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IBTEX No. 123 of 2019 June 26, 2019

SD 69.38| EUR 78.77 | GBP 87.92 | JPY 0.65

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21531	45000	**82.58**
Domestic Futures Price (Ex. Warehouse Rajkot), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21380	44684	**82.00**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	65.72
ZCE Cotton: Yuan/MT (September 2019)	13,595
ZCE Cotton: USD Cents/lb	89.63
Cotlook A Index – Physical	**76.40**

Cotton Guide: Nearby months ended the day on a positive note, having changes of +3 and +29 points with the exception of -10 points for the ICE July contract. ICE December contract traded well by touching a high of 66.21 cents/lb but settled at 65.72 cents/lb at the end with the change of +3. December almost traded positive the whole day. However, the volumes are still hovering near the 15,000 contract range. The total volumes seen yesterday were at 16,422 contracts down by 2190 contracts or 11.7% based on the figures seen in the previous session.

The MCX contracts on the other hand, are seen to trend lower. The most active MCX contract the MCX July settled at 21380 Rs/Bale with a change of -120 Rs. The August contract settled at 21190 Rs/Bale with a change of -180 Rs. The spread between the aforementioned contracts is seen to increase. The total volumes are not showing figures worth cheering of.

Both the ICE and MCX Volumes are on the lower end thus decoupling the innate enthusiasm out of the market participants. We need to see more of these volumes to support the ongoing trend. The open interest on the other hand is still almost at a 4 year low. The Open Interest at ICE is still on the 170,000 contract mark as was seen yesterday, whereas the OI at MCX is at 17048 lots which is considered as a decent figure.

The Cotlook Index A is at 76.40 cents/lb which is kept unchanged along with the Cotlook Index A 2019/2020 at 75.80 cents/lb. The average prices of Shankar 6 are brought a tad lower by -100 Rs and is now able to exchange hands exactly at 45,000 Rs/Bale. Punjab J 34 is at 4,800 Rs/Maund.

For today, we shall stick to our consolidated view. The market participants are looking forward to some news from the Upcoming G20 summit. Mr. Trump always brings in a wave of optimism whenever he meets his counterpart – President Xi, however, as seen in the past this optimistic wave has not been able to sustain as the duo have not been able come to a concrete solution. Unless, we see them inking the paper, it's quite difficult to say that the market will rise substantially.

On the other hand, the unfavorable weather conditions in the US may push the bulls forward slightly.

On the other hand, ICE December Cotton is trading within a downward sloping channel, prices have held the support of 65.50-65.40 from the past week & with EMA (5, 9) at (65.83, 66.98) are above the price. However, a move below the support of 65.40 would witness a move till the lower end of the channel.

The immediate resistances for the price is at 67.50-67.80, which coincides with higher end of the channel & 23.6% Fibonacci retracement level. Momentum indicator RSI is at 39 hovering around oversold zone suggesting sideways to negative bias for the coming sessions. For the today's session we expect the prices to trade within a range of 67.80-65.40. However, a breach in the support could test the lower end of the channel (64.30). In the Domestic market MCX Cotton June may trade in the range of 21600-22100.

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

Global Trade Slumps in April as Trade War Dragged On

Global trade stumbled in April as the tariff war between the U.S. and China showed few signs of ending, figures released Tuesday showed.

The 0.7% drop in goods trade from the previous month followed a 0.8% gain in March, according to the CPB Netherlands Bureau for Economic Policy Analysis in The Hague. Compared with a year earlier, global trade increased just 0.1%. Separate CPB figures showed industrial output floundered worldwide in April.

"An array of more timely country data on manufacturing and production reflect the impact of the trade slump and suggest that activity has yet to bottom out and that world trade volumes are on track to decline through the remainder of the second quarter," Mickey Levy, chief U.S. and Asia economist at Berenberg Capital Markets, said in an emailed note after the CPB report was released.

U.S. President Donald Trump and Chinese leader Xi Jinping will meet this week during a Group of 20 summit in Osaka, Japan, to possibly restart trade talks. Tariffs on each other's exports and a lack of a trade deal have created uncertainty that's hampering investment and orders.

In his note, Levy added that "we do not expect any major breakthroughs or agreement on trade when Presidents Trump and Xi meet at the G-20 this weekend. Rather, we expect them to instruct their teams to resume the stalled trade negotiations."

Source: sourcingjournal.com- June 25, 2019

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WTO Report Shows G20 Trade Restrictions at Historically-High Levels

The World Trade Organization's latest monitoring report on G20 trade measures reveals that new import-restrictive measures introduced in the nine months through May were more than 3.5 times the average since 2012.

The report found that import-restrictive actions covered $335.9 billion during the period, marking the second highest figure on record, only following the $480.9 billion reported in the previous period. Together, these two periods represent a dramatic spike in the trade covered by import-restrictive measures.

WTO director-general Roberto Azevêdo called on G20 economies to work together urgently to ease trade tensions. This comes as the G20 countries, representing the world's top economies, are set to meet later this week in Osaka, Japan.

"This report provides further evidence that the turbulence generated by current trade tensions is continuing, with trade flows being hit by new trade restrictions on a historically high level," Azevêdo said. "The stable trend that we saw for almost a decade since the financial crisis has been replaced with a steep increase in the size and scale of trade-restrictive measures over the last year."

This will have consequences leading to increased uncertainty, lower investment and weaker trade growth, he noted.

"These findings should be of serious concern for the whole international community," Azevêdo added. "We urgently need to see leadership from the G20 to ease trade tensions and follow through on their commitment to trade and to the rules-based international trading system."

Turbulence in global trade continued during the period, and most of the trade-restrictive measures initiated in the period remain in place and have now been supplemented by a series of new measures that are also of a historically high level. What's more, several significant trade-restrictive measures are being considered for potential later implementation, according to the report, including the Trump administration's threatened $250 billion in tariffs on Chinese imports.

“This further compounds the challenges and uncertainty faced by governments, businesses and consumers in the current global economic environment,” the report noted.

G20 economies implemented 20 new trade-restrictive measures between mid-October 2018 and mid-May 2019, including tariff increases, import bans and new customs procedures for exports. While fewer measures were introduced during this review period than in previous periods, the scale of those measures is much increased in terms of their trade coverage and the level of tariffs imposed, the WTO noted.

A total of 29 new measures aimed at facilitating trade, including eliminating or reducing import tariffs, export duties and eliminating or simplifying customs procedures for exports were also applied by G20 economies. The trade coverage of the import-facilitating measures implemented during the review period is estimated at $397.2 billion, which is 1.8 times higher than in the previous G20 report.

For the first time since the beginning of the trade monitoring exercise, the number of initiations of trade remedy investigations by G20 economies is equal to the number of trade remedy actions terminated. Initiations of anti-dumping investigations continue to be the most frequent trade remedy action, accounting for more than three-quarters of all initiations.

The trade coverage of $18.4 billion in trade remedy initiations was down compared to the previous period. At the same time, $14.6 billion in trade remedy terminations is two and a half times higher than that reported in the previous G20 report.

“This report highlights the continuing challenges in global trade,” the WTO said. “G20 economies must follow through on their commitment to trade and to the rules-based international trading system and work together urgently to ease trade tensions and to improve and strengthen the WTO.”

