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IBTEX No. 40 of 2018 February 26, 2018

USD 64.64 | EUR 79.66 | GBP 90.61 | JPY 0.61

Cotton Market (23-02-2018)		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18907	39550	**77.56**
Domestic Futures Price (Ex. Gin), February		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20010	41856	**82.08**
International Futures Price		
NY ICE USD Cents/lb (March 2018)	80.54	
ZCE Cotton: Yuan/MT (Jan 2018)	15,050	
ZCE Cotton: USD Cents/lb	**90.68**	
Cotlook A Index – Physical	**88.70**	

Cotton guide: Profit booking was witnessed after the surge in the last two trading session for ICE May Cotton futures. The front month ICE May contract posted a close at 79.47 cents per pound; down by 92 points from previous close. Yesterday movement was just a profit taking after the sharp surge in futures witnessed lately.

Since last Friday the cotton price had advanced over 400 points highest gain in last few months. The major reason as cited in our previous report is huge short squeeze in the front month contract ahead of its 1st notice period and general rebounding in the price.

Further mills still have unfixed positions to cover and the speculators have started to add fresh long positions after the recent decline in both March and May contract from around 84.50+ to 75 cents respectively are supporting cotton price to trade on a stronger note.

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Also on the technical front market has breached 80 cents indicating the momentum may continue to remain on the positive side and possibly move towards 82 cents with the immediate support of 79 cents.

Interestingly the December 2018 contract has posted a positive close at 76.40 cents. We believe as long as next year crop trades comfortably above 75 cents the market scenario is considered to be healthy and possibly market may remain on a positive trajectory unless clarity fetched for next year's supply number.

Coming onto trading front the volumes were more or less stable around 50K contracts marginally lower from previous day's figure while the open interest gained by 1K in last trading session. Overall open interest held around 253K contracts.

Coming onto domestic market the spot price for S6 variety which was at Rs. 39700 per candy has moved up by 300 points from Wednesday's close. We believe general mills buying at lower levels and international market moving higher may have supported cotton price to trade strong in the domestic market to manage the parity.

Therefore; the futures price in India for February to April have advanced. For reference February which is due to expire this month end has advanced to closed at Rs. 20030 per bale while March and May ended at Rs. 20330 and Rs. 20590 respectively.

For the day we expect cotton price to trade sideways to positive and the trading range would be Rs. 20150 to Rs. 20400 per bale for the MCX Mar futures.

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

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INTERNATIONAL NEWS

Britain Heads for Canada Plus Plus Plus Agreement with the EU: What Does it Mean?

Signs are mounting that the preferred future relationship the UK will seek with the European Union is a so-called Canada Plus Plus deal.

What is Canada Plus Plus Plus though?

According to reports, the UK cabinet have endorsed a proposal dubbed "Canada plus plus plus" by David Davis at meeting held at Chequers on Thursday, February 22.

Owing to the UK and EU both deploying a series of red lines in Brexit negotiations, the path forward is becoming clear for the British.

"This only leaves a Canada-style free trade agreement in which the partner countries still have self-determination over their own external tariffs. Although the UK wants sovereignty over its external borders, a free trade agreement alone would not suffice," says Peter Dixon, an economist with Commerzbank.

"Trade would probably no longer be quite so free. We expect a 'Canada plus' agreement that would guarantee tariff-free trade in goods – although agricultural products would probably be excluded. In addition, services are likely to enjoy some degree of tariff-free access, although we do not expect financial services to be included," says Dixon.

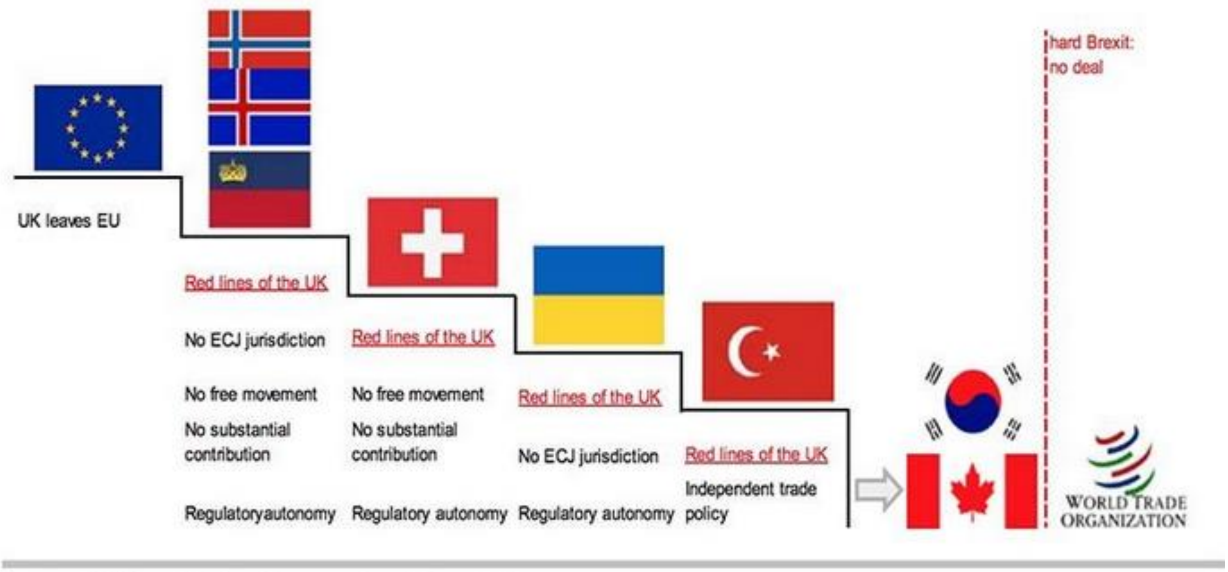
The UK government has long been divided over the type of Brexit it wants to pursue thanks to long-held divisions on Europe held within the ruling Conservative party.

The divisions have in turn resulted in a muddled approach to negotiations with Europeans saying they simply don't know what the British want from Brexit.

The Government has acknowledged the time to put this uncertainty to bed has come and Theresa May took the step of locking her senior ministers in the Prime Minister's Chequers country retreat to thrash out a unified position.

Britain's red lines have long been clear:

1. Freedom from the European Court of Justice.
2. No more EU budget contributions.
3. Immigration controls.
4. The UK reclaims regulatory autonomy for its own economy and wants to regain control over trade agreements.



Source: EU Commission, Commerzbank Research

"So long as these red lines persist, a number of the models that were previously discussed for the shape of future relations between the EU and the UK become obsolete," says Dixon. "Even relations such as those between the EU and Ukraine or Turkey would not be possible so long as these red lines persist."

Ukraine enjoys access to the EU's single market and in return Ukraine aligns its laws in relevant areas with EU legislation.

Turkey is in a customs union with the EU in which goods are traded duty-free but because of the common external tariffs for third countries, Turkey cannot autonomously determine its external tariffs.

"This only leaves a Canada-style free trade agreement in which the partner countries still have self-determination over their own external tariffs. Although the UK wants sovereignty over its external borders, a free trade agreement alone would not suffice," says Dixon.

"The Brits will Pay, and so too will the Germans"

Dixon says that even if this is a form of "soft" Brexit, such an agreement would put the UK and the rest of the EU in a worse position than they currently are in today.

Indeed, a leaked report ("EU Exit Analysis - Cross Whitehall Briefing") for the British government estimates that if a comprehensive free trade agreement were to be concluded with the EU, the post-Brexit UK economy would be 5% smaller over a period of 15 years compared to the alternative of staying in the EU.
"That said, such results are usually based on the expectation of negative trade effects. In reality, many factors play a role, such as future UK economic policies," says Dixon. "The UK government could increase the competitiveness of the UK economy via growth-enhancing policies and thus dampen the negative effect."

Notably - and this is a point analysts tend to gloss over - Commerzbank say the Brexit impact on the EU will be negative as well, "due on the one hand from the additional barriers to trade".

Furthermore, the EU budget will lose the second most important net contributor in the medium-term, resulting in a loss of €10bn to €12bn per year.

Various calls have been made for the EU budget of the (smaller) Union to be adjusted - in other words, cut back.

