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

IBTEX No. 189 of 2019 September 26, 2019

US 70.89 EUR 77.69 | GBP 87.66| JPY 0.66

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
19856	41500	**74.58**

Domestic Futures Price (Ex. Warehouse Rajkot), October

Rs./Bale	Rs./Candy	USD Cent/lb
19590	40943	**73.58**

International Futures Price

NY ICE USD Cents/lb (December 2019)	60.45
ZCE Cotton: Yuan/MT (January 2020)	12,595
ZCE Cotton: USD Cents/lb	80.11
Cotlook A Index – Physical	**71.40**

Cotton Guide: Usually Wednesday's bring in low volumes. The reason why we see low volumes on Wednesday is that the market waits for fresh data from the US Export sales Report that is released on Thursday evening 6 pm IST [or early morning for the western countries]. Trade then becomes very active to immediately book profits or take a position to increase profits in the upcoming futures. Yesterday was no different with the total volumes at 16,326 contracts which are once again below the 20K mark.

The ICE December contract settled at 60.45 cents per pound with a change of +5 points. A similar situation was encountered for all the contracts where the gains were irrelevant which confirms that international cotton futures are in a strong consolidated phase. However, the numbers that the US Export sales figures will bring out should make the market jittery. We are not expecting a very drastic change once again in the upcoming report today.

The MCX contracts on the other hand showed a rise in prices. The MCX October contract which still bags the highest volumes at 1,060 lots settled at 19,590 Rs per Bale with a change of +90 Rs. The MCX November contract settled at 19,110 Rs per Bale with a change of +40 Rs.

The MCX December contract settled at 19,030 with a change of +50 Rs. Although with higher prices currently prevailing [which was unexpected], the contracts could be back under pressure soon. The advent of CCI into cotton procurement activities this year could push the Futures and the domestic prices higher.

The cotlook Index A has been updated at 71.40 cents per pound with a change downwards at -55 points. The Prices of Shankar 6 are strongly held at 41,500 Rs per candy.

For today, the export sale registration figures will display the situation of demand in the market. We are of the view [for ICE] that weakness is set to continue with Fundamentals and other extraneous factors overpowering the bullish sentiments [if any].

On the technical front, ICE Cotton Dec future continued to consolidate near the support zone of 60.00-60.60 since last five trading sessions. In the daily charts price is moving near the lower band support of the intermediate upwards sloping channel (60), which coincides with 50.0% Fibonacci retracement of the recent uptrend. Earlier price has crossed the downward sloping channel and moved above the consolidation phase. At present Dec future is hovering around the DEMA (5, 9) at (60.37, 60.59), with momentum indicator RSI is at 50 levels, suggesting a sideways trend.

However, on the upside immediate resistance exists at 61.60, followed by 62.77 (76.4% Fibonacci retracement level) and the immediate support would be 60.00 and 59.20. So for the day price is expected to move in the range of 60.00-61.60 with sideways bias. In the domestic market MCX Oct future is expected to trade in the range of 19400-19840 with a sideways bias.

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

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INTERNATIONAL NEWS

China Tariffs Could Spell Double Trouble for Importers—Here's How

While brands and retailers are scrambling to figure out how to cover the cost of new tariffs, mulling whether to raise prices or reduce staff when the former is undoubtedly met with resistance, many are overlooking another critical cost: increased customs bonds.

Importers bringing goods into the United States have to prove to U.S. Customs and Border Protection that they can cover the costs of duties, taxes and any other fees associated with an import shipment valued at more than $2,500. The bulk of those bonds are continuous or annual bonds, which must cover 10 percent of all duties paid to Customs for the year.

The problem now is that with new punitive tariffs, the costs for those bonds are increasing—which also means companies' borrowing power will be decreasing. And in the face of a possible recession, the position could prove unfavorable for many.

If a company imports $50 million in first cost from China and pays $5 million in duties a year, it needs to secure a Customs bond valued at $500,000 to cover the 10 percent of those duty costs.

With new 15 percent Tranche 4 tariffs in place, and a 5 percent increase on already-in-place Tranche 1, 2 and 3 tariffs set to take effect on Oct. 15, raising those tariffs to 30 percent, companies will have to head back to the bank to increase their bond collateral in line with the tariff hikes.