Source: sourcingjournal.com- June 25, 2019

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Could North Korea Be the Next Low-Cost Sourcing Destination?

President Trump and North Korean leader Kim Jong-un met again this winter for another titanic clash of egos–but behind the scenes, certain manufacturers have been quietly eyeing up North Korea as the region's next low-cost sourcing destination.

Talks about the denuclearization of North Korea and its potential reunification with the south are of profound historical significance–even if experts say the latter is still decades away. But the relatively insignificant step of lifting a few economic sanctions against North Korea is looking more likely.

These sanctions were the main sticking point during a March summit in Hanoi between Trump and Kim. In a rare news conference, North Korean Foreign Minister Ri Yong Ho said they were seeking a "partial" lifting of sanctions that "hamper the civilian economy and the livelihood of our people." He was largely alluding to the textiles category.

Ending a trade embargo on textiles would have an immediate impact on North Korea, opening it up to business and industry. The country's textile industry was worth $725 million in 2016, a substantial proportion of its economy, and even with sanctions in place, apparel manufacturing employs a significant number of North Korean citizens in state-run factories around the country.

Despite the indisputable geopolitical risks involved with investing in North Korea, it is an attractive proposition for many manufacturers, particularly those whose end market is China, Japan or South Korea. Manufacturing in North Korea would allow them to follow the global trend for moving sourcing closer to end market, while making goods in one of the cheapest destinations on earth.

"We can't deny that there is a major opportunity here," says Gerhard Flatz, the managing director of KTC sportswear manufacturer in Guangdong. "North Korea is the East Africa of the future, but better placed, and it could play a significant role in Asian manufacturing, as brands urgently have to start relocating their sourcing."

Wages are as low as half of what they are in China, and some have called North Korea more productive, alluding to workers making up to 30 percent more clothing each day than a Chinese worker, largely owed to long hours, harsh working conditions and indentured labour.

As China focuses on producing complicated, technical goods and labour shortages in other parts of Asia rise, North Korea could solve a number of regional problems. Some say the sourcing caravan's migration toward North Korea would simply be a repetition of the industry's move into Burma and Myanmar, where, the moment sanctions were lifted, manufacturing briefly boomed.

Ethically dubious as this all sounds, we are all far more likely to have already worn goods created in North Korea than we may realize. The border city of Dandong in China is an entrepôt for Chinese clothing manufacturers who send textiles to clandestine factories across the Yalu River in North Korea and label them "Made in China" upon their return. Manufacturers can save up to 75 percent of the production cost this way.

"The Chinese have been using North Korean labour in Dandong for years," Flatz said. "From reports I have read labour is also transferred over the border. North Korean workers come into China, but are paid significantly lower wages than Chinese nationals, and live, from what I have read, in almost prison-like conditions."

Less clandestine are factories found on the Korean border, where Seoul-based firms manufacture apparel goods at a much cheaper cost and label goods Made in South Korea. Hubs like these, however, have often fallen victim to political tension between two countries.

These existing structures–some legal, some not–suggest that any North Korean factories working openly with major international brands would be run by Chinese or South Korean manufacturers and would realistically become part of their supply chains at first.

"I believe it will be the Chinese, not the South Koreans who will take advantage of North Korea," Flatz said. "There's already a four-lane highway going from China to North Korea, and we could easily see a spate of Chinese privately owned factories with North Korean government ties popping up."

However, as well as the constant threat of political instability, most international brands would be wary of openly working with North Korean factories due to the stigma attached to a country where worker's conditions have been openly likened to slave labour by human rights organizations.

A Human Rights Watch report published in 2017 claims the government systematically uses forced labour from ordinary citizens to sustain its economy and that while the men and unmarried women who are required to work at government-assigned enterprises are theoretically entitled to a salary, they usually are not compensated.

"The treatment of North Korean workers overseas falls short of international labour standards," the report noted. "[There is] no right to freedom of association or expression, control by minders who limit freedom of movement and access to information from the outside world, long working hours and no right to refuse overtime."

The only potential positive to this bleak reality is that the income from international manufacturing deals could give the North Korean government the impetus needed to improve factory conditions, as most Western brands will only work with factories that comply with international regulations.

Another solution to get past the stigma attached to the country is to rebrand all Korean goods with an umbrella 'Made in Korea' label–although this does feel like sweeping the issue of worker's rights under the carpet. Equally, it would sully South Korea's generally positive reputation for making high-quality goods.

This all remains entirely speculative and only time will tell if North Korean sanctions will be lifted any time soon. However, it is becoming increasingly likely that, either as part of a legal or illegal regional supply chain, or as an independent sourcing destination in its own right, North Korea could soon start playing a more visible role in Asian apparel manufacturing.

Source: sourcingjournal.com- June 25, 2019

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China wants India to be part of its Asian free-trade pact – flexibility on liberalisation may be an acceptable price

Global attention has understandably been fixed on the US-China trade dispute, with the spotlight occasionally turning to places as far apart as Mexico, Europe and Japan. By comparison, trade relations between China and the rest of Asia have been a sideshow – but maybe not for much longer.

The Regional Comprehensive Economic Partnership (RCEP) agreement, in the likely event that it comes to fruition later this year, will marry China's economy with 13 other Asian economies, plus Australia and New Zealand, promising to be more of a game changer than is commonly supposed.

The free-trade agreement is less "high-level" and sophisticated than the Trans-Pacific Partnership (TPP) which the US pushed under the Obama-era "pivot to Asia", only to dump under the bilateral-deal-inclined Trump administration. But it is moving towards realisation at a critical time for Asia.

Even if a trade-war truce is agreed when US President Donald Trump and Chinese President Xi Jinping meet in Osaka at the G20 summit this week, US economic relations – not only with China but with other key members of RCEP – have moved to a very nervous footing.

In this uncertain situation, not easily assuaged given Trump's increasingly erratic behaviour, a new trade grouping offering manufacturing and agricultural market access, and immune from further Trump tantrums, is an appealing prospect.

Consisting of the 10 members of Asean plus China, Japan, India, South Korea, Australia and New Zealand, RCEP partners collectively account for 45 per cent of the world's population with a combined gross domestic product of more than US$21 trillion, and make up 40 per cent of global trade.

The critical absence from this line-up is the US. While Washington's exit from the TPP threatened to break that agreement, the US absence from RCEP could "make" it. Meanwhile, a potentially very important member of RCEP's cast (not least from China's point of view) is India.

As Shaun Roache, Asia-Pacific chief economist at S&P Global Ratings, puts it: “China desperately wants and needs RCEP. I think it is willing to make some compromises to bring India on board.” The main compromise will be allowing India time to adjust to lower manufacturing tariffs.

India is afraid of its manufacturing sector getting “wiped out” by Chinese competition within a common trading bloc (just as some Association of Southeast Asian Nations states are fearful of invasion by Indian IT software products and engineers once RCEP is formed).

China is also not anxious to see some of its nascent service industries come under invasion from Indian software technologies. Given mutual protectionist fears, it may appear unlikely that RCEP will get off the ground any time soon, all things being equal. But all things are not equal.

As Hung Tran, a former official at the Institute of International Finance, observes: “Given escalating tension created by the US against major trading partners, as well as the rules-based global trading system, it is imperative for countries active in international trade to form regional trading arrangements to secure stable trading rules for themselves.”

