equal regulatory treatment as their state-owned peers. Among actions to be taken are the further opening of key industries to non-state investors, including energy and finance, and also facilitating equity and bond sales by private-sector businesses.

Pressure on policy makers to act has mounted as American tariffs sap demand for Chinese exports and an ongoing campaign to rein in the country's shadow banking industry tightens the availability of financing. The private sector, which accounts for 9 out of every 10 new jobs created in China, has been hardiest hit thanks to what critics say is a regulatory regime that tilts business conditions in favour of state-owned companies. It's hard to understate how important private firms have become to China's economy.

They account for 50% of the country's tax revenue, 60% of gross domestic product and 80% of urban employment, according to government statistics. With economic growth at the slowest since the early 1990s, private businesses have also seen spreading bankruptcies and defaults. An outpouring about their plight prompted President Xi Jinping in late 2018 to pledge "unwavering" backing for the sector.

Since then, Beijing has rolled out a slew of supportive policies, including tax cuts and measures to encourage bank lending to non-state firms. Sunday's announcement was trumpeted by state-owned media as an escalation of that support.

Reports emphasised that the newly announced steps were released as a unified central-government document, the first that Beijing has ever published specifically focused on the private sector.

Directing more support to private firms could also help Beijing address one of the main criticisms the US has levied against China in their trade spat – that subsidies to state-owned companies have created unfair advantages.

The phase-one trade deal expected to be signed in January doesn't tackle that issue for now, according to details released by China.

Measures outlined in Sunday's document include: Giving private-sector investors access to the electricity, telecommunications, railway, oil, natural gas sectors, including allowing them to become shareholders in telecom carriers and major stakeholders of power generation and distribution businesses Allowing private companies to enter the exploration, storage and transportation of oil and gas Supporting qualified private firms to import and export oil Improving banking services for private firms, including adopting a higher tolerance for the ratio of non-performing loans to small firms Supporting direct financing by private firms, including encouraging them to be listed on China's NASDAQ-style technology board in Shanghai, supporting bond sales and debt-to-equity swaps Encouraging private firms to take part in the restructuring of state-owned enterprises and the construction of mega-city clusters Better promote the achievements and contributions of private-sector businesses.

Source: gulf-times.com- Dec 23, 2019

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## Pakistan Plans Tax Breaks for Some Sectors in New Export Policy

Pakistan is considering offering tax breaks to various industries with export potential as it looks beyond textiles to boost outbound trade, an adviser to Prime Minister Imran Khan said.

Engineering, chemicals, technology and footwear are among 20 sectors identified for incentives, Abdul Razak Dawood, the commerce and investment adviser to the prime minister, said in an interview in Islamabad. An export policy will be announced next month, he said.

Growing exports from the current over $20 billion a year is Pakistan's plan to increase foreign exchange earnings and end a chronic boom-and-bust cycle. The South Asian nation was this year forced to turn to the International Monetary Fund for a bailout — its 13th since the late 1980s — to avoid a balance of payments crisis.

"I am in favor of limited time-bound incentives," Dawood said, indicating a three- to four-year period for tax breaks. He opposed concessions for the textile industry, saying "they have gone to the point that it is a drug."

Textiles currently account for about 60% of Pakistan's total exports. The new plan complements the central bank's aim to offer cheap credit to export-oriented industries to diversify that basket.

"If we want to go to $100 billion or $200 billion exports like Malaysia or Thailand, you ain't gonna do it on textile," said Dawood, who was previously chairman of Lahore-based Descon Engineering Ltd.

The nation's exporters also stand to gain from the central bank's move to devalue the currency by almost half, besides the government's move to remove duty on some raw materials used for exports and lower utility prices.

Pakistan's exports, particularly textiles, became competitive after the rupee's devaluation and duty cuts, Dawood said, citing a 36% jump in quantity of garments shipments. "It means that we are getting market share, we are taking somebody's market share."

Pakistan's trade deficit narrowed 33% to $9.7 billion in the five months to November, as imports dropped by 18% and exports rose 5% in the same period.

Dawood said he sees outbound shipments growing to $24.5-$25 billion this fiscal year ending June from $23 billion last year.

## China Market

Pakistan is pinning hopes on a new free-trade agreement with China to grow overseas shipments by at least $500 million annually. The agreement, which takes effect next month, will help Islamabad reduce its trade gap with Beijing from the current $12 billion, according to data compiled by Bloomberg News.

Dawood said he is seeing interest from Chinese companies that want to set up factories in Pakistan and use them as a hub for exports.

The two bordering nations have gotten close in recent years with Pakistan being a flagship market for China's Belt and Road Initiative. China planned to finance projects valued at $60 billion since 2015 and has helped end the nation's chronic energy blackouts.

For low value added engineering products "we are much cheaper than China now," Dawood said, adding that the plan for the next China international import exhibition is to have only an engineering pavilion. "We got to get out of the textiles syndrome."

Source: financialpost.com- Dec 23, 2019

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## Tax infected garment industry in Pakistan

Textile and Garments are considered the most important sector of Pakistan's economy and the largest industry with a 46% share of total manufacturing. Accounting for 67% of exports, employment for 40% of the workforce and a 10.20% share in GDP confirms the importance of this sector.

According to the Pakistan Economic Survey 2018-19 analyzed by Gallup Pakistan, in 2018-2019, Pakistan's largest export industry was the textile industry, with hosiery and readymade garments contributing 544 billion PKR/3.47 billion USD to total trade. Pakistan is considered the giant in garment industry since last decade. Pakistan is not only known for the export of garment products but also the garment business is also one of the biggest businesses in Pakistan. Garment manufacturing is a major growing sub-sector of the textile value chain. It consumes the majority of the workforce in Pakistan's textile and garments industry and has been contributing towards the high growth-rate in exports as Government data shows it is 67% contributing in export of Pakistan.

However, the garment industry is now suffering from some acute problems – in productivity, in quality, in management & marketing skills – and thus facing a serious threat of a reduced share of international markets and biggest of all is large sums of taxes implemented on garments products by

Pakistan government. Pakistan's Current Taxation system is defined by Income Tax Ordinance 2001 (for direct taxes) and Sales Tax Act 1990 (for indirect taxes) and administrated by FBR. The Sales Tax Rate in Pakistan stands at 17 percent. Pakistan provides Zero -rate of sales tax on inputs and products of five export-oriented sectors i.e. textile, leather, carpets, sports goods and surgical goods.FBR started the preparations for charging 17 percent sales tax on local supplies of manufacturers-cum-exporters of five zero-rated sectors from July 1, 2019. The board also initiated stocktaking to avert any possibility of showing clearance of all stocks at zero percent (on papers) till June 30, 2019. The FBR has issued instructions to the Large Taxpayer Units and Regional Tax Offices. The pre-budget talks between the government and industrialists on contentious issue of withdrawal of tax concessions and energy subsidies have ended, as tax authorities claim to gain some ground due to a rift between exporters and local suppliers.