When faced with new 15 percent tariffs, the same company importing $50 million worth of goods from China face paying $12.5 million in duties (15 percent of $50 million is $7.5 million, plus the $5 million in duties it was paying already). That means the company would have to secure a new bond valued at $1.3 million (because customs bonds are rounded off to the next hundred thousand), up from the $500,000 bond that previously sufficed.

"Customs is now making you get a new bond because the rolling average is increased," explained Salvatore J. Stile II, president of Alba Wheels Up International Inc., one of the largest leading customs brokerage companies.

And that's on top of whatever existing bond may have been in place. If a company's duties on imports increase from $5 million a year to $12.5 million, it can't simply get another $750,000 bond to cover the difference; a new $1.3 million bond is what Customs requires, according to Stile.

"What happens then is a stacking issue," Stile explained. Until the goods tied to the initial bond are liquidated—liquidation is the final phase of importing, which can take up to 314 days as Customs assesses the correct amount of duty owed for goods brought in—those old bonds have to remain in place.

That means a company in the aforementioned scenario could hold a bond worth $500,000 and $1.3 million at the same time, adding up to a total of $1.8 million counted against its borrowing ability. "The old bond is technically cancelled, but your collateral remains in effect because, until those entries liquidate, the bond companies are still responsible for them."

For companies that were bringing in goods duty free—or even at a more manageable duty rate—from China prior to the tariffs, the change has been jarring. And Customs wants these bonds increased in as little as 30 days.

"A lot of companies are facing a squeeze because they had to get additional borrowing from the bank," Stile said, adding that if there's a recession on our hands, companies may need more money to get out of an unforeseen bind, and banks may be less inclined to lend, or at the very least, stricter about how—and to whom—they're doling out additional funds.

Really, for retail, challenges are coming from all sides: tariffs are up, which could send prices climbing and consumer spending down, and a recession would only exacerbate the damage.

"I've seen a lot of $100 million [importer] companies that are in a bind because they're already taking a hit and they're not getting an increase from the retailers and it's another nail in the coffin," Stile said. "They're flipping out."

Where to go from here

According to Stile, who also consults with high-value hedge funds and private equity firms on market conditions, brands and retailers need to run forecast reports of their rolling average duty costs and add a "little cushion" to that when securing new Customs bonds.

"If you're too conservative on the new bond amount that you think you're going to need, you may have to start all over with the collateral," he said.

"If Customs sends a letter out saying you need a $1.1 million bond, get a $1.3 million bond...if Trump adds another 10 percent tariff and you've underestimated, you're probably going to be stuck needing another increase," Stile concluded.

"That's why it's very important to do planning for the things that may happen."

Source: sourcingjournal.com- Sept 25, 2019

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UK seeks inputs on new economic partnership with Japan

The UK Government on September 20 launched an online 'call for input' from businesses, interest groups and the public to prepare for trade negotiations with Japan after Brexit. The call will be open for six weeks. UK international trade secretary Liz Truss was in Tokyo recently to discuss modalities to start a new economic partnership as soon as possible.

The UK and Japan have already committed to seeking an economic partnership that is just as ambitious, high standard and mutually beneficial as the existing EU-Japan Economic Partnership Agreement (EPA).

The United Kingdom expects a new partnership would go even further in areas of shared interest, according to an official statement.

Truss said businesses should be reassured that there is huge political will on both sides to begin negotiating a new free trade agreement with Japan as soon as possible. There are nearly 1,000 Japanese firms based in the United Kingdom, employing over 150,000 people.

Source: fibre2fashion.com. - Sept 25, 2019

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Asia seeks ways to cope with trade war's hit to China demand

Asian countries are looking for catalysts beyond China to drive their economies as the Sino-U.S. trade war forces Chinese demand for their exports to shrink.

Luring foreign companies to their shores, finding ways to boost domestic consumption and scouring for alternate export markets are part of that policy mix as China's neighbors cope with flagging demand from the mainland, hitherto a large market for Asia in the regional supply chain.

Thailand has unveiled a "relocation package" comprising tax incentives and changes in laws to attract foreign firms.