Facing Trump’s trade war, involving tariffs and restrictions on technology trade and investment, China “sees RCEP in a wider strategic perspective”, Tran suggests. It “creates a vital economic and trading space for [China] and complements its effort to roll out the Belt and Road Initiative”.

The main stumbling block is India’s fear of a surge in Chinese imports hurting its manufacturing as well as metals industries. Of particular concern is the transshipment of Chinese goods through countries having low or no duties, such as textile and clothing through Sri Lanka and Bangladesh.

India already has a trade deficit with 11 of the RCEP negotiating countries – and a deficit of around US$60 billion a year with China alone. A possible flood of Chinese imports could jeopardise the Delhi’s “Make in India” development strategy.

But given the lure of a huge new all-Asia (plus Australasia) market for its goods, China can afford to be patient with India on manufacturing trade liberalisation.

Other potential RCEP signatories are also pushing for an accommodating approach towards India. As Roache observes, “A lot of India’s trade partners want India on board. It ensures that RCEP is less dominated by China and it truly becomes an Asia trade deal.”

RCEP, which has been under negotiation for six years, could be finalised during the annual Asean summit in November. It may not be a marriage made in heaven but it is a marriage of economic convenience at a time when the US is proving to be an unreliable trading partner. Trump may have cause to cry at the wedding.

Source: hellenicshippingnews.com- June 25, 2019

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U.K. Retail Sales Shrink at Fastest Pace Since Financial Crisis

U.K. retail sales fell at their fastest pace since the financial crisis in the year to June, as relatively poor weather kept shoppers away from stores, according to the Confederation of British Industry.

The volume of goods sold slumped by the most since March 2009, with almost one-in-six stores saying they sold less than the same time a year ago. Motor traders reported the fastest sales shrinkage in 7 1/2 years, although non-store sales, which include online purchases, bucked the trend to remain broadly flat.

While the findings were made worse by particularly strong sales during 2018’s heatwave, they nonetheless underscore the woes afflicting the British high street. Dixons Carphone Plc plunged to a record low last week after warning of significant losses in its mobile business, and hotel operator Whitbread Plc and leather-goods maker Mulberry Group Plc reported lower sales as the uncertainty around Brexit erodes business prospects.

The CBI survey of 88 firms between May 18 and June 14 also found the majority expect a further contraction next month.

Source: sourcingjournal.com- June 25, 2019

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EU-Vietnam: Council adopts decisions to sign trade and investment agreements

On 25 June, the Council adopted decisions on the signature of two agreements between the EU and Vietnam: a free trade agreement (FTA) and an investment protection agreement (IPA).

Both agreements will be signed on 30 June 2019, in Hanoi.

The FTA between the EU and Vietnam is the most ambitious free trade deal ever concluded with a developing country. It provides for the almost complete (99%) elimination of customs duties between the two blocks. 65% of duties on EU exports to Vietnam will disappear as soon as the FTA enters into force, while the remainder will be phased out gradually over a period of up to 10 years. As regards Vietnamese exports to the EU, 71% of duties will disappear upon entry into force, the remainder being phased out over a period of up to 7 years.

The FTA will also reduce many of the existing non-tariff barriers to trade with Vietnam and open up Vietnamese services and public procurement markets to EU companies, while the IPA will strengthen protection of EU investments in the country.

As one of the "new generation" bilateral agreements, the EU-Vietnam trade deal also contains important provisions on intellectual property protection, investment liberalisation and sustainable development. On this last aspect, the FTA includes commitments to implement International Labour Organisation core standards (for instance on the freedom to join independent trade unions and on banning child labour) and UN conventions relating for example to the fight against climate change or the protection of biodiversity.

Negotiations between the EU and Vietnam started in June 2012 and were concluded on 2 December 2015. However, the formal conclusion of the agreement was delayed by a pending opinion of the European Court of Justice on the division of competencies between the EU and its member states relating to the conclusion of the EU-Singapore FTA.

Following the opinion of the Court delivered in May 2017, the Commission decided to propose two separate agreements:

- a free trade agreement, which contains areas of exclusive EU competence and thus only requires the Council's approval and the European Parliament's consent before it can enter into force.
- an investment protection agreement which, due to its shared competence nature, will also have to go through the relevant national ratification procedures in all member states before it can enter into force. The time horizon for the implementation of this act is therefore expected to be much longer.

Vietnam is the EU's second largest trading partner in the Association of Southeast Asian Nations (ASEAN) after Singapore, with trade in goods worth almost €50 billion a year and almost €4 billion when it comes to services.

While EU investment stocks in Vietnam remain modest, standing at €8.3 billion in 2016, an increasing number of European companies are establishing there to set up a hub to serve the Mekong region. Main EU imports from Vietnam include telecommunications equipment, clothing and food products. The EU mainly exports to Vietnam goods such as machinery and transport equipment, chemicals and agricultural products.

Source: consilium.europa.eu- June 25, 2019

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Bangladesh: Possible impact of US-China trade war

The US government has extended an additional tariff on the remaining $300 billion dollars of imports from China on 13 May, which covers items like apparel and footwear. The additional tariff, known as punitive tariff may range up to 25% and likely to come into effect by the end of June 2019.

The impact of the additional tariff on China's trade with the US, especially in the clothing sector, is complex since there are several realities and market forces that will come in to play. China is the largest source of apparel for the US as it supplied around 33% of the US's total apparel imports in 2018.

While the additional cost due to tariff hike is most likely to take its toll on the apparel exports to China, this may also be viewed in parallel that the Chinese export of apparel to the USA has already been on a declining trend over the last few years due to rising production cost in China and shifting the focus on high value-added manufacturing base.

The fact of the matter is that China's apparel export to the USA has declined by 10.39% during 2015-2018; in financial value, the decline is 3.17 billion dollars. On the contrary, China's export of yarn to the USA has increased significantly during the mentioned year, i.e. by 28.29%. So, it seems China's focus is shifting toward higher value-added intermediate goods than on apparel.

Another interesting fact is that the unit price comparison of US's apparel sourcing from major sourcing countries shows that China offers the lowest unit price to the USA in the world.

As per the latest data of April 2019, the import price per SME from China was $2.30, whereas from Bangladesh it was $2.79, from Cambodia $2.52 and from Honduras $2.70! So, the lowest price may itself give resilience to Chinese products to withstand the shock.

The price dynamics also reveals an interesting picture. Apparel export price of China to the USA declined by 1.37% in 2018 and 1.85% during January-April of 2019, whereas apparel import price from Bangladesh has increased by 2.05% and 5.03% respectively. The same comparison for Vietnam shows 2.16% and 1.05% respectively. This reveals the inherent resilience of the Chinese apparel industry to deal with such tariff shock.

Meanwhile, the demand for clothing in the US market is picking up as the US economy is bouncing back strong. US's apparel imports during January-April of 2019 have increased by 5.75% on a year-over-year comparison. The increase in 2018 was 3.02%. So, the additional demand created in the US market may partially offset the negative impact on China's export to the USA.

The possible diversion of trade from China caused by the punitive tariff may also be subject to a number of other factors like changes in the Yuan exchange rate and use of advanced technologies and robotics.