Amid France's and Germany's efforts to strengthen the EU, Dixon believes this remains a forlorn hope.

"Germany will probably have to bear a considerable part of the British burden. This will have a noticeable effect on the EU's next five-year financial framework from 2021 onwards," says Dixon.

Source: poundsterlinglive.com- Feb 23, 2018

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The growing threat of global trade war

Aggressive moves by the Trump administration in pursuit of its economic nationalist “America First” agenda are bringing the world close to trade war—a conflict with significant military implications.

Two major initiatives by the US administration over the past month have ratcheted up global tensions, bringing the threat of retaliatory actions from the European Union and China.

In late January, the US slapped major tariffs on the imports of solar panels and washing machines directed against China and also South Korea.

This was followed by the recommendation earlier this month from commerce secretary Wilbur Ross that tariffs and other restrictive measures be introduced against the imports of steel and aluminium. The Ross recommendation was the outcome of a lengthy investigation conducted under section 232 of the 1962 Trade Expansion Act which allows restrictions on imports to be imposed by the president on the grounds of “national security”, a provision sometimes described as the “nuclear option” in trade relations.

The report said the increase in the imports of both metals in recent years “threaten to impair our national security” and Ross has sent the report to Trump with a range of options for restrictions, including a 24 percent global tariff on steel and a 7.7 percent tariff on aluminium, for action by April.

The militaristic overtones of the trade measures were underscored by Trump in his remarks to members of Congress last week when he said that while he wanted to keep prices down, steel and aluminium were needed for national defence and “if we ever have a conflict I don’t want to the buying steel [from] a country we are fighting.”

The move against solar panels and washing machines brought an immediate response from China. Bloomberg reported that within days the Chinese government was studying the impact of restricting imports of soybeans, for which China is America's biggest export market. China has also launched an anti-dumping investigation against US exports of grain sorghum.

The invocation of section 232 against steel and aluminium has brought an immediate reaction from both China and Europe. A spokesman for the Chinese government warned that if other countries followed the US move it would have "serious ramifications" for the international trading order and that if the US hurt China's interests "we will certainly take necessary measures to protect our legitimate rights."

Germany's Frankfurter Allgemeine Zeitung reported this week that European Union officials were preparing a swift response to any US measures on steel and aluminium, possibly targeting agricultural products as well as Harley-Davidson motor cycles.

While EU officials have refused to comment on the report, European Commission spokesman Margaritis Schinas has said Brussels would be "deeply concerned" by any measures hitting European businesses. "We would be taking appropriate action to defend EU industry, and we stand ready to react swiftly and appropriately in case our exports are affected by any restrictive trade measures from the United States," he told a press briefing.

While Schinas said that "we are not in a trade war," a longer-term perspective was provided by the leading German business paper Handelsblatt. It commented that historians had often compared the period leading up to World War I to the stumbling of sleepwalkers. "It is no different with trade wars. The verbal rearmament that is currently taking place between the US, Europe and China also runs the risks of escalating the conflicts over cheap steel and aluminium exports into an open trade war."

In another sign of rising global economic conflicts, the minutes of the European Central Bank meeting held on January 24-25 revealed concerns over statements by US treasury secretary Steven Mnuchin that a weak dollar was good for the American economy. In his press conference at the time, ECB president Mario Draghi criticised the remarks in unusually strong terms for going against agreements at International Monetary Fund meetings that countries would not deliberately devalue their currencies to try to gain competitive advantage.

According to the minutes, concerns were expressed in the meeting “about recent statements in the international arena about exchange rate developments and, more broadly, the overall state of international relations”. The latter reference pointed to the recognition that the system of geo-political and geo-economic relations set in place after World War II is visibly disintegrating.

While the ever-increasing threat of global trade war and the breakdown of the post-war economic order have been sparked by the actions of the Trump administration, its origins do not lie there.

Rather, they are rooted in deep-seated contradictions of the global capitalist economy that are now bursting to the surface in the form of trade war, great power rivalry and the threat of world war.

Reviewing the catastrophe of the Great Depression and its consequences, members of the Roosevelt administration correctly drew the conclusion that one of the principal factors which propelled World War II was the trade war conflicts that had engulfed the world in the 1930s.

Consequently, the US worked to establish a post-war economic order based on promoting ever-freer trade and banning trade war measures. This system, enshrined in the Bretton Woods monetary agreements of 1944 and the establishment of the General Agreement on Tariffs and Trade in 1947, rested, in the final analysis, on the economic strength of the United States.

But the very economic growth the US promoted contained a profound contradiction. The reconstruction of the global capitalist economy, and the revival of Germany and Japan in particular, undermined first the absolute and then the relative economic supremacy of US capitalism on which the international system was based.

The first cracks appeared in 1971 when the Nixon administration unilaterally scrapped the system of fixed currency relations established at Bretton Woods by removing the gold backing from the US dollar.

The near-half century since then has been characterised by ongoing financial and economic turbulence and the continuing decline in the position of the United States. Today, it is confronted not only by its old rivals—Germany and Japan against which it went to war—but by new ones, in particular China.

The global financial crisis of 2008, the most serious economic breakdown since the Great Depression of the 1930s, has intensified these trends, to which the US has responded. It now finds that the post-war economic arrangements, which it established, work against its interests and has sought to overturn them and maintain its global hegemony through increasing bellicosity both economically and militarily.

This did not begin with Trump. It formed the heart of the economic policies of the Obama administration and its attempts to establish a new economic order in Asia, centred on the US through its Trans-Pacific Partnership, specifically excluding China, and the corresponding Transatlantic Trade and Investment Partnership aimed at Europe.

These specific policies have been scrapped by the Trump administration, but the essential agenda of seeking to maintain the global dominance of the US against its rivals has continued. This drive is being intensified by the fact that since the financial crisis of 2008 the world economy has failed to recover to its previous levels under conditions where the massive growth of financial speculation over the past decade threatens to set off an even more severe financial crisis.

Markets in a vast range of commodities—from basic metals such as aluminium and steel, to agricultural goods, textiles and hi-tech goods, to name just some examples—are now characterised by so-called "over-production" and a dog-eat-dog struggle for profits.

In this, the 200th anniversary of the birth of Karl Marx, the extreme relevance of the analysis he developed, as far back as the Communist Manifesto 170 years ago, should be recalled.

Even at the beginning of industrial capitalism, he pointed to the essential meaning of its crises. "In these crises" he wrote, "there breaks out an epidemic that, in all earlier epochs would have seemed an absurdity—the epidemic of over-production" leading to a "universal war of devastation" in which the productive forces have to be destroyed because there is "too much civilisation, too much industry, too much commerce."

The bourgeois politicians, scribes, pundits and global think tanks all know from historical experience that the growth of trade war and world war, to which it is inextricably linked, is insanity. But they are powerless to prevent it because this madness springs not from the minds of politicians or the mistaken policies of this or that government but from the irresolvable contradictions of the capitalist mode of production—as Marx so clearly identified—above all, that between the global character of production and the nation-state system in which the profit system is rooted.

The only solution to these contradictions is, as Marx also made clear, the taking of political power by the international working class and the reconstruction of society on socialist foundations. The intensifying drive to trade war—with even more devastating consequences than that of the 1930s—underscores the historical urgency of this task.

Source: wsws.org- Feb 24, 2018

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A balancing act for the U.S. cotton market

As the new crop season begins to take shape, we have already reached some important milestones.

Table 1. Alternative Forecasts of 2018/19 U.S. Cotton Summary Balance Sheet.

(millions of bales)	NCC	USDA
Supply		
Beginning Stks.	5.4	6.0
Production	19.4	19.5
Imports	0.0	0.0
Total Supply	24.8	25.5
Disappearance		
Mill Use	3.4	3.4
Exports	14.3	16.0
Total Domestic Use	17.7	19.4
Ending Stks.	7.0	6.1
Ending Stks./Use	40%	31%

Sources:
http://www.cotton.org/econ/reports/annual-outlook.cfm
https://www.usda.gov/oce/forum/2018/commodities/Cotton.pdf

The National Cotton Council released itd early season snapshot of grower intentions to plant 13.1 million acres of all cotton. The NCC then projected a supply and demand balance sheet at their annual meeting, circa Feb. 10, that suggested a healthy supply could result from such levels of planting and production.