Currently Garments industry is facing great decline in its growth rate. The major reasons for this decline can be the global recession, internal security concerns, the high cost of production due to increase in the energy costs, Governments Policies and High Tax rate etc. Depreciation of Pakistani rupee that significantly raised the cost of imported inputs, rise in inflation rate, and high cost of financing has also effected seriously the growth in the Garments Business. As a result neither the buyers are able to neither visit frequently Pakistan nor are the exporters able to travel abroad for effectively marketing their products. Additionally, the government should provide subsidy to the garments industry and withdraw the withholding and sales taxes. Garment industry has large amounts of taxes implemented by the government 17% sales taxes, 4% withholding tax.

A Giant of Energy crisis is another problem and the electricity bills are rising day by day. It is making difficult for the business owner to maintain their business and pay high taxes as well. And In the current economic situation of Pakistan is making even more difficult for the business owner to make ends meet. In this current situation the rates of buying and selling the garment are very high. The margin of profit for the business owner is very low. And it is making it difficult for the garments business owners to maintain their business.

The high tax rates is making it difficult for the local garments business man to hire more people and paying the remaining workforce. On the way of actuality, country is facing lot of economic, social and political problem.

People are not Dearing liberally to go through business and running their factory which has been very crucial and crunch due to not helping government intrusions in the favor of nation. This year FBR has achieved his goal nearly but may be next year people will exchange their work and move their business to other countries. May be close their factory due to high cost of productions rates. in this regard lot of skill people lose their work and growth of Pakistan will automatically lose its figure and then there will be no any kind of FBR made policy which will help to generate the growth of country at high level. at last consequently, the policy maker officers of FBR will just take a exchange from their seats will not be able to held making by ridiculous and passive policy in the favor of nation if it is not fruitful then a legal action against them should must be considered because they are on the seats to exchange the future of nation (Pakistan)

Now this is the time for Prime Minister imran khan to compromise the sale tax rate level and let the good future made on. If it's happen then lot of industries and cottage industries will grown up and the law and order situation will remain maintained. Otherwise i can see the horrible situation of Pakistan in coming next year's which is unhandled able to any existing political party of Pakistan.

Government should take notices of this kind of situation because this business can create more employments then any one can imagine. And unemployment can cause problem not only for the government but can also create serious law and order situation. Unemployment mean raise in poverty, raise in crime etc. So government should take action to make sure that the production cost is low and also take care of the export problem. Because the exports rate of Pakistan is decreasing day by day and not meeting the standards of other countries exports. We are still thinking to be the (Global Growth Generator) which is only possible to take the serious action in reduction of sale tax and withholding tax on garment industry by prime minister of Pakistan.

The writer is entrepreneur & senior economic analyst (Chairman) Federation Pakistan chamber, garment industry committee, Small & medium industrial association bund road Lahore and Pakistan columnist council Lahore Pakistan.

Source: pakobserver.net- Dec 24, 2019

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# U.S. port ratings remain strong despite trade policy changes, says Fitch

Prolonged trade tensions between the U.S. and China has created quite a bit of headline risk for U.S. ports, though Fitch Ratings' latest sector peer review shows that it has not trickled down to financial or rating performance.

Both ratings and Outlooks have largely remained intact for Fitch-rated ports, perhaps most surprisingly for those located on the West Coast.

Executive directors from all three major ocean cargo gateways in California have voiced concern to LM in recent months about the risks related to trade friction with China.

Yet, despite volume declines – which were expected seeing as West Coast ports are the most susceptible to U.S./China trade disruptions – financial and rating performance has remained quite stable.

"Landlord ports are generally not directly exposed to volume volatility, which has insulated cash flow for ports like Long Beach and Los Angeles, CA despite their tariff-related declines in volume," said Director Stacey Mawson. The lone rating revision was to Alabama State Port Authority, which Fitch downgraded earlier this year, largely reflecting its exposure to coal. The "A" category remains the most common rating level for stand-alone U.S. ports.

Additionally, prospects for rating change over the next year are highly unlikely with all Fitch-rated ports now having a Stable Outlook.

Fitch has also released its 2019 update to the interactive peer study for standalone U.S. port credits, the Fitch Analytical Comparative Tool, or FACT, concurrently with release of its recent peer review.

FACT uses an interactive interface to easily review and compare key credit metrics that underpin Fitch's analysis of U.S. ports, allowing users to select subsets of Fitch's rated ports for comparison.

The interactive FACT tool contains key financial information for Fitch-rated standalone port issuers in the U.S., graphical plotting function for annual and median performance and a radar chart that indicates key risk levels. The tool allows selection of medians by rating category as well as by market size.

Source: logisticsmgmt.com - Dec 23, 2019

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## Bangladesh should take benefit of lower price of cotton sale as old stock of yarn finishes

Bangladesh needs to take advantage of the current lower prices of the global cotton trade, as the old stock of yarn in the spinning mills comes to an end for increase in demand from the garment manufacturers.

Currently, the widely consumed 30-carded yarn has been sold between $2.72 per kilogram (kg) and $2.75 per kg compared to $2.60 per kg and $2.65 per kg, two months ago.

Recently, the prices of yarn increased to an extent because of higher demand from the garment manufacturers as they are receiving increased work orders from the western retailers and brands.

“The mills have no old stock of unsold yarn now. The old stock is finished as the garment manufacturers are purchasing the yarn from them,” said Monsoor Ahmed, Secretary to Bangladesh Textile Mills Association (BTMA), the platform of the spinners, weavers and dyers.

Although the prices of yarn are low, the old stock is no more, Ahmed said.

Bangladesh is the only country in the world, which is mainly dependent on cotton fiber whereas other major textiles and garment-producing countries have diversified their production to other manmade fiber like viscose.

Bangladesh imports more than 8 million bales of cotton in a year and the consumption of cotton by the mills has been increasing more than by 10 percent year-on-year. The consumption of cotton will continue to grow in the near future because of the high export of garments from here.

Even a one and half year ago, Bangladesh was the highest importer of cotton as the Chinese government stopped buying cotton from other countries with a view to reducing the old stock and own cotton grown by the Chinese farmers.