Malaysia set up a panel to fast-track investments to woo businesses, and said it approved more than $500 million in proposals this month.

Indonesia's central bank cut its benchmark interest rates for the third time in three months last week, while also announcing measures to prop up domestic spending. India and the Philippines have cut rates multiple times.

Exports to China from Asia have slowed this year, prompting the sellers to look for substitute markets. Japan and South Korea saw their exports to China fall in the first half, but their shipments to the United States, United Kingdom and Russia rose during that period.

Malaysia and Thailand's exports to markets such as United States, Singapore and Vietnam grew.

"Efforts to look for unconventional markets have seen an increase in shipments to countries like Chile, Qatar, and Sri Lanka," Bank Indonesia deputy governor Dody Budi Waluyo told Reuters.

"We have diversified our export destinations so we can cover the disappearing shipments to China or to America." A Reuters analysis of eight major economies including South Korea, Indonesia and Taiwan showed the contribution of export revenue from China to the total GDP fell to 8% at the end of 2019's first half, compared with 9.3% a year earlier.

Meanwhile, domestic demand added 0.7 percentage point to Japan's GDP growth of 1.8% in the second quarter, more than offsetting the 0.3 point negative contribution from external demand.

Malaysia's economy saw solid growth of 4.9% in the second quarter, on the back of strong private consumption.

"Economic growth is showing signs of slowing in emerging Asia, partly due to trade tensions. However, domestic private consumption is holding up well," OECD said in a July report.

Click here for more details

Source: reuters.com. - Sept 24, 2019

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Asia's emerging economies are winning US-China trade war

Asia's emerging economies have been the big winners from the US-China trade war and they will gain even more if it escalates, according to the latest outlook from the Manila-based Asian Development Bank.

Exports from developing Asian countries to the US rose by 10 per cent over the previous year in the first half of 2019, even as exports from China fell by 12 per cent. Exports from Vietnam to the US jumped by 33 per cent and from Bangladesh by 13 per cent.

The report shows how the huge trade diversion effects caused by the US-China tariff war are creating winners and losers as they reshape global supply chains, with Bangladesh seizing market share in textiles and Vietnam in electronics.

"Chinese products are encountering tariff measures so exports and production are slowing down. Naturally, suppliers connected to these Chinese exports are also slowing down," said Yasuyuki Sawada, chief economist at the ADB, which lends to developing countries in the region.

"But at the same time we see this rather positive channel through trade redirection," he said, at the launch of an update to the bank's flagship Asian Development Outlook.

The more serious trade tensions get, the bigger the trade redirection effect will become. In a worst-case scenario, with 30 per cent tariffs on all US-China trade plus an extension of the trade war to automobiles, the ADB expects a drag on overall growth in developing Asia of 0.7 per cent over the next few years.

Within that, however, Vietnam's economy would grow by an additional 2.3 per cent, with Malaysia, Thailand, Bangladesh and the Philippines all coming out as winners too. The analysis does not include the impact of uncertainty over trade hurting investment, which could lead to a worse outcome in reality, Mr Sawada noted.

For the region as a whole, the ADB trimmed its growth outlook for 2019 from 5.7 per cent to 5.4 per cent, reflecting the global slowdown, trade tensions and a "sharp contraction" in the global electronics cycle — especially for semiconductors.

The ADB cut its growth forecast for Hong Kong from 2.5 per cent to 0.3 per cent, reflecting the slowdown in global trade as well as political turmoil, and lowered its growth forecast for semiconductor-dependent South Korea from 2.5 per cent to 2.1 per cent.

On the other hand, it raised its growth forecast for Bangladesh from 8 per cent to 8.1 per cent, predicting it will be the fastest-growing economy in the region this year and next.

Mr Sawada said that risks to the region included the US-China trade conflict, the deepening growth malaise in advanced economies as well as a build-up of private debt in some emerging Asian economies.

"The corporate sector in China and the household sector in Korea, Thailand and Malaysia have had a rising debt-GDP ratio. I think this is another risk," he said.

Source: ft.com- Sept 25, 2019

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Stocks pile up with Bangladesh yarn makers

Yarn manufacturers in Bangladesh are grappling with unsold stocks. Demand for locally manufactured yarn and fabrics have fallen amid decreased work orders.