Depending on the level of U.S. exports, the U.S. balance sheet might then be at risk of a historically large level of ending stocks. Such an outcome is generally associated with weaker prices.

The USDA Agricultural Outlook Forum (Feb. 23) was another anticipated milestone, and it offered a similar outlook for U.S. cotton (Table 1, Column 3). It is useful to compare and contrast these two outlooks.

BEARISH IMPLICATION

First, they both have the same bearish implication for prices. If either is realized, I expect Dec'18 would have 10 cents to 15 cents of downside price risk. The timing of such weakness, while always uncertain, could be reasonably expected to weigh in when the production risk premium fades from this market, often following USDA's September Supply and Demand report (see below). If you consider that a reasonable possibility, what steps will you take now to deal with it?

A second aspect of the two forecasts in Table 1 is how they differ — mainly in their assumption about U.S. exports. Foreign demand for U.S. cotton will be the wild card. This list of uncertain influences includes Chinese reserve stock policy, foreign production, and economic growth. Yet, I am still struck by the fact that although the NCC and the USDA differ in their U.S. export forecast by 1.7 million bales, both outlooks still result in burdensome ending stocks.

Bullish developments will doubtless unfold over the next year, but it will take an extra dose of them to change the market conclusion from Table 1.

IMPORTANT MILESTONES

Here are some more important milestones over the next few months. In March, the USDA will survey U.S. growers for their March 31 Prospective Plantings report. In May, the USDA will revise their forecasted balance sheet of U.S. cotton, along with their first comprehensive world cotton projections for 2018/19.

Then on June 30, the USDA will release their Planted Acreage report. The market will digest about six weeks of weather and crop condition information, during which time I would not be surprised to see at least one good weather rally.

Finally, the USDA's first production estimate based on field sampling (circa Friday, Aug. 10) will begin to pull back the curtain on the supply question. The USDA report in September can be influential in either confirming or contradicting what the USDA measured in the field in August.

Source: southwestfarmpress.com- Feb 24, 2018

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Cambodia: Industrial sector grows, but still reliant on garment factories

The government released a summary of the country's industrial sector over the past five years, showing a marked increase in growth across a wide variety of indicators.

The report, released by the Ministry of Industry and Handicrafts (MIH) last week, lacks specific data but shows a generally positive trend in the number of factories in the country, the number of workers employed in the industrial sector and the variety of goods produced for both import and export.

Cambodia had a total of 1,522 registered factories in 2017, up 37 percent from five years ago when there were 1,108 factories. That growth was halted last year, as the number of factories actually decreased for the first time in five years, down slightly from the all-time high of 1,579 in 2016.

The slight drop in the total number of factories could be attributed to the government's push to diversify from garment factories and pursue more large-scale projects, according to Hort Pheng, director of the Industry Affairs Department at MIH.

"Now we've almost filled demand for garment factories, of which there are already more than a thousand," Pheng said. "Now our policy will focus on attracting investment for technical factories, as a potential industry that promotes large scale" projects and operations.

The number of garment factories grew 29 percent over five years and now stands at 1,031, about two-thirds of the total number of factories. The remaining one-third of the factories were a diverse set of manufacturing operations, including 117 food, beverage and cigarettes factories; 104 chemical rubber and plastic factories; and 44 paper processing factories.

Factories in the Kingdom generated $10.79 billion in revenue last year, up 70 percent from 2013. More than $7 billion of that total came from the export-focused garment industry, while domestic industries generated another $2.62 billion.

The steady improvement in the industrial sector reflected improvements in the government's commerce and investment policies, but Cambodia needed to further diversify its workforce and increase the skills of its workers to stay competitive, according to Nguon Meng Tech, director of the Cambodia Chamber of Commerce.

"Even if we have a good policy from the government, the industry still needs the human resources and technicians in order to serve new investment," Meng Tech said. "We have to encourage the emigrant workers to look at working in this country."

Cambodia's economy has long been reliant on the garment sector, which employed 847,419 workers last year, making up 86 percent of the 982,203 people employed in the industrial sector, according to the report.

That puts the country at risk of disruption from potential shocks in the industry or rollbacks in preferential trade agreements.

The main importer of Cambodian garments is the EU, which offers Cambodia duty-free access under the Everything But Arms (EBA) agreement, on the condition that democratic and human rights standards are met.

Reuters and the Financial Times both reported last week that the EU was considering possible sanctions against the Cambodian government over a crackdown on the political opposition, including a possible rollback of the EBA agreement.

Source: phnompenhpost.com- Feb 26, 2018

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Bangladesh: Set Tk 16,000 as minimum wage

Workers and union leaders on Saturday demanded trebling of minimum wage to Tk 16,000 for the country's 3.6 million apparel workers given the abnormal spiral in the costs of basic commodities, accommodation and healthcare.

Average monthly expenses of garment workers (in 2016, figures in taka)
Single-earner 3-member family

Food	3,176
Housing	2,406
Clothing	337
Education	963
Healthcare	289
Transport	241
Entertainment	0
Savings	0
Debt payment	289
Total	**7,701**

SOURCE: SANEM

At present, the minimum wage for garment workers is Tk 5,300.

"Although we do not fully agree with the concept of living wage, we want a big hike of the salary this time," said Nazma Akter, president of the Sommilito Garments Sramik Federation, a garment workers' rights group.

The group has already sent a letter to the minimum wage board, which was formed last month by the government, demanding Tk 16,000 as the wage.

Sima Akter and Rasheda Begum, two operators of a garment factory at Gazipur, echoed the views of Akter.

If the salary is hiked the factory owners will also raise the production targets proportionately, Sima said. "Please also keep our physical conditions in mind when you fix the minimum wage."

The trebling of wages is warranted as the prices of basic commodities have increased along with the house rent, said Sultana Begum, president of the Green Bangla Garments Workers Federation.
The garment workers have to buy rice at Tk 58 to Tk 60 a kilogram as the prices of the staple have shot up. "But our incomes did not increase."

She went on to state that the prices of basic commodities and house rent are higher than in Dhaka at Gazipur, the hub for garment factories. "We cannot save any money even after sharing a room and having less nutrient food," she added.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, suggested specifying the legal aspects of the wage and workers' rights while fixing the minimum wage as sometimes the workers cannot enjoy all benefits due to ambiguities in the labour law.

For instance, there is an apprentice grade for which the minimum wage is Tk 4,200, but the factory owners often pay the entry level workers this wage instead of the correct amount of Tk 5,300.

Every time the issue of wage hike is discussed the factory management brings up the argument that they would go out of business if the workers' salaries are raised. “Actually, this is not right -- we should find out how many factories have shuttered for salary hike. Factories may close down for other reasons.”

Ideally, the minimum wage should be close to the living wage, Moazzem said.

As per the Asia Floor Wage, the living wage for garment workers is Tk 37,661 given the conditions of 2017. The current minimum wage of Tk 5,300 is just 19 percent of the living wage, he added.

“The existing minimum wage is not enough to maintain the minimum standard of living for a worker,” said Selim Raihan, a professor of the Dhaka University's Economics department, while sharing the findings of a study at an event held at the capital's Lakeshore Hotel yesterday.

The study -- Moving towards Living Wage: What will it take? -- was conducted by the South Asian Network of Economic Modelling on garment workers in Dhaka and Gazipur. It was funded by CARE Bangladesh under its OIKKO project.

A minimum standard living comprises food, clothing, house rent, education, health, entertainment, savings and so on.

Fixing Tk 5,300 as the minimum wage for workers in 2013 was not adequate for maintaining a decent life, Raihan said. So, this time the minimum wage for garment workers should be fixed following the living wage concept.

"Prices are going up daily but not our wages. We are now buying lower quality food and grains from local shops. This is going to affect our health in the long-run but we have no choice."

Between 0.5 and 3 percent of the cost of manufacturing a clothing item goes to the worker who made it. "This means, on an €8 t-shirt, the most a worker will get paid is 24 cents," he added.

Qazi Kholiquzzaman Ahmad, chairman of the Palli Karma- Sahayak Foundation, urged the government and factory owners to introduce a rationing system for garment workers so that they can purchase the basic commodities at subsidised rates.