Now considering the trade war as an opportunity for Bangladesh, we need to look at the export similarity between Chinese and Bangladeshi products exported to the USA. An analysis shows that out of the top 30 items exported by China to the USA, Bangladesh competes on 16 items.

The performance of these 16 items shows that Chinese export of these items during 2014-2018 declined by 11.84%. Bangladesh's export of these items also had dent by 12.28%, whereas Vietnam was apparently the gainer as it registered 16.82% growth. The share of these 16 items of the total apparel exports to the USA by China was 45.12%, Bangladesh 76.70% and Vietnam 53% in 2018.

The summary is that the additional tariff will have an impact on China's clothing trade with the USA, but there are other factors which may substantially absorb the shock. So, the additional tariff may not serve as an advantage as it is expected for Bangladesh.

Source: textiletoday.com.bd- June 25, 2019

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Egypt upgrades upstream textile

Egypt is upgrading its upstream textile industry aiming to support the country's upstream manufacturers' competitiveness in global markets. The restructuring program aims at restoring Egypt's prominent position in the world market and capitalising on the globally renowned fine Egyptian cotton fiber.

The program includes: modernisation of spinning, weaving, knitting, dyeing, finishing, printing and confection, based on a product line definition which brings forth added value to Egyptian cotton, from cotton farming to readymade goods with world class levels in terms of quality and efficiency.

The total value of the program includes around 7,80,000 new spindles and 1,250 new looms, dyeing, printing and finishing machinery and state-of-the-art cutting and sewing equipment.

The investments will stimulate the dynamism for upgrading technology in the entire industry and ensure a continual increase in productivity as well as technical and management skills, to maximise value creation within the Egyptian textile value chain. It will affect Egypt's vertical integration and competitiveness.

Egypt's upstream textile industry is trying to become a major regional sourcing hub in the Mediterranean region. Egypt's textile and clothing sector is the most integrated on the African continent. The apparel sector is the country's most important industrial sector.

Source: fashionatingworld.com- June 25, 2019

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Made in Vietnam: US-China tensions spark a manufacturing shift but not without growing pains

Multinational companies are starting to question whether it's time to shift production out of China due to the ongoing trade war between Washington and Beijing.

Many firms are already making the move to other countries, with Vietnam as one of the major beneficiaries of tensions between the world's two largest economies.

President Donald Trump is set to meet with Chinese President Xi Jinping at the G-20 summit in Japan later this week, where the two leaders are expected to restart stalled trade talks.

However, if talks were to prove unsuccessful the White House has threatened to place 25% tariffs on an additional $300 billion worth of Chinese goods, essentially all remaining imports into the U.S. from China.

Some companies, such as Brooks Running — which is part of Warren Buffett's Berkshire Hathaway — are not waiting to see if the additional China tariffs will go into effect. CEO Jim Weber said back in May that Brooks would be "predominantly in Vietnam by the end of the year." He also said about 8,000 jobs will move there from China.

Such relocation plans raise the question of whether Vietnam can become the new China. CNBC's Carl Quintanilla reports from Hanoi, ahead of the Trump-Xi meeting, with a look at Vietnam's manufacturing boom and whether it can be sustained.

Vietnamese firms are starting to grow to try to accommodate the influx of companies, mostly apparel and shoe makers.

Textile firm TNG Investment & Trading told Quintanilla that it's never seen an expansion like this before. Last year, the firm hired 3,000 employees, bringing its total to 15,000.

TNG's Linh Nguyen said it had to build an apartment complex just to accommodate the additional employees. "In order to grow the business, it's more important for us to build a home for the people than actually building a factory."

The demand for technical skills is growing in Vietnam, and the Vietnamese government has a goal of training 2 million people in vocational schools.

More than 90% of students trained in technical skills, such as welding or making electronics, can get hired, said professor Nguyen Quang Huy. He told CNBC that it's "very easy to get a job, and a lot of companies need more people."

However, Vietnam still lacks much of the infrastructure that has enabled China to become a manufacturing epicenter.

Ramping up the ability to transfer goods from Vietnamese factories to ports will be key. Across the country, railroad lines are sparse compared with China's, highways are smaller, and it's still an agrarian economy largely focused on rice.

Vietnam is building a deep-water port that can make transfers easier, but that won't open for another three years.

Source: cnbc.com- June 25, 2019

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S. Korea to apply ICT in textile industry, beef up competitiveness

South Korea will beef up the competitiveness of its textile and fashion industries by helping local firms adopt smart manufacturing solutions and supporting research projects on next-generation fabrics, the industry ministry said Wednesday.

Under the plan, the government will allocate 39 billion won (US$33.7 million) over the 2018-2022 period to help local sewing, dyeing and shoe factories adopt smart solutions to produce on-demand products for clients, according to the Ministry of Trade, Industry and Energy.

The move is in line with the global trend of making customized products for individual clients instead of mass producing pre-designed goods, the ministry said.

The plan also calls for 52.4 billion won to be earmarked up to 2023 for the development of next-generation fabrics that can be used in firefighters' suits and other specialized areas.

Earlier this month, the government announced a vision to turn the country into one of the world's top four manufacturing powers by 2030 by promoting the adoption of smart factories and applying information and communications technology to new growth engines such as textiles and clothing.

Source: en.yna.co.kr- June 26, 2019

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Bangladesh: Government decides to reopen textile mills

More than 600 acres of BTMC lands are unused across the country

Minister for Textiles and Jute, Golam Dastagir Gazi, said the government has taken steps to reopen shut textile mills under the public-private partnership (PPP) scheme.

This will create job opportunities he said, at a program in Dhaka on Tuesday. An agreement was signed to run the Ahmed Bawani Textiles Mills Limited of Bangladesh Textile Mills Corporation (BTMC) in a PPP consortium with Tanzina Fashion Limited.

BTMC Chairman Mohammad Kamruzzaman and Tanzina Fashion Managing Director Hasanul Mujib signed the agreement on behalf of their respective organizations.

The minister said some 636.38 acres of BTMC lands remain unused across the country.

He said: "Better land use and management will stimulate the economy by creating more jobs and driving manufacturing sector growth, apart from helping the textile industries."

Saifuzzaman Shikhor, MP of Magura-1 constituency, Israfil Alam MP of Naogaon-6, a ranking member of the Parliamentary Standing Committee on Textile and Jute Ministry, BTMC Chairman Mohammad Kamruzzaman, former president of BGMEA Siddiqur Rahman, and others were present at the event.

Source: dhakatribune.com- June 25, 2019

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Uzbekistan – potential star of the world textile and apparel industry

Uzbekistan, a country with 448,978 square kilometers area and around 33 million population, is the center of central Asia, which has a very colorful rich culture and heritage. The country also righteously boast for its trading history since it was one of the most important business hubs of the great silk route which connected China with Europe and the Middle East.

The region also has a long track record of producing world class cotton, silk, and wool.

Currently, about 7,000 various types of enterprises are involved in textile-related industries in Uzbekistan. Capacity of cotton fiber production is of 1.4 million tons , of them about 60 percent is used to meet the demand of domestic textile companies.

One of the policy priorities of Uzbekistan, the world's fifth largest cotton exporter, is further development of its textile industry. Annually, the country grows about 3.5 million tons of raw cotton, produces 1.1 million tons of cotton fiber.