So, Bangladesh is again the second-largest cotton importer and consumer worldwide. Bangladesh is fully importing dependent on imported cotton as the local growers can supply less than three percent cotton.

Cotton prices varied a lot over the last few years. However, the prices of cotton fell to 66.87 cents per pound in the futures markets this week, which is good news for Bangladesh. Now, Bangladeshi cotton importers can either book a lot of cotton in the futures markets or import the cotton a lot as the prices are declining worldwide.

Even a few months cotton was traded in the futures markets between 85 cents and 90 cents per pound, but now the prices are showing a downward trend because of higher supply and higher production in the major cotton-producing countries like in the USA, Australia, India, China, Pakistan, Uzbekistan, some African countries and in central Asian countries.

If the local spinners can purchase cotton at lower prices, they can supply the yarn and fabrics at lower prices to the local garment makers.

Because the cheaper import of yarn and fabrics from China and India has been affecting the local primary textile sector. As a result, sometimes, the local spinners have to face the problem of low prices of yarn and fabrics.

Monsoor Ahmed, Secretary to Bangladesh Textile Mills Association (BTMA) As a result, the garment exporters can sell the goods to the western buyers at competitive prices and will able to face the challenges of low prices offered by the buyers during the bad time of export.

Between 2015 and 2017 Bangladesh imported 226,000 bales of cotton each year, but the quantity tripled last year to 785,000 bales (one bale equals 282 kilograms). Last year, Bangladesh imported 8.28 million bales of cotton worth $3 billion.

Globally, the production of cotton will remain more or less 120 million bales in the next year, he said.

Recently, African nations have surpassed India to become the largest source of cotton for Bangladesh as local spinners and millers look to cut down their dependence on a single source for their vital raw material.

Last year, Bangladesh, the largest importer of cotton in the world, met 37.06 percent of its requirement for the white fiber from East and West African countries.

India accounted for 26.12 percent of the total cotton imports, down from more than 60 percent two years ago, according to data from the BTMA.

Last year, 11.35 percent of the cotton came from the CIS (Commonwealth of Independent States) countries, 11.14 percent from the US, 4.65 percent from Australia and 9.65 percent from the rest of the world.

The low quality and irregular shipment of the Indian cotton are the main reason behind the falling imports from the neighboring country, said Ahmed. It is written in the letter of credit that there may be 3 to 4 percent less cotton than the amount agreed upon when the imported fiber is weighed in Bangladesh. But in many cases, it is 10 to 15 percent less.

The concentration of moisture in the Indian cotton is higher than in other countries, which makes it difficult to store in the warehouses for a long time. Ahmed also said there are so many advantages when the prices of cotton go down in the international markets.

Because the cheaper import of yarn and fabrics from China and India has been affecting the local primary textile sector. As a result, sometimes, the local spinners have to face the problem of low prices of yarn and fabrics, the BTMA official also said.

As a result, the local spinners cannot make a profit and feel discouraged in the expansion of their operations and for fresh investment in their business, he said. If the investors do not invest in the primary textile sector employment for workers will not be created a lot, Ahmed said.

Although the cotton importers can enjoy the low-price benefit, they will have to be cautious as there is a possibility of inventory and payment of high bank interest rates.

For example, if any spinner imports a huge amount of cotton and made yarn, but could not sell at profitable prices, then he will have to face the challenge of inventory. However, he will have to pay the high bank interest rate for a loan, the industry insiders said.

Source: textiletoday.com.bd- Dec 23, 2019

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## How Would the U.K. Trade After a No-Deal Brexit?

Britain's difficult departure from the European Union means that there's some chance the U.K. could lose frictionless, duty-free access to the world's largest trading bloc. If the high-stakes talks to forge a new trade relationship should fail, the two sides would immediately revert to commercial rules negotiated in 1995 by members of the World Trade Organization. That means new tariffs on British exports to the EU and traffic-snarling customs controls at ferry terminals. It's been compared to "downshifting a car at full speed from fifth gear to first."

1. Why WTO rules?

If Britain and the EU let a transition agreement expire on Dec. 31, 2020 without another pact in place, trade in both directions will be subject to WTO terms. The Geneva-based body oversees a set of baseline tariffs for global trade in goods and services. All 164 member states agree to deal with each other equally, according to a principle known as most-favored-nation treatment. There's been a raging debate among U.K. lawmakers about whether this would decimate British industry and destroy jobs, or provide an opportunity for an unshackled Britain to pursue better trade terms with other nations.

2. How would Britain export to the EU?

Trade in goods and services between the U.K. and the 27 remaining countries of the EU would no longer be free of tariffs and customs paperwork. Instead, British exports would be subject to the WTO-negotiated tariffs -- which act like a tax on goods -- that the EU now places on third parties. The bloc currently accounts for 48% of U.K. goods exports, and the shift could bring costs, controls and red tape that haven't existed for decades. The EU's average tariff rate is 3%, but tariffs would be much higher for certain products. Here are some examples:

• Food: The EU's average most-favored-nation tariff rates are 11.1% for agricultural goods, 15.7% for animal products and 35.4% for dairy.

• Automobiles: British carmakers would face a 10% tariff on all auto exports to the EU. Those levies could exceed 5.7 billion euros ($6.3 billion) per year and increase the average price of a British car sold in the EU by 3,000 euros per vehicle.

3. What would happen to imports from the EU?

Prices would increase for certain European imports, including food, cars and textiles. The U.K. government has sought to avoid sudden price hikes and proposed a temporary 12-month plan to cut tariffs on 87% of goods imports from the EU. Still, some European goods would face U.K. quotas and tariffs to protect sensitive British industries from foreign competition. According to the details of the temporary regime, U.K. tariff rates on EU imports of certain goods would increase from zero. They include:

• Cars: A 10% tariff.
• Clothes and linen: A 12% tariff.
• Tableware and kitchenware: A 12% tariff.
• Britain would also impose tariffs and import quotas on beef, lamb, fish, poultry and swine.

4. Could Britain benefit from the EU's other trade deals?

The U.K. may lose continuity of trade relations with many of the 71 nations that have forged preferential trade agreements with the EU -- including Canada, Japan and Turkey. Britain is in talks to roll over its participation in those agreements. So far, the government has secured continuity agreements with more than a dozen countries, including Israel, South Korea and Switzerland. WTO tariffs would likely apply to British goods and services exported to nations where the U.K. fails to roll over EU agreements. For example:

• Japan may introduce a 12% tariff on British tea and a 19% levy on malt.