On the other hand, fabrics imported illegally by apparel makers by misusing the bonded warehouse facilities are taking a toll on the sector. It was assumed that work orders would flow into the sector due to the ongoing US-China trade war. But it has not happened as China has offered its manufacturers incentives while fabrics and yarn are entering Bangladesh by way of wrong declarations.

Apparel makers in Bangladesh prefer imported yarn and fabrics, which are cheaper than what's made within the country. Bangladesh's currency has gained against the dollar and eaten up the competitive edge. China and other countries offer better prices on yarn and fabrics as they have devalued the dollar while they have their own cotton against Bangladesh's zero production.

There are 430 yarn manufacturing mills, 802 fabric manufacturing mills, and 244 dyeing-printing finishing mills in Bangladesh. In August, the apparel sector, which accounts for 84 per cent of national exports, witnessed a 11.46 per cent decline. Global buyers are not placing orders as the production cost in Bangladesh has gone up due to the new wage structure.

Source: fashionatingworld.com - Sept 25, 2019

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India's textile exports tumble as Bangladesh, Vietnam get preferred access in EU

India's textile and apparel industry is facing strong headwinds as key competitors such as Bangladesh and Vietnam are given preferred access in India's biggest textile market — the European Union. These could make it increasingly more difficult for India's apparel exporters to maintain their competitiveness in the EU, which accounts for over one-third of India's apparel exports.

Even, India's containerised exports to China declined by 20 per cent in the second quarter of the current fiscal year, led by a reduction in demand for India-made textiles & apparel. These were large export commodities in the corresponding period last year.

"Apart from challenges in the EU market, retail trends in the US also remain unencouraging, which could exert additional pressure on the order flow for India's apparel exporters going forward," said Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA.

External environment for India's apparel exporters remains challenging amid a pick-up in activity on several free trade agreements among the key trading nations, which has intensified competition from nations having a cost advantage over India, he added.

Trade tension between the US and China was expected to give thrust to Indian industries by giving them an opportunity to fill the gap. However, India's close competitors are squeezing far more profits than India.

Although large exporters from India are well-positioned to benefit from the market opportunity, it would require companies to scale up their operations, maintain strict delivery schedules and meet stringent compliance requirements of the buyers in a short span of time, ICRA said in a report.

Ironically, smaller companies in the textiles and apparel sector, with limited bargaining power and dependence on smaller US retailers are facing performance pressures and are more prone to the slowdown.

Meanwhile, India's containerized trade growth in Q2 FY19 slowed to 1 per cent, compared to 9 per cent in the same period last year, due to a combined effect of international factors such as slowing trade growth, and growing trade tensions, coupled with domestic factors like rural consumer distress, tightening liquidity and a slow-down in key manufacturing sectors.

"Amidst increasing global volatility, a slower local economy and the USA's withdrawal of preferential access for certain Indian products, India's import-export trade is expected to continue to face headwinds in the coming months," said Steve Felder, Managing Director, Maersk South Asia.

Integration and enhancement of logistics value chain, coupled with the adoption of new technologies such as Blockchain and Artificial Intelligence across the logistics network, and concerted efforts towards the improvement of infrastructure at ports and roadways will ensure last-mile connectivity for farmers, MSMEs, and small businesses, driving economic growth and trade competitiveness of India, Steve Felder added.

Source: financialexpress.com - Sept 26, 2019

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ADB cuts India's GDP growth forecast to 6.5% for FY20

The Asian Development Bank (ADB) on Wednesday lowered growth projection for India by 50 basis points or half a percentage. This is second successive lowering of estimates by the regional development bank in three months.

In an report titled, Update of Asian Development Outlook (ADO) 2019, the agency said that the growth rate is expected now at 6.5 per cent during current fiscal, i.e., 2019-20.

This reduction is mainly on account of weaker expansion in the first quarter (April-June) of the current fiscal. The first quarter growth rate was 5 per cent. Though it is slightly higher than expectations, but it is below the 8 per cent GDP growth rate recorded during corresponding period of last fiscal (2018-19).