Uzbek textile products are exported to more than 55 countries. The main export markets are the CIS countries, primarily Russia, as well as the countries of European Union, Latin America, Korea, China, Bangladesh, India, Singapore, Iran, Israel, the United States etc.

In 2018, some new markets were developed like Pakistan, Georgia, Croatia, Nigeria and a number of other countries.

These countries account for more than 51% of all deliveries, 21% are exported to South Asia, over 12% to Europe, 8% to the Middle East and Africa. It is estimated that the export of textile products in 2018 was US$ 1.6 billion which has been experiencing steady growth.

Upon assuming power in 2016, President Shavkat Mirziyoyev began putting in place economic, financial and foreign policy reforms in Uzbekistan. Within a year, the world's financial and monetary agencies have retained a positive view of Uzbekistan.

According to the World Bank estimates, its annual GDP growth surpassed 6%. The World Bank has praised Uzbekistan's rise in doing business rankings.

For many years, Uzbekistan Textile Industry has suffered for the embargo on its products due to alleged forced labor. Many international brands have stopped using Uzbek cotton.

Thanks to successful a dialogue between Uzbek government and the International Labor Organization as well as other stakeholders, the issue has been resolved and Uzbekistan has started to get its benefits.

Foreign Direct Investment (FDI) has been growing in the country due to policy reforms and government initiatives. Foreign investments in the textile industry of Uzbekistan for the last years amounted to $3.1 billion. Over 80% of the foreign investments are coming to South Korea, Turkey, India, Switzerland, Singapore, Britain, and Germany.

Uzbekistan is the sixth largest cotton producer in the world. Its raw cotton exports of around US$ 300 million, accounted for 28% of the country's total textile exports. Cotton yarn exports at US$ 500 million accounted for 44% of total textile exports.

Total textile exports from Uzbekistan is US$ 1.11 billion. The Uzbek government has announced plans to reduce the export of raw cotton and increase the processing in the domestic market as local value addition.

Presently more than 150 textile and garment manufacturing facilities are active in Uzbekistan, of them 50 is running with 100% foreign capital. Textile and garment knitting enterprises account for 4.6% of the country's GDP.

Due to its abundance of easily available raw materials, moderately educated good number of workforce, attractive energy price, proximity to markets of Russia and Eastern Europe/former Soviet Republics, global textile and readymade garment (RMG) players have been showing positive interest on Uzbekistan which is ready to be the next star of world textile and apparel industry. This is indeed time for Uzbekistan!

Source: textiletoday.com.bd- June 24, 2019

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Nigeria spends $4 billion to import textiles yearly

The Director-General of the Association, Mr Hamma Kwajaffa, said on Wednesday in Abuja that most of the imported textiles could be found at Kantin and Kwari in Kano and Balogun and Oshodi in Lagos.

In a statement, he said: “Influx of smuggled goods continues to flood major textile markets in Lagos and Kano states; textile importation do not only undermine the local Industry but steal our jobs.”

“It deprives government of revenue; it is a drain on Nigeria’s precarious foreign exchange reserves,” he said.

He said that Nigeria had the potential to produce for the local market and to export to the ECOWAS market of 175 million people.

He said that Nigeria also have the potential to produce for the United States under AGOA and EU GSP scheme which Kenya, Ethiopia, Lesotho, Madagascar and a numbers of African countries are already exploiting.

Kwajaffa said that textiles used to be Nigeria’s foremost industry, being the second largest Employer after government and utilizing indigenous raw materials such as cotton.

However, he said that despite government’s intention to revive the sector, the reality on ground continues to be worrisome.

“The prevailing unprecedented harsh environment has dealt serious on the already fragile industry.

“Unless government takes urgent steps to address key issues raised by the industry, the ray of hope that had arisen from the recent government Initiatives may get extinguished.

“Other developing countries are helping their textile industry in many ways due to its high employment potential.

“Nigeria’s huge population of over 165 million people represents a large natural market for textiles.”

According to him, India, which is the second largest textile producer in the world after China, recently announced 1 bn dollars incentive package for the textile and apparel industry to create 10 million jobs in three years.

“We commend the interest shown by the government in reviving the Nigerian textile industry in the past 6 months.”

He said the industry has listed eight specific issues to the notice of government to intervene within the ambit of existing policy framework whereas some require new initiatives.

“ Re-scheduling of the CTG loan facility by the Bank of Industry to 10+2 years was agreed by the government and for this to be effective, a notification is still awaited.”

He called on government to review the tariff on gas supplied to the industry in Naira to make it affordable.

He said that scarcity of black oil has crippled the operations of the textile mills in the North, adding that there is need to ensure availability of the oil to the textile mills through direct allocation from Kaduna and other refineries.

He also called for consistent supply of certified seeds to ensure adequate supply of cotton to local textile industry.

Under the dual exchange rate policy being currently pursued by the industry, the director general called on CBN to allocate forex at official rate for the industry to import of essential raw materials by the textile mills.

He charged the government to persuade its MDA’s to source all their uniforms from the local textile mills.

He also called on government to checking the influx of smuggled goods and action against counterfeit textiles which fake the Nigerian trade marks in an effective manner.

According to Mr. Jaiyeola Olarewaju, the former Director General of NTMA, said the benefits from a competitive textile industry in Nigeria are numerous.

Olarewaju said that greater demand for cotton would boost the income of Nigerian farmers.

“Government needs to walk the talk and fulfill the assurances given to the sector.”

Source: globalnewsng.com- June 25, 2019

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Bangladesh: Time for RMG, textile sectors’ reduced tax rates extended

The National Board of Revenue has issued two separate notifications extending the effectiveness of the reduced corporate income tax rates for the readymade garment sector by one year and for the textile sector by three years.

According to a statutory regulatory order issued on Sunday, export-oriented apparel makers both from woven and knitwear sectors will continue to enjoy corporate tax rate at reduced 12 per cent up to the next fiscal year of 2019-2020.

The tax rate, however, for entrepreneurs having internationally recognised green building certification for their factories, will be 10 per cent while the tax rate for the other companies will be 12 per cent.

The NBR, in another SRO issued on Sunday, said that textile sector would enjoy corporate income tax rate at 15 per cent for another three years up to July, 2022.

Entrepreneurs who are involved in yarn production, dying, finishing, coning, fabrics production, fabrics dying, finishing, printing and other similar activities will enjoy the benefit.

Generally, corporate tax rate in the country is 25 per cent for publicly listed companies and 35 per cent for non-listed companies.

The textile sector has been enjoying the reduced tax rate since 2015.

The NBR tried to increase the tax for the RMG sector to 15 per cent in FY18 but failed due to strong lobbying from the businesses in the sector.

In the proposed budget for FY20, the NBR has also reinstated source tax on export earnings by apparel makers to 1 per cent as the tenure of reduced rate at 0.25 per cent is set to expire on June 30.

Source: newagebd.net- June 26, 2019

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NATIONAL NEWS

India plans to offer incentives to firms moving out of China amid trade war

Financial incentives such as preferential tax rates and the tax holiday provided by Vietnam to lure companies are among measures being considered

India is weighing offering incentives to attract companies moving out of China amid its trade war with the US, a person familiar with the development said.