• Canada may impose a 6.1% tariff on British cars and a 25% charge on dredging vessels.

5. Can Britain strike new trade deals?

Yes. Britain is aiming to independently forge new trade deals with non-EU nations. U.S. President Donald Trump has talked up the prospects for a "very big trade deal" between the two nations. U.S. Trade Representative Robert Lighthizer has unveiled plans to negotiate an "ambitious" U.S.-U.K. free trade agreement.

6. What will happen at the U.K.-EU border if there's no trade deal?

That's not clear. However, tortured talks between Britain and the EU throughout 2019 over the terms of the U.K.'s legal exit from the bloc provided a taste of what an acrimonious split might look like. If the U.K. had left the EU without any sort of agreement in place -- a much-feared scenario known as a "no deal" Brexit -- the British government said it expected massive border queues and persistent delays that could endure for six months or more. France had planed to immediately implement post-Brexit border controls, and the U.K. government estimated 50% to 85% of freight truckers wouldn't have the correct paperwork to enter the EU via France. That would delay cross-border shipments by up to two and a half days and disrupt the EU and U.K.'s tightly integrated supply chains. Her Majesty's Revenue and Customs, the U.K.'s tax-collecting agency, estimated that British businesses would spend 15 billion pounds ($19 billion) extra per year on paperwork in the event of "no deal" Brexit.

7. What about the impact on U.K. services?

U.K. service industries such as finance, law and accounting could lose preferred access to the European single market, which provides freedom of establishment (the right to set up a business or work as a self-employed person) and free movement of people within the EU trading bloc. That points to more red tape and headaches for Britain's services providers, who collectively make up 79% of the U.K. economy and 45% of exports. Cross-border services companies would need to hire lawyers and accountants to help them navigate a complex constellation of European regulatory, legal and administrative hurdles. Some U.K.-based financial companies were already planning to shift some of their operations to Europe to account for the loss of their EU “passporting” rights.

8. Isn’t the WTO out of favor?

The WTO also monitors how countries implement trade accords, negotiate new trade deals and helps settle international trade disputes. The organization’s appellate body has been paralyzed in the fallout of the U.S.-China trade war, but that wouldn’t have any direct impact on the rules that would govern U.K.-EU trade.

Source: washingtonpost.com- Dec 23, 2019

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## Turkmenistan to present textile products at exhibition in Germany

Turkmenistan prepares to participate in the Heimtextil international textile exhibition, which will be held in Frankfurt am Main city of Germany from January 7 to January 10, 2020, Trend reports referring to the Turkmen government.

The textile manufacturers from more than 130 countries will attend the event.

Turkmenistan will present its achievements in the textile industry and carpet-making.

Over one million tons of cotton, which serves as a raw material base for the textile industry development in Turkmenistan, are grown annually in the country.

A significant part of Turkmenistan’s exported products are home textiles, sports and jeans wear, produced under the world-famous brands Puma, Wal-Mart, Bershka, Pool & Bear, River Island and Cosco.

It is planned to allocate more than $300 million by 2025 for the implementation of more than 30 projects in the textile industry of Turkmenistan.

As was reported in September, 18 out of 29 textile enterprises planned for transfer to private ownership, have already been privatized in Turkmenistan. The assortment of textile products in the near future will be expanded due to the establishment of the production of corduroy fabric and various types of non-woven materials like spunbond, spunleis, hollow fiber, curtains, as well as sintepon and carpet.

Source: en.trend.az- Dec 23, 2019

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## Egyptian trade minister aims to facilitate Italian companies

Egyptian Supply and Internal Trade Minister Ali El-Moselhy said his ministry's objective is to "increasingly facilitate Italian companies to enter Egypt", given that inflation in Egypt is currently at -5% and there is political willingness to support investments "not only in words but also in deeds".

El-Moselhy's comments came on the occasion of the Italian Egyptian Economic Forum (Investment in Trade) that recently concluded in Cairo.

Next year's edition will be held in Naples, organised by the Italian Confederation for Economic Development (CISE), dedicated to developing trade relations between the two countries.

"Italy is Egypt's top trade partner and exchange between the two countries concerns product sectors ranging from textiles to oil and gas," said Italian Ambassador to Egypt Giampaolo Cantini.

"The Egyptian private sector greatly appreciates Italian manufacturing, machinery, the textile sector, the entire Italian 'know-how'," Cantini said.

"And Egypt is traditionally an important hub that unites the Mediterranean with Africa," he said.
The first concrete results are already being seen, according to CISE President Giuseppe Romano.

"The Italian special economic zones are signing agreements and are in synergy with the Franco-Egyptian zones, and we would like to bring the know-how of Nola Interporto here," he said.

Source: ansamed.info- Dec 23, 2019

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## The UK fashion sector is already on trend to miss 2020 waste targets

The United Kingdom's fashion industry is not cutting waste fast enough to hit its December 2020 target of a 3.5 percent reduction, the Waste and Resources Action Plan (WRAP) admitted Thursday.

According to a progress report from the WRAP's Sustainable Clothing Action Plan 2020 (SCAP 2020) commitment, supply chain waste has dropped only by 1.4 percent against the 2012 baseline, WRAP admitted.

SCAP 2020 is a voluntary initiative by WRAP and the fashion sector to reduce carbon, water and waste across the life cycle of clothing.

Although more progress has been made on cutting water use and carbon emissions, the industry is set to miss its waste targets without urgent action.

As well as sluggish progress on supply chain waste, the amount of textile waste sent to landfill has dropped only by 4 percent since 2012, far short of the 15 percent target set under the SCAP. The data revealed waste in this category actually has increased since 2015, when it had dropped by 14 percent on 2012 levels.

Although more progress has been made on cutting water use and carbon emissions, the industry is set to miss its waste targets without urgent action.
WRAP cited population growth, rising consumption levels, lack of collection infrastructure and the length of time people kept clothes as reasons for the slow progress on waste.

U.K. consumers buy more clothes by volume than anywhere else in Europe. The rise of fast fashion means many items are only worn a handful of times before being discarded, often in landfill. Last year U.K .consumers sent 300,000 tonnes of textiles to be burned or dumped in landfill.

Peter Maddox, director of WRAP, admitted getting people to change their behavior around fashion is "challenging." "The next few years will be an interesting time for the sector," he said. "As well as the economic context and trends in fashion, we have EU exit and increased sector scrutiny that may all shape the future for U.K. fashion."