"India will remain as one of the fastest-growing economies in the world this year and next year as the government continues to implement policy reforms and interventions to strengthen economic fundamentals," ADB Chief Economist Yasuyuki Sawada said.

The agency feels that India will bounce back with proactive policy interventions along with a recovery in domestic demand and investments. It has maintained the growth estimate for 2020-21 at 7.2 per cent.

Implementation is the key

According to the report, significant corporate tax cuts, announced by the government on September 20 will uplift private investment, including foreign direct investments, and enhance India's global competitiveness. Bank recapitalisation, support measures for non-banking financial companies and cuts in monetary policy rates should improve the health of the financial sector, while increasing the credit flow to industry and infrastructure projects, it said.

Other measures, such as a direct income support for small farmers, a tax relief for low-income taxpayers and reduced loan interest rates are expected to boost rural and urban consumption across the country.

Fast-tracking of goods and services tax refunds should provide an important boost to small and medium-sized firms that have been constrained by a shortage of working capital. Implementation of these measures will brighten prospects for India's economy in 2020-21.

More reforms needed

Inflation will be benign for 2019-20 and 2020-21 at 3.5 per cent and 4 per cent, respectively, both within the central bank target range, as food prices remain stable. However, the report said that risks remain tilted to the downside given the weak global economy and, on the domestic front, the lag between growth-enhancing measures and the impact on demand.

Indian exports are likely to be hit by subdued overseas demand and rising trade tension, and the current account deficit will be 2.2 per cent in 2019-20 and 2.5 per cent in 2020-21.

Foreign direct investment could get a boost during these two years, as the trade tensions between the United States and China may push some businesses to move part of their operations to India. To capitalise on this, the government would do well to improve investment climate and further liberalise investment regulations, the report said.

ADB said that it committed to achieving a prosperous, inclusive, resilient and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. In 2018, it made commitments of new loans and grants amounting to $21.6 billion. Established in 1966, it is owned by 68 members, of whom 49 are from the region.

Source: thehindubusinessline.com - Sept 25, 2019

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Textile mills in TN appeal for status quo on energy policies

The textile spinning sector in Tamil Nadu is caught between external factors such as the US-China trade war and domestic issues such as excess capacity and rising raw material and transportation costs .

The proposal of Tangedco (Tamil Nadu Generation and Distribution Corporation) to curtail certain benefits such as wind power banking, group captive power purchase by MSMEs for less than one MW and removal of old windmills is adding to the woes of the spinning sector.

The Southern India Mills' Association (SIMA) Chairman Ashwin Chandran has appealed to the State Chief Minister for status quo on energy policies in Tamil Nadu.

Stating that there is no incentive for investing in the textile industry in Tamil Nadu, the SIMA chief said the government should continue with the existing energy benefits.

"There are over 1,500 micro, small and medium sized textile mills operating in the State. These mills source open access power either under group captive or their own windmills.

The State government issued a GO in April 2018, curtailing open access to industrial units having less than one MW. This denial would ruin the 1,500-odd mills, their survival is already at stake," Chandran said.

The association has also sought extension of wind mills banking facility beyond March 2020. It also asked the government not to insist on removal of wind mills so long as they have the stability to perform and generate power.

Chandran also came down heavily on the levy of one per cent Agricultural Market Committee fee on cotton waste. "No other State in the country levies such a fee on cotton waste. There is no logic in the levy of such a fee on the byproduct of cotton."

Source: thehindubusinessline.com - Sept 25, 2019

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Textile exporters, manufacturers tell govt to be cautious with RCEP talks

In a meeting with the Commerce and Industry Ministry, textile manufacturers and exporters on Thursday reiterated caution against opening up the domestic market for China under the proposed Regional Comprehensive Economic Partnership (RCEP) agreement.

Sources present at the meeting said they pointed out added competition from Chinese cheaper goods may put pressure on domestic sales at a time international business has been under threat from Bangladesh and Vietnam. However, the government has assured them their interests will be protected.

RCEP is India's most ambitious trade pact, currently under negotiation. Based on India's existing free trade agreement (FTA) with the 10-nation Asean bloc, the RCEP will include all the nations with which the Asean has trade deals — New Zealand, Australia, China, India, Japan and South Korea.