Financial incentives such as preferential tax rates and the tax holiday provided by Vietnam to lure companies are among measures being considered, the person said, asking not to be identified as the discussion is still private. Industries identified for incentives include electronics, consumer appliances , electric vehicles, footwear and toys, according to a trade ministry document seen by Bloomberg.

Economies, including Vietnam and Malaysia, have benefited from businesses trying to sidestep tariffs, while India has largely missed out on any investment gains. The trade ministry's effort is part of a larger plan to cut reliance on imports, while boosting exports, and needs Finance Minister Nirmala Sitharaman's approval.

The trade ministry didn't immediately respond to an email and a call seeking comment.

Other measures include setting up affordable industrial zones across India's coastline and giving preference to local manufacturers in government procurement as an incentive to win over companies looking for an alternative production base, according to the trade ministry document circulated to stakeholders.

The plan will help grow India's manufacturing base and will aid Prime Minister Narendra Modi's flagship 'Make in India' initiative, which aims to boost manufacturing to 25% of the economy by 2020. Doing that will help India narrow its huge trade deficit with China, its largest commercial partner.

A sector-wise analysis by the industry department, which oversees the foreign direct investment policy, shows investments by Chinese companies can flow into smartphones and components manufacturing, consumer appliances, electric vehicles and parts, and daily use items like bed linen and kitchenware, 95% of which are currently imported from China.

There is also an effort to step up exports in sectors vacated by the US due to the trade standoff. The government has identified more than 150 items where it feels exporters can increase business with China. Some of these are prepared or preserved potatoes, synthetic staple fibers of polyesters and t-shirts, hydraulic power engines, and supercharger for motors.

Source: business-standard.com - June 25, 2019

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Taking India's exports to $1 trillion in 3 years: Here's how to do it, suggests exporters' body

The government's focus to improve logistics, ease of doing business and modern trade infrastructure will help exports to touch USD one trillion in the next three years, exporters body FIEO said Tuesday. Federation of Indian Export Organisations (FIEO) President Ganesh Kumar Gupta said India has huge potential to boost it's exports of goods and services from the current USD 535 billion.

"With steps like special focus on cutting logistics cost and time, further improvement in ease of doing business, proper implementation of government policies for exporters and timely refund of taxes will helps us touch USD one trillion exports in the next three years," Gupta said. He said the logistics time, cost and inadequate trade related infrastructure are impacting the exports.

Reduction of logistics cost by 10 per cent will help boost the country's exports by about 5-8 per cent, Gupta added. He also said that to develop logistics sector in an integrated way, it is important to focus on new technology, improved investment, skilling, removing bottlenecks, improving inter modal transportation, automation, single window system for giving clearances, and simplifying processes.

Gupta also that timely refund of taxes such as goods and services tax will help exporters deal with the liquidity crunch problem.

There is also a need to focus on export of GI products and the government should give adequate funds for marketing of these goods to push their shipments, he added.

A Geographical Indication (GI) is primarily an agricultural, natural or a manufactured product (handicrafts and industrial goods) originating from a definite geographical territory. Typically, such a name conveys an assurance of quality and distinctiveness, which is essentially attributable to the place of its origin.

Source: financialexpress.com - June 25, 2019

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Export-led growth, 8-10% GDP critical for good jobs, says Arvind Panagariya

He stressed that there is not a single country which has grown on a sustained basis at rates of 8-10% for 2-3 decades without very rapid growth in trade

India's economy needs to grow at 8-10 per cent annually if good jobs have to be provided to those joining the workforce, eminent economist Arvind Panagariya has said, emphasising that an export-led growth is very critical for creation of good jobs in the country.

Panagariya, who served as the first Vice Chairman of the NITI Aayog from January 2015 to August 2017, underscored that for trade to grow, the country has to be open.

As tariffs are going up on many different items, he said the "whole idea of turning back to import substitution turns the clock back (for India). It is on the back of trade liberalisation and very rapid export expansion during the 2000s onwards that the (Indian) economy really began to grow at this very rapid rate."

"We have to return to becoming an export-led growth country," Panagariya, delivering the keynote address at a panel discussion on 'Economic Priorities for the New Government' of Prime Minister Narendra Modi, said Monday.

Panagariya, Director at the Raj Center on Indian Economic Policies at Columbia University, said that the Indian economy grew at a "very impressive" rate of about 7 per cent plus during the 15-year period from 2003-04 onwards. In the last five years of Modi's first term as Prime Minister, the growth rate was a robust 7.5 per cent.

"But we need to get to 8-10 per cent if good jobs are going to be provided. The export-led growth is also very critical for good jobs, he added.

He stressed that there is not a single country which has grown on a sustained basis at rates of 8-10 per cent for 2-3 decades without very rapid growth in trade.

He further emphasised that by increasing exports, imports will also automatically grow "because the whole point of exporting is so that you will import in return."

The panel discussion was organised by the Consulate General of India in New York in partnership with the Deepak and Neera Raj Centre for Indian Economic Policies and the US-India Strategic Partnership Forum (USISPF).

Panagariya added that he has always maintained that India's problem is not unemployment but low wages.

"The debate hovers around the unemployment rate - even if you take the latest unemployment rate which is seen as the highest ever in 45 years at 6 per cent. Unemployment is not the huge problem in India, low wages is, he said.

He elaborated that a lot of the employment in India is self-employment.

"So about 44 per cent in agriculture and then of the remaining almost 75 per cent of the employment is in these companies which have five workers or less. They are hardly companies. What that translates into is a very low level of productivity, very low level of wages. These are what are called the mom-and-pop enterprises, he said.

He asserted that unfortunately in India, there is a huge preoccupation with micro and small enterprises and there are hardly any medium and large firms.

"We need to have medium and large firms. This is where the whole link to exports is very important, he said adding that it is the medium and large firms that give boost to export activity and compete with the best in the world.

Going forward, India also needs cleaning up of the Non-Performing Assets and in the next five years, privatisation of banks has to be on the government's agenda.

Panagariya also made a strong case for creating Shenzhen-style Autonomous Employment Zones that create zones of 500 square kilometers or more along the coast that are characterized by highly entrepreneur-friendly regime with respect to land, labour and international trade to boost economic growth in the years to come.

Source: business-standard.com - June 25, 2019

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Importers do not need state-wise registration under GST regime

The AAR, Maharashtra, in two recent rulings, said that these companies do not need a separate registration in each state and that a registration where their headquarters are located would be enough

Importers with godowns or those which store goods at customs warehouses in different states got relief from the advance authority of ruling (AAR) under the goods and services tax (GST) regime.

The AAR, Maharashtra, in two recent rulings, said that these companies do not need a separate registration in each state and that a registration where their headquarters are located would be enough. These firms can sell products in different states and raise invoices against their head offices, it ruled.

Harpreet Singh, partner at KPMG, said in one of the cases, the petitioner — Aarel Import Export —noted it has a head office in Mumbai and is exporter and importer of products such as black matpe, toor whole, pet coke, and agarbatti.

The applicant wished to import coke from Indonesia at Paradip port in Odisha. The item would be stored at Customs warehouse at the port. It wished to sell coke to customers in Odisha from the said warehouse but wanted to clear the bill against Mumbai office by paying customs duty, if any, and IGST.