Four important factors -- food, accommodation, education and health of workers -- should be considered while fixing the wage, Ahmad said.

Source: thedailystar.net- Feb 26, 2018

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Cambodia: Industrial diversification key for growth, experts say

To maintain its current level of economic growth, Cambodia must climb up the regional value chain, expanding beyond garments and into more advanced, technology and skill intensive industries, economists said during a consultation meeting at the Ministry of Economy and Finance last week.

The government has an important role to play in ensuring a smooth transition, promoting the involvement of the private sector and facilitating entrepreneurship for the younger generations, attendants to the event concluded.

Senior economists from the Word Bank (WB), the Asian Development Bank (ADB) and the International Monetary Fund (IMF) convened last Monday in Phnom Penh for a consultation meeting on the future of the nation's economy with senior officials from the Ministry of Economy and Finance.

Secretary of State for the Ministry of Economy and Finance Vongsey Vissoth said that, according to official forecasts, the country's GDP growth will equal seven percent in 2018 and 2019.

The agriculture sector will grow by 1.8 percent while the industrial sector could expand by as much as 10 percent, driven by growth in the garment and construction industries.

Mr Vissoth also said that the service sector is forecast to expand by seven percent following strong performances of the wholesale, retail and tourism sectors, while domestic consumption is already on the rise after Prime Minister Hun Sen announced salary raises for civil servants.

However, he pointed out that more products and destinations are needed in the local tourism market to keep luring increasing amounts of visitors into the country.

"There are significant challenges up ahead, both internal and external," Mr Vissoth said. "They include the United States' current monetary policy, attracting investment, the lack of finance for the private sector, the slowdown of Chinese economy, and increased competition at the international level.

"Meanwhile, the cost of doing business in Cambodia is high, particularly after the recent hike of the minimum wage," he explained.

Due to the small size of its economy, the country is very sensitive to external shocks, Mr Vissoth said.

Economists from WB, IMF and ADB and Cambodian officials agreed that the country must now focus on diversifying its economy to increase its competitiveness on the world stage.

With regards to the garment sector, a key engine of economic growth, the economists said the government should adopt a longer-term view of the industry's development, drafting a strategy for the next 10 years, while encouraging more local investment.

However, they said more advanced forms of manufacturing should be targeted as they have the potential to attract larger sums of capital and could engage local enterprises. To that end, speakers called for the establishment of the SME Bank to be given priority.

In December last year, Prime Minister Hun Sen pledged to start a new bank with an initial capital of $100 million to provide financing for small and medium-sized enterprises (SMEs).

Economists at the meeting also said that governmental guidance is key to establish new engines of growth, and encouraged the authorities to create an entrepreneurship fund that will make it easier for young, aspiring entrepreneurs to turn their ideas into reality.

“Cambodia should be able to maintain its current economic growth in the next five years,” Jayant Menon, ADB’s lead economist for regional trade and cooperation, told Khmer Times.

“The challenge will be to do that in a sustainable and inclusive way,” he said.

Mr Menon said the main hurdles to move up the regional value chain are an insufficiently skilled labour force and the high cost of electricity.

Source: khmertimeskh.com - Feb 26, 2018

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Bangladesh: Export earnings from US increases

Export earnings from one of Bangladesh’s key destinations, the USA, witnessed a slight 1.66 percent growth during this first half (July-December) of the current fiscal (FY18) compared to the same period of the previous fiscal (FY17) due to the good performance of the RMG.

Bangladesh exports to USA totalled $2,902.90 million in this July-December (2017-18) compared to $2,855.48 million during the corresponding period of the previous fiscal (2016-17). The amount represents 16.20 percent of the country’s total export earnings during the period.

According to the statistics compiled by the Export Promotion Bureau (EPB), the major exports to the US market during this July-December period were woven garment ($1,882.86 million), knitwear ($717.38 million), home textiles ($69.55 million) and cap ($65.14 million).

During the period, around 26.23 percent of the country's total woven garment exports entered the US market, followed by knitwear 9.45 percent and home textile 14.20 percent.

Despite political unrest, Bangladesh's export earnings from the US in fiscal 2014-15 were impressive with $5.783 billion up from $5.583 billion in fiscal 2013-14.

Export earnings from the USA, however, witnessed a 6.01 percent fall during last fiscal (2016-17) compared to the previous fiscal year (2015-16) mostly due to the moderate performance of the RMG sector.

Bangladesh exports to USA totalled $5,846.64 million in the last fiscal (2016-17) compared to $6,220.65 million during the previous fiscal (2015-16).

The exports in fiscal 2012-13 were also impressive with $5,419.60 million. The export in 2011-12 was also laudable totalling $5,100.91 million, slightly down from $5,107.52 million in fiscal 2010-11.

The export earnings in fiscal 2009-10, however, totalled $3,950.47 million, down from $4,052.00 million in 2008-09, mostly because of the global economic recession. The 2009-10 fiscal marked the end of an ups-and-down period for Bangladesh exports to the US.

From the robust $2.5 billion during the 2000-01 fiscal, exports had fallen below $2 billion by 2003-04. Exports to the US rose steadily to cross the $3 billion mark in 2005-06, and peaked at nearly $3.6 billion during the 2007-08 fiscal.

Source: businessnews24bd.com - Feb 26, 2018

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Pakistan takes steps for organic cotton certification

Organic cotton cultivated in Pakistan, primarily in Balochistan, will be certified by global agencies from next year, it was announced in a recent meeting in Karachi organised by the World Wildlife Fund-Pakistan (WWF-P) and the Karachi Cotton Association (KCA).

WWF-P will supervise the procedure with a certified verifying body inspecting the crop's quality.

The meeting discussed efforts under way to produce certified organic cotton in the country, including issues related to seed, production, demand and developing supply chain and linkages between growers and the textile industry, according to a report in a top Pakistani newspaper.

Organic cotton is grown without chemical fertilisers or pesticides. The seeds are not genetically modified and are kept clean from chemical impurities.

WWF-P and Control Union Sri Lanka audited and inspected 500 cotton growers in Lasbela district in 2015, and a three-year organic cotton project was launched in 2016 in Lasbela, Sibi and Barkhan districts.

This type of cotton is gaining popularity among health-conscious consumers and leading brands.

Pakistan initially expects to produce around 50,000 bales of organic cotton and at present imports around 400,000 bales of organic cotton, mostly from India.

Source: fibre2fashion.com- Feb 25, 2018

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Pakistan: Falling Exports

Reversing the Decline

Our exports instead of growing have been steadily decreasing since 2013. "Why are we failing ourselves?" The answer to this question would be a first step in reversing our country's fortunes and lead to a more sustainable growth stratagem. Let's just start with what can be done to move forward leaving behind what could have been and focusing on what can be!

Lack of an appropriate enabling environment for domestic industry, inappropriate exchange rate policy and the rising debt repayment obligations have precipitated into a balance of payment crisis which most analysts term as a national security threat. It is imperative that immediate policy measures be taken to not only cover the lost ground but for Pakistan to achieve its potential economic growth and job creation.

TRADE & EXTERNAL SECTOR-INDICATORS

Commodities	**FY 16**	**FY 17**	**FY 18 Projected**
	US $ Million		
Exports	20,802	20,448	21,672
Imports	44,765	53,026	57,744
Trade Deficit-Goods	(23,963)	(32,578)	(36,072)
Trade in Services -Deficit	(2,400)	(3,573)	(4,980)
Total Deficit in Goods & Services	(26,363)	(36,151)	(41,052)
Remittances inflow	19,915	19,304	19,251
Total External Deficit	(6,448)	(16,847)	(21,801)

Sources: PBS, SBP

Since the textile sector is the biggest productive manufacturing sector of Pakistan both in size and value, if it performs, economy of Pakistan flourishes. If this sector goes down, it drags down the entire economy with it. Providing this sector with an enabling environment naturally provides a strong growth stimulus to the Pakistan's economy.

The whole process of the textile industry starts from the farmer cultivating the cotton crop. Investment in farmers and crops adds to the whole value chain and the rural chunk of population working in the fields.