In a bid to drive behavior change, WRAP is launching a consumer awareness campaign in the new year called #DonationGeneration, aimed at increasing the 620,000 tonnes of textiles collected for reuse and recycling in 2018. It is also researching and developing a new textiles voluntary agreement, to follow on from SCAP 2020.

Yet there is positive progress in some areas, WRAP insisted. Several retailer signatories to SCAP — which represents 48 percent of the U.K. clothing retail market by sales volume — have mapped their supply chains, so transparency is improving, the report found.

As well as the economic context and trends in fashion, we have EU exit and increased sector scrutiny that may all shape the future for UK fashion.

Meanwhile, progress on water and waste was more encouraging. The target to cut water use by 15 percent has been met ahead of 2020, with a decrease of more than 18 percent achieved. Cotton sourced from Better Cotton Initiative (BCI) suppliers had been a large contributor to the improvement, WRAP said.

Businesses signed up to SCAP have cut carbon by 13.4 percent, making WRAP confident that the goal of a 15 percent drop would be met. Emissions reductions have been achieved by changing the proportion of fibers used in clothing, and increasing use of sustainable forms of cotton, it said.

Earlier this year, the government rejected calls for a 1-pence levy on every piece of clothing sold, which could have raised $46 million for a new Extended Producer Responsibility (EPR) scheme to improve textile collection and recycling services across the country. It said that textiles would be included in EPR schemes from 2025.

Source: greenbiz.com- Dec 23, 2019

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# Fayemi: Nigeria must ban aso-oke from China

Wife of the governor of Ekiti State, Bisi Fayemi, has urged the Federal Government to ban imported aso-oke fabric and revive the nation's textile industry to boost sustainable economic growth.

Fayemi made the call during the 2019 Africa Fashion Week Nigeria (AFWN) on Saturday in Lagos.

"I will not be a hypocrite to say that we should ban all fabrics because I do wear imported fabrics every now and then. But when it comes to aso-oke that I know that our women in our local communities toil at to do; and do not have the capacity to produce to scale, instead of investing in that capacity, we are acquiring a situation that others are coming to rip off our intellectual property.

"So, I join others to call for a ban on imported aso-oke from China," she said. According to her, Africa fashion is all about identity, self-love, dignity, attitude and ownership to preserve its culture, heritage and connection to the international community.

Fayemi called for more collaboration between the operators in the fashion industry, the private sector, development partners and the government toward boosting the growth of the fashion and textile industry.

Also speaking at the event, wife of Kwara State Governor, Olufolake AbdulRazaq, said that African fashion had evolved and being embraced by lots of foreigners, even in Hollywood movies.

She said Kwara State produced a lot of aso-oke and adire fabrics used for various events, adding that the state used its fashion as a tool for advocacy, empowerment and social development.

Source: shipsandports.com.ng- Dec 23, 2019

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## Iran's exports to Uzbekistan hit 152 mln USD in 8 months

Iran exported 152 million-U.S.-dollar worth of commodities to Uzbekistan during the first eight months of the current Iranian year (March 21-Nov. 21), Eghtesadonline news website reported on Monday.

The figure registered a 60 percent rise compared with last year's corresponding period, the Chairman of Trade Promotion Organization of Iran Hamid Zadboum was quoted as saying.

Stone-cutting machines, cement, propane, glass sheets, construction stones and furniture were Iran's main exports during the period under review.

Iran mainly imports cotton, yarn, potassium chloride, phosphate fertilizer and pinto beans from Uzbekistan.

Zadboum said that a barter system can help develop trade between Iran and Uzbekistan.

Source: china.org.cn- Dec 23, 2019

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## SMEs on road to recovery - SLTMA Chairman

Local textile manufacturers have appreciated the Government’s decision to suspend the recovery of SME loans.

Not only textiles but SMEs in all sectors were thankful to President Gotabaya Rajapaksa and Prime Minister Mahinda Rajapaksa taking such initiatives as SMEs were the backbone of any country, the incumbent Chairman, Sri Lanka Textile Manufacturers’ Association Nimal Perera, told Daily News Finance yesterday.

Nimal Perera, also a former Chairman of both the Ceylon National Chamber of Industries (CNCI) and that of the Joint Business Forum, that his Association, whose members were mainly SMEs, highly appreciated the Government’s decision to suspend the recovery of SME loans and taking new initiative to revive SMEs.

“This decision came at no other better time than this as the industry was operating at its peak getting ready to cater to seasonal demand. Nature of this business is such that the demand for textile was mostly seasonal and hence the requirements of funds for working capital purposes were also high to produce fabric and store it till the festival season arrives. Therefore the suspension of recovery of SME loans would benefit the local textile industry immensely, he said. In a highly developed country such as Japan, the SME representation exceeds 99%," he noted.

"Demand for textiles in Sri Lanka is in two fold. Requirement for local market need and the apparel Industry need. Local textile Industry had been set up during 50s and 60s, mainly to cater to the local market," he said.

"When the apparel industry for exports was established with the opening up of the country's economy in 1977, there was no development plan for an export oriented textile industry to support the apparel industry. This compelled the apparel sector to import their fabric requirements and a good opportunity was lost to the country. Presently there are few export oriented knitted fabric production plants operating in the country."

Once a very vibrant local textile industry, which catered to the total requirement of the country, it virtually collapsed with the sudden removal of import duty for textiles in 1997. Many industries including three large mills wound up operations while others continued with great difficulties. Total requirements of schools uniform material too were produced by local textile industrialists, " he said.

With the introduction of CESS for imports of textiles few years later, the local textile industry started the upward journey once again. Since many have invested heavily in the industry, industrialists have many a times sought Government the assistance of the Government to modernize the textile manufacturing plants. Governments in textile producing countries such as India, Pakistan provide grants for modernization of textile production plants he explained

He said: "As per the last report of Department of Census and Statistics, textile was the 4th largest industrial sector of the country having 40,711 employees in 187 establishments.

Source: dailynews.lk- Dec 23, 2019

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# NATIONAL NEWS

## Piyush Goyal meets EPC, FIEO members; Talks exports & foreign trade policy

Union Minister for Commerce & Industry & Railways, Piyush Goyal, met with all Export Promotion Councils (EPCs), Federation of Indian Export Organisation (FIEO) and Commodity Boards under the Department of Commerce, Ministry of Commerce and Industry. In a marathon five-hour meeting held on 19 December in New Delhi, Piyush Goyal reviewed and sought inputs from EPCs for the Foreign Trade Policy and got their views on steps that may be taken to boost India's exports. Pre-budget inputs from EPCs was also taken so that they may be sent to the Finance Ministry.