The AAR held that no separate registration is required in Odisha. It also held that the place from where the applicant makes a taxable supply of goods shall be his location — Mumbai office in this case.

Since the applicant does not have any godown or place of business in Odisha, it can clear goods on the basis of an invoice issued by the Mumbai headquarters. It also stated that the applicant can mention the GSTIN of Mumbai office in the e-way bill and dispatch place as Paradip Port.

In the other case, petitioner Gandhar Oil Refinery (India) Ltd said it carries out manufacturing activity from its plants located at Silvassa and Taloja in Maharashtra.

The company is engaged in the trading activity of non-coking coal and carrying out businesses from many states. Here also, the AAR held that the applicant need not take separate registration in each state where the goods are imported and stored in godowns.

Source: business-standard.com - June 25, 2019

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Govt will release draft national retail policy in 10 days: DPIIT Secretary

The DPIIT is the new nodal agency for domestic trade (including offline and online retail) after the subject was shifted from the consumer affairs ministry in February

The government will release a draft policy on retail trade in 10 days as it seeks to quickly implement the promises made in the election manifesto of the Bharatiya Janata Party (BJP).

In a meeting with key retail associations and trade bodies on Tuesday, Ramesh Abhishek, secretary of the Department for Promotion of Industry and Internal Trade (DPIIT), said the policy would address central and state-level issues faced by retailers and would look at promoting fair and honest trade.

The DPIIT is the new nodal agency for domestic trade (including offline and online retail) after the subject was shifted from the consumer affairs ministry in February. For months, offline retailers and traders have been lobbying hard for a national retail policy to protect their business from the growing influx of e-commerce.

The final policy on retail trade is likely to be out in September after views of all stakeholders are taken into account, a retail industry official privy to developments said.

Participants in Tuesday's meeting included the Retailers Association of India (RAI), the Swadeshi Jagran Manch, the Confederation of All India Traders (CAIT), the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry among others.

At the meeting, both the RAI and the CAIT asked that laws be suitably modified to enable ease of doing business for retailers, especially the issue of multiple permits and licences needed for running retail establishments in the country. Almost 28 different licences and permits, said industry officials, are required to set up a retail business in the country, since it remains a state subject.

The draft national retail policy is expected to address this issue head-on, said industry sources, as this remains a key pain point for most retailers.

The RAI also asked that retail be included in the development plan of cities so that retailers could be given proper infrastructure, logistics and warehouse support. The CAIT, meanwhile, said traders required easy access to finance so that they could focus on growing their business.

"Since the government is keen to promote digital payments, bank charges on card payment transactions should be subsidised to promote their use at retail outlets. We have also suggested that a provision be made for a trade commissioner and for the formation of trade tribunals in each state to resolve disputes between traders," the CAIT's National Secretary General Praveen Khandelwal said.

The CAIT also said there was a need to modernise retail trade and that skill development of traders should find a place in the policy.

Source: business-standard.com - June 25, 2019

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India May garment exports up 14 per cent

India's readymade garment exports rose 14.05 per cent in May 2019 compared to the same month last year. In 2018-19, exports dropped 3.43 per cent compared to 2017-18. After the introduction of GST and demonetisation, Indian products became costlier and exports started declining.

Exports decreased year-on-year in the last two financial years. In the last six months, the average export growth was about 31.15 per cent over the corresponding period in 2017-18. From October 2018, exports increased by 12 per cent. The sector is finally turning the corner after stagnancy or slight de-growth.

Bangladesh is becoming expensive and Vietnam is showing signs of reaching the peak of its capacity. China is exiting the textile sector. All this is helping Indian exports.

Reduction in costs delivered by a refund of central and state taxes, new benefits under the Merchandise Exports from India Scheme and the renewed two per cent duty drawbacks have made the industry more competitive. The other advantages for India are design, value addition and skill.

Though Indian products are costlier by 10 to 15 per cent, buyers are still interested in sourcing from the country. Since it is not about the cost alone, but quality and speedy delivery, if India can improve on this, the country can once again emerge as a strong competitor.

Source: fashionatingworld.com - June 25, 2019

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India ready to engage with other nations on data, FDI, e-commerce on reciprocal basis: Piyush Goyal

E-commerce policy will be ready within a year, says Minister

India wants to engage with other countries on data, e-commerce and Foreign Direct Investment (FDI) but there has to be reciprocity, Commerce & Industry Minister Piyush Goyal has indicated in a meeting with e-commerce players.

Goyal also said that the e-commerce policy, which the government has been working on for some time, will be ready within a year and his Ministry was building the institutional framework for it, an official told BusinessLine.

The meeting, attended by both Indian and foreign e-commerce companies including Amazon, Flipkart, Urbanclap, Make My Trip, Medicabazaar, Yatra, Shopclues, Snapdeal, Grofers, Swiggy and Udaan, on Monday, discussed ways to bring about convergence of interests of e-Commerce platforms and small retailers.

“In the meeting the Minister emphasised that India was open to discussing issues related to data, e-commerce and FDI with other countries but whatever it would offer in the area would be on a reciprocal basis,” the official said.

India's willingness to show flexibility on e-commerce and data issues is important especially with major trade partners including the US and the EU pushing for it. US Secretary of State Mike Pompeo, who will be in New Delhi this week, is also expected to raise the issue of data localisation and e-commerce rules.

On the e-commerce policy, the Minister assured that enough time will be given to all stakeholders to adapt to any changes that may be required. Moreover, all changes will be prospective and nothing will be implemented with retrospective effect.

Goyal asked the Department for Promotion of Industry and Internal Trade (DPIIT) to immediately form a committee headed by Additional Secretary in DPIIT, with representatives of Department of Commerce, Ministries of MSME, Consumers Affairs and legal experts as members. The committee will hear grievances and provide necessary clarifications on any issues related to e-commerce.

On provisions of the Press Note 2, which has been criticised by several big players including Amazon and Flipkart, Goyal said that it was merely clarificatory and no changes should be expected on these.

The clarifications were announced specifically to plug loopholes in the policy that were being exploited by some FDI-funded marketplace players.

Goyal also said that the Ministry will look at ways of facilitating sale of India's handicraft and handlooms through e-commerce platforms.

Ministers of State Hardeep Singh Puri and Som Parkash, India's Ambassador to the WTO J S Deepak, Secretary DPIIT Ramesh Abhishek, Secretary Department of Commerce, Anup Wadhawan and senior officers of both departments also attended the meeting.

Source: thehindubusinessline.com- June 25, 2019

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Rationalise GST rates

Amid slowdown, over 3 lakh MSMEs in North are expecting favourable reforms. Besides, they want Finance Minister Nirmala Sitharaman to lend an impetus to research & development and improve export-import policies

Over 3 lakh Micro, Small and Medium Enterprises (MSMEs), which form the backbone of the North's manufacturing sector, have their eyes on the Budget. Amid slowdown, they are expecting favourable reforms to boost the growth of the manufacturing sector.

Though a revision of Goods and Services Tax (GST) rates is not part of the Budget, the industry also wants the taxes to be rationalised. The Tribune spoke to the industrialists involved in the manufacturing sector to figure out their Budget wish list.