Providing farmers with best quality seed, fertilizer and disseminating current information through a scheme of mobile value added services for farmers in local languages through SMS, outbound dialers and Integrated Voice Response System (IVRS) or through programs on the lines of Lady Health Worker, technical trained support staff using latest technology and analysis assisting farmers to use seeds and techniques to meet the area-specific needs for their crops is required to increase the cotton crop which has stagnated at about 12 million bales for a decade.

The fall in cotton yield in Punjab has led to a situation where competing crops have eroded the area under cotton crop cultivation. Government policies through which sugar prices are kept artificially twice that of the international market have hurt cotton the most. The huge subsidy cost is borne by the poor consumers of sugar who pay upwards of Rs60 per kilo when sugar could readily be imported at Rs30 per kilo. To add insult to injury each time the sugar surplus is exported huge subsidies are paid to the sugar mill owners.

The next step is production. To improve there a reduction in cost of doing business by reducing energy prices and bringing them at par with regional competitors (Indian Punjab has frozen their electricity tariff at Rs5 per kilowatt hour for industries for next five years). Focusing on increase in productivity through BMR, fresh investment and innovative techniques and rationalization is required for which the government has to provide an all-encompassing policy.

This can be achieved through exemption on surcharge for the export industry. Setting up wage rates in terms of “per piece rate” is known to improve labor productivity so reforming wage structure in manufacturing sector particularly garment industry that is labor intensive can help achieve high marginal productivity. Increased Duty Drawback, regressive and indirect taxation which have increased from about 14% of inputs in 2012-13 to 19% of inputs in 2017 can be one of the policy measures.

Women have remained underutilized and untrained segment of society although they form 48.76% of the population of Pakistan. Labor force participation of women has increased marginally since 2010, but only one in four women participate in the labor force. Pakistan's economy cannot reach its potential unless and until the untapped potential of women – by including them in them in the labour force – is fully utilized.

Creating employment opportunities and providing relevant skill sets to women is critical to this task. Special training and skill development programs focused on women should be initiated by textile industry and government jointly to create employment opportunities for women in garments sector that is very labor intensive. This will not only provide jobs but will also add to the economy by increasing exports and accelerating growth.

Looking at the external front, market development is one of the most neglected factors both on the part of government and as well as the industry. Pakistan has not done enough to retain and to build new export relations with foreign brands. Focused interventions to encourage foreign brands for establishing buying houses, we need to establish commercial enclaves in major cities with proper security arrangements.

During 2010–15, exporters in Pakistan succeeded in maintaining only 41.5 percent of export relationships; that is, of the 400 relationships in 2010, only 166 remained in 2015. This is in contrast to India and Vietnam, which maintained 54.7 percent and 66.4 percent of their relationships over the same time period.

Pakistan's export performance has been particularly lackluster in recent years as it has lost 1.5 percent of its export market share annually over the past decade. It is time to broaden our export basket and explore markets other than traditional markets of European Union, USA, China and UAE. US absorbs 17 percent and the European Union 22 percent of all exports. On the other hand, Cotton manufactures alone, have over the past decade accounted for approximately 55 percent of Pakistan's export basket.

Looking at the future, Africa is going to be the single largest consumer market with highest buying of textile and clothing in coming years. Africa is the second most populated region in the world with an 18% share in the world's population.

Looking at the future size of their economy and their projected buying power, it is high time to establish ourselves in their emerging markets in order to reap economic benefits in the future.

Government/ trade organizations should establish trading houses in the emerging markets to facilitate booking of export orders and disseminating information.

Free Trade Agreements (FTA's) when signed by the government of Pakistan must be prudently designed. FTA's are signed to enhance trade relations and diversify the export market and basket. Pakistan signed its FTA with China in 2006 and then in FY08.

Pakistan's trade deficit with China at that time, according to the SBP data, was $2.4 billion which has expanded to $8.9 billion in FY17. In the last five years, total exports of Pakistan to China have decreased by 69% whereas imports have increased by 63%.

Pakistan has a negative trade balance of $26.568Bn with China while we have a trade surplus with USA. Presently, our trade prospects under CPEC and current FTA status quo seem precarious.

Should the government reform its approach and implement progressive policy measures, the textile industry of Pakistan has committed to deliver increase in export volume to US $ 45Bn plus in next five years and creation of 3-4 million additional jobs through tapping unutilized potential, exploring non traditional markets and setting up industries focused on value added textile products and apparel.

Source: pakistantoday.com- Feb 25, 2018

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NATIONAL NEWS

Indo-US trade: Time to seize the initiative

The two countries need to steer away from protectionist measures for the trade relationship to bloom

In recent years, the commercial relationship between the US and India has matured significantly. Over the past decade, two-way merchandise trade has grown from $44 billion to $74 billion.

However, for a point of comparison, look for a moment at the US-China trading relationship. It's on another level, with bilateral merchandise trade topping $635 billion last year. A decade ago, US-India trade was 10 per cent the size of US-China trade. We're closing the gap: US-India trade is now 11 per cent as large.

Obviously, we should aim much higher. We're leaving money on the table, as the saying goes. We are leaving opportunities for mutually beneficial growth and job creation untapped.

Pushing the envelope

As the world's largest and oldest democracies — bound together by shared values — why have we not been able to accelerate our two-way trade? It behoves us to "put a strategic lens on the commercial relationship", to use Secretary of State Rex Tillerson's phrase.

From the business community's perspective, this demands that both the US and India steer away from protectionist measures to truly live up to the values of free and fair trade.

The US-India relationship has the opportunity of a century to reset the regional dynamics in the Indo-Pacific. And there is every reason to be positive about India's growth story. On the back of its very strong and far-reaching reform agenda, India is now witnessing enhancements in global benchmarks — whether it is in the World Bank's ease of doing business index, Moody's rating, the global innovation index, or the global competitiveness index.

In fact, the Center for Strategic and International Studies, a bipartisan policy research group that tracks India's reform agenda, calculates that nine out of 30 big-bang reforms have been completed in the three years of Prime Minister Narendra Modi's government.

At a time when foreign direct investment is lower globally, India recorded the highest inflow of FDI in 2016 at $60.1 billion. The Government has fast-tracked 200 infrastructure projects worth $140 billion, backed by technology-driven and e-governance initiatives.

Indeed, as the Economic Survey 2017-18 pointed out, India's projected economic growth is between 7 per cent and 7.5 per cent for this year and next year, inflation is down, a bankruptcy code is helping resolve stressed assets issues, and the goods and services tax (GST) has resulted in widening the indirect tax base.

In short, India has emerged as a strong geo-economic player. Global companies today cannot afford to miss the India opportunity. More than 600 US companies invest in India.

Indian companies too are a force to reckon with. There are signs of India transitioning into an innovation-led economy, with more than 20,000 startups. If the US-India story is to succeed, protectionism on either side cannot be the friction that slows this growth.

Abjure protectionism

Modi's clarion call in Davos was "India Means Business". Yet, if the recently announced budget is a case in point, there are worrying signals for the business community. Certain investor concerns are still left unaddressed and these headwinds need to be addressed. Instances such as blunt imposition of price controls, unpredictable tariffs on agriculture or electronics products, preferential market access for domestic companies, and a challenging environment that does not consistently protect intellectual property can deter further foreign investment.

Between 2016 and 2017, investment in the life sciences sector declined by almost 59 per cent from previous years. The Government's decision to continue the price control policy portends a continued downward trend in this critical sector despite other positive moves such as boosting healthcare spending and health insurance coverage.

India has made tremendous strides in creating greater tax certainty, predictability, and transparency as the Government integrates GST into the economy. A significant positive step toward improving the investment climate would be to further reduce tax uncertainty for multinational companies and institutional investors, especially in areas such as resolving transfer pricing disputes, updating the US-India bilateral tax treaty, and overhauling tax litigation and administrative processes, among others.

Financial maturity needed

India's financial markets can compete with the world's best, but they must continue to mature and deepen to support the economic growth Modi has promised and that Indian and foreign investors are now expecting. Bond market development remains a prime area for reform if companies and investors are to have deeper resources for capital and the investment diversification they need to grow.

On the US side, recent proposals to restrict legal immigration and calls to unilaterally impose tariffs have the potential to disrupt a mature trading relationship that the US enjoys with its partners. This disruption must be avoided.