Thirty-seven EPCs, FIEO and three Commodity Boards of the Department of Commerce attended the meeting and took this opportunity to discuss with the Commerce & Industry Minister every issue that the Councils face while exporting merchandise and services, and also to give their feedback on the various initiatives that are being taken by the Ministry to ease lending and credit availability to exporters. The EPCs also gave their views on India's FTAs/PTAs with other countries, especially ASEAN.

The problem of exporters identified as "risky exporters" by CBIC was taken up and Piyush Goyal directed that a nodal officer be appointed in the office of Directorate General of Foreign Trade (DGFT), and urged the Councils to send a list of those identified as risky exporters to the nodal officer in DGFT so that this issue may be taken up with the Finance Ministry. Councils were directed to send this list by 31 December 2019 to Additional DGFT, Vijay Kumar.

Goyal further suggested that rationalization of EPCs must be taken up in order to avoid duplication of work and suggested that the big exporters may continue to be part of FIEO and smaller Councils may merge with bigger EPCs that deal with products of similar nature.

The Commerce & Industry Minister urged EPCs to study the non-tariff barriers (NTB) being faced by them while exporting to other countries so that a study may be done to look at these NTBs and take up this issue bilaterally with countries, especially with whom India has FTAs/PTAs.

Goyal urged exporters to make use of the NIRVIK (Niryat Rin Vikas Yojana) Scheme that will soon be approved by Cabinet so that exporters are able to access easy lending and enhanced loan availability that will cover 90% of the principle interest and will also include both pre and post shipment credit.

Director General and CEO of FIEO, Dr Ajay Sahai, suggested that the New Foreign Trade Policy should study profiles of exports as well as global import trends as India largely exports textiles, leather, handicraft, carpets, marine and agro products. While these are important for employment their share in global exports is in decline, Sahai observed.

The top 5 products in global exports, accounting for over 50%, are electrical & electronic products, petroleum goods, machinery, automobile and plastic goods. However, their share in India's exports is less than 33%. India's global share in these 5 products, put together, is about 1%. Therefore, the New FTP should facilitate the export of these products, suggested Sahai.

The issue of India's low share in high technology exports was also discussed by FIEO. High technology accounts for 6.3% of exports, whereas the same is 29% for China, 32% for South Korea, 34% for Vietnam, 39% for Singapore. Specific issues and problems being faced by certain EPCs like Telecom, Forest Produce and Shellac Export Promotion Council, Sports Goods EPC and CAPEXIL will be taken up with other line Ministries, Goyal assured, so that these issues and problems may be sorted out as soon as possible.

At the end of the meeting, it was decided by the Minister, in concurrence with all EPCs and Boards, that another meeting will be held after the Budget in February 2020 to review the tasks achieved and those still pending, that were discussed in the meeting.

Commerce Secretary and other senior officers of both Department of Commerce and Department for Promotion of Industry and Internal Trade were present at the meeting.

Source: indusdictum.com- Dec 223 2019

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# Commerce Ministry wants stricter rules on trade remedies to be implemented soon

## *Will ask Department of Revenue to notify change in 'lesser duty rule' to impose higher duties on cheaper imports*

Seeking early action on its proposal to remove the 'lesser duty rule' that would allow harsher duties against dumped and subsidised imports, the Commerce Ministry has decided to pursue the matter with the Department of Revenue.

"Early action needs to be taken on doing away with the lesser duty rule so that higher anti-dumping and countervailing duties can be imposed on cheap imports hurting domestic producers. The Commerce Ministry is taking up the matter with the Revenue Department so that the final notification is expedited," a government official told *BusinessLine*.

The lesser duty rule states that in case of imports, once dumping or subsidies are established, the penal duty imposed on the item may be less than the margin if such lesser duty would be adequate to remove the injury to the domestic industry.

"Because of the lesser duty rule at times India ends up imposing lower penal duties on dumped or subsidised imports than what the margin of dumping and the subsidies call for. This leads to our domestic industry getting lower protection than what it is acceptable globally. The amendment proposed by the Commerce Ministry is aimed to change this," the official said.

In September, the Commerce Ministry approved amendments in the rules of trade remedies such as anti-dumping, countervailing or anti-subsidy and safeguard to do away with the lesser duty rule. There is no problem with the proposed move at the multilateral level as the lesser duty rule is not mandatory under the World Trade Organization provisions.

A large number of WTO members, including the EU, do not use the lesser duty rule and impose anti-dumping and countervailing duty to the full extent of dumping and subsidy margins.

### Domestic producers

"The Commerce Ministry wants to convince the Revenue Department that there is a need for early notification of the amended rules as India's domestic producers are taking a hit due to cheap imports in a large number of sectors ranging from steel and chemicals to solar cells and panels," the official said.

### Anti-dumping duties

India has imposed anti-dumping duties on about 100 items imported from China as the neighbouring country, which runs a trade surplus of over $60 billion annually with India, is the largest source of cheap imports.

Anti-dumping and countervailing duties are also a source of revenue for the government. The Centre raised ₹765.37 crore through anti-dumping duties in the first eight months of the fiscal year, as per government figures. In 2018-19, it raised ₹1,307.35 crore through such duties.

Source: thehindubusinessline.com- Dec 23, 2019

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## Garment manufacturers ask Centre to frame new textile policy

Garment Manufacturers from Solapur, a leading garment and uniform manufacturing hub, have asked the Union government to frame a new textile policy that will help in building India as garment sourcing hub for the whole world.

"The new textile policy must promote entrepreneurship in garment manufacturing sector. For this new units should be provided with loans of up to ₹2 crore with interest-free provision for the first three years and subsequent three years with a subsidised interest rate of 4% per annum. This will make the new units competitive," the association has said in a memorandum to the Union government.

It was handed over to Ajit Chavan, Additional Commissioner, Textiles Ministry, Government of India.

“To encourage employment of unskilled labour in garment industry an “on job training incentive scheme” must be introduced wherein an incentive of ₹3,500 per labour per month is provided for a period of initial six months,” the memorandum said.

It added provision should be made for a single window clearance system for setting up garment/ textile units and a single nodal officer must make sure that all the licenses and permission are be given within 15 days from the date of application.

“Government grants should be provided to garment manufacturers’ associations that are working for the development of the garment industry promoting garments in the international markets. Past track record should be the consideration while providing the support,” the memorandum said.
It said Solapur must be declared as India’s Uniform Manufacturing Zone which would make Solapur as one of the world’s first cities to have unique uniform sourcing hub.