Textile & apparels

The Rs 50,000-crore textile industry of North India has specialised manufacturing clusters — Ludhiana in Punjab, Panipat in Haryana and Baddi-Barotiwala-Nalagarh belt of Himachal. With countries such as Bangladesh and Vietnam overtaking India in the apparel sector due to free trade agreements with the US and Europe, local manufacturers wish for similar pacts to boost the exports, besides reduction in duty.

"The government should reintroduce duty-free import of fabric up to 5 per cent of the Free-on-Board (FoB) value as import tariffs on textile inputs have been significantly increased from 10 per cent to up to 25 per cent for several fabric products in the last one year," Apparel Export Promotion Council Chairman HKL Magu said.

Cycle industry

Ludhiana is the hub for bicycle manufacturing in the country. According to the Indian Bicycle Manufacturers Association, Ludhiana has been producing over 1.5 crore bicycles per annum with support of small and medium ancillary units. The manufacturers wished that the government should bring incentives to bring down the prices of entry-level products (cycles). Also, there should be 18 per cent GST on raw materials and 12 per cent on finished bicycles.

Auto components

As the demand for automobiles continues to remain under pressure for several months now, manufacturers of auto components expect steps to give a fillip to the sector. “The government should introduce a subsidy scheme for technology upgrade for MSMEs in the engineering sector on the lines of TUFs in textiles. It should bring down the GST on auto parts from 28 per cent,” said SC Ralhan, former president, Federation of Indian Export Organisations.

Pharma sector

To boost the manufacturing of APIs or bulk drugs, the government needs to help create infrastructure of global capacities, said pharma representatives. In North, the units are concentrated in Baddi-Barotiwala-Nalagarh belt in Himachal Pradesh with an annual turnover of around Rs 40,000 crore. “The Centre should set up an ‘API Monitoring Cell’ to check prices and quality of imported and domestic manufactured ingredients. There should be budgetary allocation for MSMEs to conduct research and development,” said Arun Rawat, partner, Kanha Biotech.

Sports industry

The Rs 1,600-crore Jalandhar-based sports goods industry seeks a cottage status. Many of these units operate from homes by skilled workers. They want relaxation in labour laws and GST.

Source: tribuneindia.com- June 25, 2019

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Textile processors forced to cut down production

Prevailing recession in textile industry has forced owners of textile processing units in GIDCs of Sachin and Pandesara to keep their units shut for three days in a week to cut down on production and overproduction of finished polyester fabrics.

A few small processing units have announced temporary closure due to various factors, including Goods and Services Tax (GST), weak demand of polyester fabrics and labour issues for the last few months.

There are about 350 textile processing units in Sachin, Palsana, Kadodara and Sachin employing over 2.5 lakh textile workers. The grey or unfinished fabrics manufactured by powerloom weavers are sent for finishing at the textile dyeing and printing mills for final finishing.

Sources said demand for polyester fabrics is on lower side in the country for a very long time. Issues related to GST, filing of returns, ITC-O4 and refund of input tax credit (ITC) have been pending for last many months.

South Gujarat Textile Processing Association president Jitu Vakharia said, “The textile processing sector has no work at all. Supply of grey fabrics from the textile market has reduced by almost 60%.

Traders are facing a gamut of issues concerning GST and liquidity crisis etc. Textile processors are forced to keep their units shut for three days in a week. Labourers, who had gone to their native villages after March, are yet to return. Embroidery and weaving units are facing severe shortage of workers.”

A textile processor, who didn’t want his name to be published, said, “The textile industry is in the doldrums because of GST and demonetization. The working capital of the processors has evaporated and there are no funds left with them to operate the units.”

Source: timesofindia.com- June 25, 2019

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Energising the MSME ecosystem

Reduced interest rates, less collateral, and improved access to credit will give a boost to the sector

India's micro, small and medium enterprises (MSME) sector, known as its engine of growth, contributes 31 per cent of its GDP, 45 per cent of exports, employs over 124 million people and creates nearly 1.3 million jobs every year.

The entrepreneurial growth and development they contribute are not restricted to the urban areas only. Of the 55.8 million MSMEs, 59 per cent are based in rural India.

But the absence of adequate and timely bank finance, high cost of credit, non-availability of suitable technology and over-regulation impede the growth of this sector.

Among the aforementioned constraints, the availability of finance and financing costs are the two key factors that directly impact the growth and survival of the manufacturing and services MSMEs.

As per the IFC report 2018, the overall finance demand by MSMEs is estimated to be about ₹87.7-lakh crore of which about ₹69.3-lakh crore is the debt requirement. Of this, about ₹48.5-lakh crore is required for working capital and ₹20.8-lakh crore is the capex investment required for fixed assets.

But of the total debt requirement of ₹69.3 lakh crore ($1.07 trillion), only ₹10.9 lakh crore is raised from formal sources and as much as ₹58.4 crore is raised from informal sources.

Though private and public banks, NBFCs and FIIs all make up the formal financial ecosystem to provide the desired capital, there is a huge gap in catering to the financing requirement of the MSME sector leading to most MSMEs preferring to raise capital from informal resources. This preference is due to ease of access, speed of disbursal and need of minimal documentation.

The Modi 2.0 government should focus on the following measures to enhance credit access to MSMEs.

Availability, interest rates

The RBI should consider a minimum of 200 basis point reduction in rates and enable banks to triple credit growth to MSMEs. To create the industries of the future, access to long term funding is crucial at competitive interest rates. The irony today is that an individual can purchase a luxury car worth crores through bank/NBFC financing within a day, but an MSME entrepreneur cannot purchase a machine for the same value without onerous requirements and the personal guarantees of promoters.

By offering differential Cash Reserve Ratio and Statutory Liquidity Ratio for banks lending to the MSME sector, improving credit availability and taking remedial measures to enhance the effectiveness of the Credit Guarantee Scheme, the RBI can help the MSME sector create 20-25 million new jobs over a few years, curtail inflation and improve export competitiveness.

In sync with the limited liability principle, collaterals sought by banks from MSMEs should be limited to 133 per cent of the exposure rather than insist on unlimited collateral. Personal guarantees should be taken only in the case of collateral shortfall and not where enough collateral is available from a firm’s resource.

In case of collateral shortfall, personal guarantees must be taken from whole-time and executive directors only and not from external directors who provide guidance and have no role to play in the day-to-day operations of the business. Bank officials should be insulated from honest failures.

The requirement to return bank guarantees (BGs) to close the claim period needs to be removed. The sanctity of the claim period as stated in the BG should be honoured and any existing anomalies removed.

Charges for the BGs for over two years should be debited on an annual basis and not upfront. This step will ease cash flow pressures on the MSMEs. Annual BG charges for long-term loans should be lower for subsequent years in line with the diminishing effort required by the bank.

Policymakers should also consider discounts on normal margin facilities for MSMEs with no defaults with low risk profile, on the lines of the "no-claim bonus" for insurance premiums.

Akin to London Stock Exchange, other global stock exchanges should also be invited for easy and affordable equity. More social venture funds must be encouraged and the IPO process simplified to encourage more companies to access capital markets.

The results of the recently concluded elections show the confidence of Indians in the BJP government and PM Narendra Modi. Apart from other policies, it's time for Modi 2.0 to free MSMEs from the challenges on hand to create a 'Nirmukt' manufacturing ecosystem that can propel the Indian economy and empower MSMEs to make a difference globally.

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