Ambassador Ken Juster remarked with great optimism that "India can seize the strategic opportunity — through trade and investment — to become an alternative hub for US business in the Indo-Pacific." The urgency to do this now could not be greater. China's strategic and economic reach will only continue to rise. To rise to its full potential, India will require a renewed focus on reforms and a more open trade architecture.

The writer is president of the US-India Business Council and former assistant secretary of state for South and Central Asia.

Source: thehindubusinessline.com- Feb 24, 2018

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Textile mills prefer U.S. cotton; imports set to rise

Purity, price attract buyers; imports may cross 17 lakh bales

Cotton imports this season might surpass the official estimate of 17 lakh bales, as textile mills are increasingly buying cotton from the U.S. in larger quantities, according to trade and industry sources here.

“Large quantity of cotton is available at discounted price from the U.S. for the current season — the reason why textile mills are booking cotton from the U.S.,” said J. Thulasidharan, president of the Indian Cotton Federation. Though imported cotton is of slightly lower micronaire (one of the quality parameters of cotton) compared with the widely used domestic cotton (Shankar 6 variety), mills were opting for U.S. cotton as these were free of contamination and realisation would be better.

Also, the units could get a 4 to 5% cost advantage, the sources added. Total imports during the last cotton season (2016-2017) was 30.94 lakh bales and the previous year it was 22.79 lakh bales. The total imports this season (October 2017 to September 2018) might cross 20 lakh bales, said Nishanth Asher, a partner with cotton trading firm RS Asher and Company.

Mills in Andhra Pradesh, Gujarat, and Tamil Nadu are buying from the U.S.

The total import this season is already more than 10 lakh bales and majority stock is from U.S., he said.

‘Domestic prices decide’

However, T.K. Radhakrishnan, president of Coimbatore Cotton Association, said the total imports may not increase much. “It depends on how Indian cotton prices move in the next two months,” he said. Domestic cotton production is estimated to be high this cotton season at 377 lakh bales.

The price of Shankar 6 variety was ₹39,800 a candy on Friday. Mr. Thulasidharan said cotton arrivals had picked up in the domestic market by nearly 1.5 lakh bales a day. The prices might not decline or increase much this year. Since there was surplus production globally, cotton export from India this season was also not high, he said.

Source: thehindu.com- Feb 24, 2018

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India's Raymond Group to invest Rs425 crore in Maharashtra

India's Raymond Group recently signed agreements worth Rs 425 crore with the government of Maharashtra to set up residential and sports complexes, commercial amenities and schools in Nandgaon Peth in Amravati.

As per the agreements, the state will facilitate necessary permissions, registrations, approvals, clearances and fiscal incentives.

The agreements were signed during the Magnetic Maharashtra investors summit by JK Investors (Bombay) Ltd, which owns the group. The project would commence in fiscal 2018-19, according to a news agency report.

The first agreement is for a proposed investment of Rs 50 crore to set up the school project and sport complex, while the second one is of Rs 375 crore for setting up a residential complex and commercial amenities with 2,000 houses.

The group recently inaugurated a new greenfield linen manufacturing facility in the new textile park in Nandgaon Peth under its subsidiary Raymond Luxury Cottons Ltd.

Source: fibre2fashion.com- Feb 23, 2018

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Govt schemes promoting textiles exports: Textiles Secretary

Textiles Ministry Secretary Anant Kumar Singh said various projects under the textiles ministry are promoting exports from the sector.

Speaking at the inauguration of the 45th edition of IHGF-Delhi Fair has kicked off on Friday at India Expo Centre & Mart, Greater Noida, Anant Kumar Singh said that the textile ministry of Textiles has implemented various projects in providing assistance to the craft persons and exporters.

The growth in exports ultimately results in generation of employment in this decentralized sector of economy and improving living standards of poor craft-persons engaged in production of handicrafts, he added.

Singh also appreciated the efforts of the Export Promotion Council for Handicrafts for creating such a marketing platform in the form of IHGF-Delhi fair for the handicrafts sector.

The official also shared his experience during his visit to the recently held Ambiente-2018 in Frankfurt and said that products displayed by more than 400 handicrafts exporters were no less than the best in the world and further said that Messe Frankfurt has declared India as a partner country for Ambiente -2019.

Source: smetimes.in- Feb 25, 2018

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70% IGST refund stuck due to flawed claims filed by exporters: CBEC

As about 70 per cent of GST refunds stuck due to flawed information, the CBEC has asked exporters to amend the details in the final returns of subsequent month to enable the department to process the refund claims by March.

The Central Board of Excise and Customs (CBEC) has sanctioned Rs 4,000 crore worth refunds to exporters in 4 months since October. Still about Rs 10,000 crore worth claims are stuck due to discrepancies in the information furnished by exporters to GST Network (GSTN) in filing GSTR 1 or Table 6A or GSTR 3B and shipping bill filed with Customs.

“The analysis of data indicates that only about 32 per cent records of GSTR 1 / Table 6A have been transmitted from GSTN to Customs. In other words, a majority (about 70 per cent) of refund claims are held up either due to insufficient information or lack of due diligence on the part of exporter while filing GST returns,” the CBEC said in a communication to Principal Commissioners.

The analysis of claims data post October 2017 indicate that while the quantum of error is decreasing, a large number of exporters are still filing incomplete GSTR 1 or Table 6A, where shipping bill number or date or port code are missing. “These records are not processed / forwarded to Customs by GSTN. E-mails have been sent to exporters asking them to correct their records through amendment process of GSTR 1 i e through Table 9 of GSTR 1 of the following month,” the CBEC said. The CBEC had in October 2017 started refunds for exporters of goods who have paid Integrated GST (IGST) and have claimed refund based on shipping bill by filling up Table 6A. While for those businesses making zero rated supplies or those want to claim input credit have to fill Form RFD-01A.

Analysis of GSTN data show that in a large number of cases, the refund claimed by an exporter is higher than the GST paid by him and consequently, the information filed by exporters is not forwarded to Customs by GSTN. “In these cases also, e-mails have been sent to exporters asking them to correct their records through amendment process of GSTR 1 i e through Table 9 of GSTR 1 of the following month,” the CBEC said.

The apex indirect tax authority also said where exporters have already filed information through Table 9 of GSTR-1, the said information is being validated by GSTN. “The validated information is expected to be forwarded by GSTN to Customs by mid-March 2018 for further processing”. AMRG & Associates Partner Rajat Mohan said the issue could be resolved if GST compliance structure is simplified and government programmes are designed to achieve a robust digital literacy in the long run.

“IGST refund to exporters are issued in a fully automatised environment, and even a smallest mismatch in invoice number results in non-issuance of refunds. Now, government has planned to provide an alternative mechanism whereby exporters can get such errors rectified with the help of a manned interface placed at Customs department. This could address the worries of the exporters if this manned intervention is operated timely,” Mohan said.

The CBEC listed out the major errors that are committed by the exporters in claiming refunds. These are mismatch of invoice number, taxable value and IGST paid in the Shipping Bill vis-a-vis the same details mentioned in GSTR 1 / Table 6A, incorrect shipping bill numbers in GSTR-1, GSTIN declared in the shipping bill does not match with the GSTIN used to file the corresponding GST returns. Besides, there are instances of non-filing or incorrect filing of electronic Export General Manifest (EGM).

“Information is being made available to exporters on a real-time basis with regard to the errors status on ICEGATE website for registered users. Details of refund sanctioned is being sent through SMS on registered mobile phones,” the CBEC noted.

Source: financialexpress.com- Feb 25, 2018

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Surat wary of e-way bills

There is no respite for Surat’s textile manufacturers and retailers. First, a 5 per cent levy in goods and services tax (GST) and the subsequent rise in cotton prices after the Budget depleted their cash reserves. This had come even as the textiles industry was recovering very slowly from the demonetisation effects of 2016. But now, with the new e-way bill system on its way, businessmen of this Gujarat city apprehend that the situation might still worsen with newer problems surfacing in the days to come.

E-ways bill will have to be mandatorily produced by manufacturers and exporters transporting their goods that exceed a value of Rs 50,000 and traverse a distance of more than 10 km. Gujarat, along with Maharashtra and West Bengal, would implement the e-way bill system in a couple of months even though other states are to come within its ambit.