“This will help government earn foreign exchange in the form of exports and also ensure employment opportunities for millions of local people,” it added.
Currently, Solapur supplies uniforms worth ₹1,200 crore from over 1,000 manufacturing units in the city, employing over 60,000 skilled workers. With plans to scale up the business across the State, the association expects that uniform manufacturing would grow to a ₹25,000 crore business by 2024.

“Solapur is set to become a major textiles hub for providing uniforms for the armed forces and police personnel in the country,” said Subhash Deshmukh. former Minister, Textiles, Maharashtra.

“Our move is to give an equal opportunity to all stakeholders from the textiles industry to become a part of the growth story. All types of uniforms – be it school, industrial, hospital, work wear or hotel staff wear – will be available under one roof” said Nilesh Shah, director, Solapur Garment Manufacturers Association (SGMA)

Source: thehindu.com- Dec 23, 2019

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# In a big relief to exporters, SBI withdraws e-BRC charges

In what can be termed as a major relief to exporters, the State Bank of India (SBI) has decided to withdraw charges levied on the issuance of Bank Realisation Certificate (e-BRC) for the export of shipments.

Banks charge Rs 1000 as e-BRC fee for every shipment exported from the country. SBI decision to withdraw e-BRC charges came after the intervention of Commerce and Industry Minister Piyush Goyal.

A source from Commerce and Industry Ministry told ANI that," SBI has informed that e-BRC charge has been reduced to nil for all Export Credit Customer. SBI has further agreed to reverse the charges if wrongly levied by its field formation." The issue of high banking charges for the issuance of e-BRC was raised by exporters in the meeting chaired by the Commerce and Industry Minister Piyush Goyal on December 19. The exporters said that SBI has raised the charge for issuance of the same to Rs 1000. Thereafter, Commerce and Industry Minister instantly took up the matter with SBI asking them to review the charge as such charges raise the transaction cost of exports making them less competitive.

Talking to ANI Dr Ajay Sahai, DG and CEO Federation of Indian Exports Organisation (FIEO) termed it a big relief for exporters. "SBI has already done it. Taking lead from SBI now we will request other banks to follow it. There are around 1.5 lakh total active exporters and 25 per cent exporters are a client of SBI, so 40,000 exporters will directly benefit by the decision of SBI," said Sahai.

"This decision has set a trend and we will request other banks to withdraw this charge and reverse the fees paid so far by exporters. e BRC fee was charged by the banks since July 2019. Commerce and Industry Minister has played a very big role for withdrawal of this charge," he added. Around 40 representatives from the Federation of Indian Export Organization (FIEO) and Export Promotion Councils met with Commerce and Industry Minister on December 19 and raised their voice against e-BRC charged by Bank. Following which, Minister Piyush Goyal spoke to SBI Chairman Rajnish Kumar and on the very next day, SBI decided to withdraw and reverse the charges collected so far.

e-BRC was charged on every shipment of exporters. On an average if a exporter is exporting 50 shipment in a year then he has to pay Rs 50,000 for his shipments. FIEO DG Sahai also said that such a timely intervention by Minister will not only exude confidence among exporters that we can approach the Government for immediate redressal but will also motivate the community to focus on long term target of contributing towards US$ 5 trillion economy.

Source: Times of India,- Dec 22, 2019

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## Govt to defer new exports scheme

***The decision to defer the RoDTEP roll-out comes at a time when the WTO's appellate body remains paralysed.***

The government has decided to defer the introduction of a Rs 50,000-crore exports programme — which was supposed to replace its flagship, but WTO-incompatible, Merchandise Exports From India Scheme (MEIS) — to the next fiscal from the proposed date of January 1, 2020, official and trade sources told FE.

Commerce minister Piyush Goyal is learnt to have acceded to exporters' request to grant them more time to prepare for a transition from the MEIS to the new scheme called Remission of Duties and Taxes on Export Product (RoDTEP), given the operational challenges. Also, the next foreign trade policy, which will contain broad contours of the RoDTEP, will only be rolled out from April 2020, as the current one is in effect up to March.

The new scheme is supposed to reimburse all taxes and duties paid on inputs consumed in exports in sync with the WTO norms. Since potential revenue forgone in the current MEIS is around Rs 40,000 crore a year, RoDTEP is expected to cost the government an additional Rs 10,000 crore annually.

The decision to defer the RoDTEP roll-out comes at a time when the WTO's appellate body remains paralysed. So India is spared the trouble of having to fast restructure some of its contentious trade schemes, as its November 19 appeal against a ruling of the WTO's Disputes Settlement Body (DSB) in favour of the US against New Delhi's export "subsidies" is still pending. The fate of all such appeals remains uncertain, as the US has refused to relent on its move to block the appointment of appellate members. According to the WTO rules, unless appeals are heard and settled, the findings of the DSB won't be binding on the losing party.

Welcoming the latest plan to defer the roll-out of RoDTEP, Engineering Export Promotion Council vice-chairman Arun Garodia said the MEIS would remain in force till March 31, 2020, due to "operational difficulties being faced by exporters for the switchover".

The roll-out of RoDTEP from January 2020 was one of a raft of measures — including easier priority-sector lending norms for exports, greater insurance cover under ECGC lower premium for MSMEs to avail of such cover — announced by the government in September to help reverse a slide in exports.

Though the goods and services tax (GST) regime has subsumed a plethora of levies, some still exist (petroleum and electricity are still outside the GST ambit, while other levies like mandi tax, stamp duty, embedded central GST and compensation cess etc remain unrebated).

The MEIS, exporters have persistently complained, doesn't offset all the taxes, so the new scheme will be beneficial to them when it's implemented.

The proposed transition to the new scheme came after the US dragged India to the WTO, claiming that New Delhi had offered illegal export subsidies and "thousands of Indian companies are receiving benefits totalling over $7 billion annually from these programmes".

However, Indian officials have rejected such claims and repeatedly stated that the entire allocation or potential revenue forgone on account of various such schemes (including MEIS) doesn't qualify as export subsidies, as in most cases, they are meant to only soften the blow of imposts that exporters have been forced to bear due to a complicated tax structure. Exports are supposed to be zero-rated, in sync with the best global practices, they have argued.