Surat-based Mahamantra Textile Mills proprietor Ashok Jain said, “Two years in a row, and we are still feeling the aftershocks of demonetisation, GST implementation and surge in cotton prices. If the e-way bill is forced upon us in the coming months, it would deal a heavy blow to the entire textiles business community—from trader to retailer to manufacturer.”

Cash crunch to worsen

Not a single day has passed without the industry trying to counter roadblocks caused by these problems. “We suffered huge losses, with our businesses cut nearly to half and very few buyers visiting us for our traditional home furnishing fabrics and accessories. Sales have dropped by 50 per cent, and most of our payments have been delayed by wholesalers," Jain pointed out.

Some felt that the implementation of the e-way bill system would not be a boon for textiles businessmen, but instead dent in their earnings in the long-run. Jain said, "The Union government should act immediately and make a few amendments so that manufacturers and suppliers like us do not have to bear the brunt as far as levying e-bill charges for small consignments of stocks is concerned. Besides, steps need to be taken in transportation of goods locally to end-users."

The concern of another Surat-based manufacturer Sanjay Khaitan, proprietor of Ajmera Fashion, was similar. Ajmera Fashion has established itself in the manufacturing of partywear and pochampally, ikkat sarees along with designer lehengas, kurtis and cholis since inception in 2012. "We are now faced with recession of a different kind, and it has hit every manufacturer, wholesaler and retailer associated with the textiles industry. Our sales numbers have dropped in comparison to previous years, with only a minimal daily supply of 2000-3000 saree pieces now. The impact will be severe if the Gujarat government implements the e-way bill system in the near future."

Given the backdrop of demonetisation, GST hike and cotton prices—all of which had been a dampener on the business, Khaitan said, "If this trend continues, imagine the outcome it would have on average manufacturers who have been left in the lurch. Hardly any money would be left in their hands so as to transport large consignments of goods to different states across the country."

Bhupendra Singh, senior official of Ganpati Textiles, said, "The e-way bill system will escalate matters. Huge consignments of stocks are transported to different states and there would hardly be any relief for those engaged in manufacturing of sarees, kurtis, lehenga, leggings, etc. Is it just us who have to foot the bill? The government has to protect interests of the textiles industry."

Source: fibre2fashion.com- Feb 24, 2018

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Why each state of India needs an MSME university

The government, in continuation of its earlier efforts, has initiated numerous measures to encourage MSMEs in this year's Union Budget.

The Union minister for MSME has also observed that 5 crore opportunities would be created in the next one year. In fact, MSMEs contribute nearly 8% of national GDP, employing over 11 crore people in six crore enterprises, and account for 45% of manufactured output and 40% of exports of India.

The Prime Minister has been making a pitch for Make-in-India and encouraging foreign manufacturers to set up units in the country. MSMEs are important for generating employment in the country, where over 10 lakh people join the workforce every month and nearly 1.5 crore every year.

To accommodate such a large population joining the workforce annually, for the next few decades employment opportunities in agriculture, banking, financial services and government jobs cannot increase commensurately.

Further, in view of the fact that large industry, to stay competitive, would rigorously pursue automation and artificial intelligence, the burden of job creation and absorption of increasing labour force can only be performed by MSMEs.

In view of the significance of the sector, since 1948, successive governments have been making intense efforts to encourage MSMEs. The Office of Development Commissioner for MSMEs was set up in 1954 and a dedicated ministry for MSMEs was established in 1999.

The Small Industries Development Bank of India (SIDBI) was established in 1990 to serve as an apex body for promotion, financing and development of MSMEs.

But now, given the demographic pressure, to create an entrepreneurial environment in the country, the government will need to think out of the box. In addition to the recent initiatives, there are a few innovative things that the government can consider, like setting up state-level universities dedicated to entrepreneurship and MSMEs with an outreach through MSME clinics.

A dedicated higher educational institution or a university

To boost employment generation through MSMEs, skill formation can be considered from two angles—labour and entrepreneurs. To skill labour, there are already many skilling centres and more can be established. The challenge is to create and nurture entrepreneurs. Equally important is to undertake R&D for 6,000-odd goods that MSMEs produce.

In India, illustratively, each state has a unique or characteristic good, like Rajasthani razai, Punjabi jutti, Kolhapuri chappal, etc, and focused research on each from the viewpoint of production, supply chain, innovation and quality would be useful.

Therefore, there is a need to have a network of dedicated institutions, familiar with local conditions, on the pattern of agricultural universities, in every state of India. A dedicated Entrepreneurship and MSME University (EMU) would need to combine academic teaching faculty with practitioners to nurture entrepreneurship.

The objective should be to produce self-confident entrepreneurs, and an army of trainers to create an ecosystem for entrepreneurship to not only take roots, but also flourish. The emphasis in such an EMU would be on teaching entrepreneurship with a focus on psychology and leadership, while also teaching traditional subjects like sociology, accounting, HR, labour laws, operations management, marketing, business finance, innovation, strategy, communication, government and banking policies, planning, and macroeconomic analysis.

The teaching of entrepreneurship, which is significantly different from management courses, cannot be only a classroom phenomenon, but a practical hands-on training, simultaneously, in existing enterprises, preferably MSMEs. Therefore, it would be a different model from management training and more comparable to the style of teaching in agricultural universities. R&D is important for production of specific goods, and most MSMEs do not have resources to undertake research on their specific products. Historically, in the absence of R&D, traditional products of MSMEs are competed out from the market because large firms and foreign companies with extensive research are able to constantly innovate, improve quality and lower costs.

Advantages of such universities

There are many things the government can do through this state-wise dedicated EMU. As in agriculture, state-wise EMU would communicate in local language and, if possible, local entrepreneurs should be encouraged to share their experience and mentor local budding entrepreneurs.

Further, sick MSMEs could get expert advice from faculty of EMU, which is familiar with local circumstances. The government could utilise the expertise in these EMUs to build financial schemes for MSMEs in consultation with banks.

Most importantly, loan proposal templates could be developed in local language with collaboration of EMUs. To encourage local products, EMU could, illustratively, showcase and promote state-specific products, such as Phulkari of Punjab, bamboo works of Assam and West Bengal, and cotton weaving of Tamil Nadu, via galleries and museums, preferably free of cost to individual MSMEs.

In addition, EMUs could reach entrepreneurs in every industrial cluster across the state through MSME clinics aiming to provide informed advice from experts in local languages. In India, self-reliance in food was achieved with the help of state-wise agricultural universities. Similarly, technical excellence and managerial proficiency was achieved with the help of IITs and IIMs.

Now, given the need to create, develop and foster entrepreneurial environment in the country, it would be helpful to follow the time-tested route to produce and saturate the country with entrepreneurs and their trainers. The best place to train the trainers is a university where entrepreneurs and their teachers are created. In this transformative endeavour, the government could consider PPP models to set up EMUs and link them up with MSME clinics, like a hub-and-spoke model in every state.

Source: financialexpress.com- Feb 26, 2018

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Venkaiah Naidu pushes for intra-regional trade via value chain approach

Vice-President M Venkaiah Naidu today said that adopting the regional value chain approach could be an appropriate model for India to foster intra-regional trade. “Although India has a lot of trading agreements, both regional and bilateral, the country is yet to fully capitalise on the existing synergies in its Regional Trading Agreements. “An example is the South Asian Free Trade Agreement (SAFTA) as the South Asian region is the least integrated among all the regions in the world,” he said here.

“Adopting the regional value chain approach could be an appropriate model to foster intra-regional trade by deepening regional processes,” Naidu said. Terming GST as a “revolutionary transformation”, he said economic reforms like demonetisation and GST face “teething problems” initially but will increase revenues going forward. He said emerging economies, like India, Brazil and China, have evolved from policy takers to policy makers and India is on course to be the third largest economy globally.

Demonetisation has helped bring 1.8 crore more taxpayers into the tax net and 8.27 crore entities paying taxes, the vice-president noted. With more number of income tax payers, the tax rates will come down and with more money deposited in banking system, the interest rates has come down, he said. “Demonetisation is the boldest economic reform taken by the government...because you know getting back the money to the bank is not an ordinary thing...,” he added.

He said that the advantage of the move is that the money which was “there in the bathroom, in the bedroom and under the pillow, has come back to the banks and today the banks’ interest rates has come down to 8.25 per cent. That is the greatest advantage of demonetisation”.

Fiscal prudence and health of the country has also improved, he said, adding “GST is one of the revolutionary transformations that have taken place in the country”. The number of people in the income tax has increased by around 1.8 crore, the vice president said adding that since independence, “we have 6.47 crore people, now the people under tax net are 8.27 crore . It is a tough reform”. “You know any reform would face some teething problems in the initial stage and same was the case in both demonetisation and GST,” he said.

However , the reform has long term advantages , he added. He also described these reforms as “the two beautiful” reforms that has happened. Naidu further stated that CAD has improved and now it is in the range of 0.5 per cent to 1.5 per cent from the earlier range of 6.8 per cent and 4.2 per cent. He added that reforms including GST, easing regulatory environment, facilitating FDI across all sectors, recapitalisation of public sector banks and insolvency and bankruptcy code are really going to do wonders in due course of time. Wooing investors to invest in the state, Naidu said Andhra Pradesh is India’s sunrise state and tops in promoting ease of doing business.

“Reforms are in full swing. There is a stable government and able leader at the Centre. You have stable government and able leader at the state as well,” Naidu said. Further, he said as per estimates of global agencies, India is a bright spot in the world today. He said there is tremendous shift now due to rising influence and role of the emerging economies across the globe. “It has led to a shift of balance of power between the global north and global south.

This is perhaps the most significant geo political development of the recent times. Emerging economies like Brazil China and India are from playing significant role in multi lateral bodies,” he added. The vice-president said domestic firms should find ways to achieve higher exports. “Indian companies need to identify segments of global value chains with higher value addition and low entry barriers in global markets to achieve higher exports in the short term,” he noted. Naidu was addressing a gathering of trade ministers of various countries, business heads and delegates after inaugurating the Partnership Summit 2018 this afternoon.

Noting that the global economy was showing signs of pick-up after a prolonged phase of slowdown, Naidu, however, said the projected rates for global expansion were much below pre-crisis averages, especially for the advanced economies as well as commodity-exporting countries. “Already there are calls for protectionism from the advanced economies which, when implemented, could mean restrictive policies for cross-border trade and investment flows. This could bring attendant repercussions which might undermine the nascent signs of growth revival,” he added. Speaking about Indian micro, small and medium enterprises, Naidu said connecting them to global value chains was critical. “Access to technology and internet can be a major factor to allow SMEs to integrate with the global market.

E-trade allows SMES to reach out to new export avenues and access to low-cost imported inputs". Union Commerce Minister Suresh Prabhu, Civil Aviation Minister P Ashok Gajapati Raju, Andhra Pradesh Chief Minister N Chandrababu Naidu, CII Director General Chandrajit Banerjee, CII chairperson Sobhana Kamineni and Adani Group Chairman Gautam Adani, among others, were present on the occasion.

Source: financialexpress.com- Feb 25, 2018

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Zara lowers cost of entry for patrons

In order to push sales in a highly competitive retail market, Zara India has slashed its entry-level product price by more than 50% to Rs 390 from Rs 799 a year ago.

The Rs 390 price point was introduced by the Spanish retailer in the sale announced by it in January this year. However, even after the sale concluded, the retailer has held on to the price point and even added more merchandise at the price. So, when you stroll into a Zara store, you won't have to go hunting to find the one or two products at this price.

There are a range of tops and Ts to be had, and that seems to be drawing in more customers. Zara didn't reply to an email query from FE on what prompted the shift. Pinaki Ranjan Mishra, partner and national leader, retail and consumer products, EY India, said, "With the international brands going deeper in newer cities, they are introducing lower price points to attract customers. Moreover, most international brands have very efficient supply chains, the benefits of which they may be able to pass on to customers."

Clearly, the price point seems to have worked for Zara, and even shoppers in high-street locations have access to a wide range at this price. Inditex Trent, the joint venture between Zara brand-owner Inditex and the Tata Group's retail arm Trent, which runs Zara stores in India, witnessed a 21.4% increase in sales to Rs 1,023 crore in FY17, but the company's net profit fell 40% to Rs 48 crore after the Spanish chain slashed prices by around 10-15% to keep in step with its competitors. Experts suggest that Zara is trying to push volumes by lowering its price points. Anil Talreja, partner, Deloitte India, said, "Reduction in price is a way to push volumes."

What a lower price point also does is attract customers who might otherwise feel hesitant to walk into an international fast-fashion store. Once a customer walks in, its isn't unlikely that many will move up the price range to buy other merchandise as well, said a retail professional on condition of anonymity, as he did not wish to comment on another brand. When Zara entered the country around eight years ago, its average price point was Rs 1,200 to Rs 1,400. But to hold on to this price point was difficult.

The pricing battle intensified after Hennes & Mauritz (H&M) entered a little over two and half years ago. Zara has dropped prices by about 70% to Rs 390 to take on its most aggressive competitor, H&M, which is still continuing with its stock clearance sale at a starting price point of Rs 250.

Sales of H&M almost doubled for the year ended November 2017 to Rs 956.24 crore. This growth was propelled by rapid expansion of stores — from 10 to 27 during the year — and strong volume growth.

While other competing brands like Vero Moda and Forever 21 have entry-level price points of between Rs 500 and Rs 700, the battle for volumes and dominance clearly seems to be between Zara and H&M.

Zara is presently the market leader in the segment, but H&M has aggressive expansion plans. H&M has set a target to open 30 new stores in the next 30 months. Zara operates more than 21 stores at present, while H&M has 29 stores operational across the country.

Arvind Singhal, chairman of retail consulting firm Technopak, said these international brands have managed to do well mainly on account of affordable pricing, while providing quality products. The battle for market share between the two global brands is proving to be good news for shoppers a la Amazon versus Flipkart. And this will likely make fashion shopping easier on the pocket this summer.

Source: financialexpress.com- Feb 24, 2018

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H&M India to enter online marketplace later this year

Swedish fashion retailer Hennes & Mauritz (H&M), which now garners around 12 per cent of global sales volume online, is planning to go online in India this year. A third-party logistics partner will handle deliveries. The company does not plan to integrate physical stores with online operations now and will not tie up with any online marketplace for selling.

The company plans to launch its online store this year, H&M India country manager Janne Einola said recently, according to a news agency report. Though H&M India's sales was around Rs 490 crore in 2016, India does not feature among the top 10 markets for the company.

It is planning to open two more stores in the Mumbai metropolitan region this month, and one more in Mysore later this year, which will take its total number of stores in the country to 30.

Einola said 75 per cent of its stores are in big metros, but it does plan to focus on smaller cities.

Source: fibre2fashion.com- Feb 25, 2018

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E-way bill for inter-state movement of goods likely from April 1

A group of State Finance Ministers (GoM) led by Bihar Deputy Chief Minister Sushil Kumar Modi on Saturday mooted the implementation of Goods and Services Tax (GST) regime provision for electronic-way (e-way) bill generation for intra-state movement of goods from April 1, 2018. E-way bill is generated on the GST-Network — a common and shared information technology (IT) infrastructure between the Centre and States.

Following a GoM meeting here on issues including the IT-related challenges in the GST regime, Mr. Modi said the e-way bill requirement for intra-state movement of goods worth over Rs 50,000 would be introduced in phases after looking into the response regarding the same. The GoM's suggestion would be taken up by the GST Council at its meeting on March 10.

E-way bill provision, meant to eliminate tax evasion and increase revenues by around 20%, was introduced on February 1, but it had to be put on hold following glitches in the system.

Mr. Pratik Jain, Partner and Leader-Indirect Taxes, PwC India, said in a statement that: “Introducing e-way bill only for inter-state transactions from April 1, 2018 is a good idea as it will give it time for the government as well as industry to adjust with the new system, and ensure that load on the portal is not sudden.”

He added that the GST Council should ensure that all the States introduce this mechanism from the same date and the current practice wherein different system is followed in different states is discontinued. “Any problems with this system can cause widespread supply chain disruption and its good that Government is cautious in its approach,” he said.

Source: thehindu.com- Feb 26, 2018

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