Source: Financial Express - Dec 24, 2019

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# 'New registrations by taxpayers being verified by GST council'

The GST Council is verifying the 66.79 lakh new registrations by taxpayers, which could be fake or pertain to shell companies, Bihar Deputy Chief Minister Sushil Kumar Modi, who is also the convenor of Group of Ministers (GoM) on integrated GST, said on Monday. "The new taxpayers, who are 66.7 lakh in number, hardly pay 15% of tax. So, whatever taxes we are getting from them is only 15% of taxes, which is about Rs 10,000 crore. Hence, we are strictly monintoring the new taxpayers to ensure they are not fake," he told reporters after the his meeting with the GoM. Modi said the number of active taxpayers has gone up to 1.21 crore since the launch of the goods and services tax (GST), of which 66.79 lakh are new registrations. According to him, many states have started physically verifying these companies by visiting the premises, geo- tagging the location and uploading the photographs on the system from mobile phones. The GST Council has also introduced 3B, a simple return, which has to be filed every month, said the Bihar deputy chief minister. "We have decided in one of our GST council meetings that if the firms don't file 3B returns for two consecutive months, their e-way bill will be blocked," said Modi.

He said that till date, about 3.47 lakh dealers' e- way bill has been blocked by the system and as soon as the 3B return is filed, the system would automatically open and the e-bill is generated. Another decision taken in the meeting was the late fee of Rs 100 per day under the GSTR-1 or the outward supply has been waived, he said. "It is a one-time opportunity for those have not filed their GST return-1. We have waived the late fee of Rs 100 per day. Those who don't file the GSTR-1 for two consecutive terms, their e-way bill will also be blocked," he said. Conceding that there was huge backlog of refund of GST pending with the authorities, Modi said Rs 25,170 crore worth online refund was pending pertaining to 77,038 applications.

Of these, Rs 2,503 crore pertaining 5,912 applications were disbursed, and online refund has picked up speed, he said. Explaining the reason behind poor disbursement of refund, Modi said many states were not acknowledging the online applications. "States are delaying in acknowledging those online applications. And if sometimes they acknowledge, they have to issue deficiency memo which are not being issued. We have gone into the details, and asked the states to expedite all these refunds. Now, the system has become very simple," he said. The Bihar deputy chief minister said a new return system would be launched from Apri 1, 2020, which would have a few fields. "The new return system is very simple with very few fields. It will be user-friendly," Modi said. To a question on GST collection plummeting, Modi said there was a cyclic slowdown in the economy, which would soon be back on track. He rejected the charge that states were not paid their share of GST saying that all the dues are getting cleared.

Source: Economic Times– Dec 23, 2019

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## WTO Appellate body going into slumber is a serious setback

The World Trade Organisation's Appellate Body (AB)—which is part of the WTO's dispute settlement mechanism—went into hibernation. This mechanism, which was created to settle trade-related legal spats amongst the 164 WTO member countries, is made of two levels. The first level constitutes of WTO panels—these are ad hoc bodies in charge of adjudicating disputes between WTO members in the first instance. The second level constitutes of an appellate mechanism or the AB, which is a permanent body, comprising of seven individuals appointed for four-year terms. The AB hears appeals from reports issued by WTO panels. Three out of seven AB members serve on any one case. AB rulings are binding on the countries that are parties to the dispute. If a country fails to comply with an AB ruling, the winning country can take countermeasures against the disobedient country as per WTO rules. Therefore, the WTO's dispute settlement mechanism brings certainty and predictability to the rules-based multilateral trading order by holding countries accountable for not keeping their end of reciprocal bargains, and by sanctioning and capping countermeasures in case of non-compliance.

### US's obduracy

The AB has gone into hibernation because the numbers of AB members kept dwindling, coming down to just one on December 11, due to the US blocking fresh appointments. The US believes that the AB has gone beyond its mandate. Its major complaint with the AB is that the latter, in a series of rulings, has overturned the US practice of 'zeroing'—a controversial methodology for calculating anti-dumping duties on foreign products. The US has also expressed other concerns such as the AB's treatment of Chinese state-owned companies, violations of statutory timelines as the AB often takes more time than stipulated to decide on a case, and AB rulings having precedential value.

In the late 1990s and the early 2000s, the critics of economic globalisation used to single out the US for creating international economic institutions like the WTO, which were, at the time, seen as part of the global imperialist state pushing neoliberal capitalism to the detriment of the Third World. In fact, the WTO's dispute settlement system was specifically criticised for creating coercive enforcement machinery pressurising the Third World countries to liberalise their markets. Interestingly, today, the US has turned out to be the biggest critic of the AB, while the Third World states like India are campaigning for its protection.

The AB has actually become a victim of its own success. In less than 25 years of existence, it has produced close to 156 rulings involving myriad of issues like taxes on alcoholic beverages, subsidies given for civilian aircraft production, importation of solar cells, anti-dumping duties on shrimps, packaging regulations for cigarettes, regulation of gambling services, measures affecting imports of beef, etc. The AB, upholding international rule of law, on several occasions, has passed judgments against powerful developed countries like the US. Both in terms of sheer volume of cases and the wealth of jurisprudence produced, the AB has outperformed most international courts and international tribunals.

## Adverse implications

The AB going into slumber is a serious setback for the rules-based multilateral trading order. The most immediate implication would be that if any WTO panel report were appealed, it would go into a 'void', as the AB doesn't have the minimum number of members required to hear the case. This would allow a country to block the adoption of the report if it loses a trade dispute, and thus not comply with the WTO panel decision. India, recently, has appealed against a WTO panel ruling, which pronounced India's certain provisions of the domestic export incentive initiatives as WTO-inconsistent. Therefore, India can continue with these measures despite their inconsistency with WTO rules. Likewise, the US has appealed against a WTO panel ruling in favour of India in the renewable energy sector, thus allowing it to continue with the WTO-inconsistent measures.

The role of the WTO's dispute settlement mechanism including the AB is premised on the assumption that a country unilaterally determining treaty violation by another country may be wrong. Any such unilateral determination may lead to countries overreacting in suspending reciprocal concessions that form part of WTO agreements. This, in turn, will trigger greater retaliation from the other side, leading to trade wars and ushering in instability in the global economy. As the noted international lawyer Joost Pauwelyn believes, given the eventual uselessness of purely unilateral enforcement, hopefully the US will also accept third-party adjudication in some form. However, it is important for WTO member countries to carry out required reforms ensuring that the AB follows the strict timelines given in WTO rules to decide on appeals. Finally, all nations, especially the US, should remember that the liberal rules-based global economic order built so arduously post the Second World War should not be sacrificed at the altar of domestic and competitive populism.

Source: financialexpress.com– Dec 24, 2019

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