At the last such meeting on RCEP, the Confederation of Indian Textile Industry (CITI) had cautioned the government to tread carefully while ceding space to China in the global textiles and clothing (T&C) sector. Half of India’s T&C trade in RCEP is with China, with which it had a big trade deficit of almost $1 billion in 2018, it had said.

Export of readymade garments, in which India’s export competitiveness has fallen over the past fiscal year, contracted by 2.44 per cent in August. The sector had shown signs of steady recovery in July with 7.66 per cent growth, after months of continuous contraction.

However, CITI said that while the ongoing US-China trade war presents an opportunity to Indian textile manufacturers to enhance their exports to the US, China too would be looking for new markets for its products.

This is true for the fabrics sector, which has seen a division in opinion on RCEP. China, South Korea and major Asean markets may become large destinations for fabric industry. "The RCEP accounts for nearly 30% (USD 50 Bn.) of global trade in Man-made fibre textiles and this share is growing rapidly. The shifting of production of textile products from the west to the east is increasing both intra and inter-national textiles trade in this region," the Synthetics and Rayon Textiles Export Promotion Council said.

"We have suggested some caution be exercised during the talks on reducing tariffs for textile products. Accordingly, we have asked that some items be kept in the negative list when it comes to China," a senior functionary of Apparel Exports Promotion Council, said.

So far, RCEP talks have seen 28 rounds of negotiations, apart from seven minister-level meets. New Delhi has apparently made it clear that significant tariff concessions have already been made and further talks would be based only after an equal push by China. However, significant changes are expected before November 4, the deadline decided on by all negotiating countries, including India.

“As long as India’s domestic industry and our national interests is protected, the faster it (the RCEP) is done, the better it is for India,” Commerce and Industry Minister Piyush Goyal, had said last week. He had added that cotton textile exporters have also requested a speedy conclusion to the negotiations, citing an 8 per cent duty that hinders their chances of exporting to China.

In the meantime, India is preparing a final list of products on which it may retain import tariffs for China, painfully aware of a huge trade deficit. Such a list is based on its plan of a “differential tariff reduction” for various nations. Also under consideration is a mechanism to fix an import ceiling, again particularly for China. This is the first time New Delhi will fix such a ceiling in any trade deal.

Goyal also met representatives of the pharmaceutical and chemical industries on Thursday. Pharma players have been relatively favorable to the deal. A senior official said they have argued for greater access to Chinese markets. China imports about $25 billion worth of medicines, of which India's share is currently only $200 million.

Source: dfscaller.com- Sept 25, 2019

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FTA with Indonesia, Vietnam hurting spinning mills

Industry demands increase in customs duty on imports

If weak export demand and uncompetitive prices were not enough for the textile mills in North, the phenomenal increase in the imported polyester yarn from Indonesia and Vietnam under the free trade agreement (FTA) is posing a threat to the domestic industry.

According to data, from an average monthly import of 565 tonnes from these two countries in the pre-GST period, the imports have risen to 5,400 tonnes in the past two months, especially in July and August this year.

Volume wise, the increase is 4,835 tonnes per month and in percentage terms, it registered a whopping 855% increase in quantity in just 26 months.

Cotton spinning mills in the North have already resorted to production cut as they are grappling with weak export demand. While a few mills have stopped production, some are reducing the number of working days and shifts. On an average, the production is down by 25-30%. The substantial increase in imported yarn has further added to their miseries.

According to Sanjay Garg, president, Northern India Textile Mills Association, the finished product of the mills — polyester yarn — is included in the list of items being cleared with SAFTA and imported at zero duty whereas the raw material — polyester staple fibre (PSF) — is not included in this list and hence cleared at full duty rate of 5%.

He said in the pre-GST regime, there used to be some protection against the influx of imports under these FTAs as imported yarns were subject to Cenvat (12%) and a special additional duty (SAD) of 4% whereas the domestic yarn was exempted from Cenvat.

However, post-GST, the Cenvat and SAD was removed and this has led to astronomical increase in the quantity of yarn being imported from Indonesia and Vietnam.

The industry apprehends that the size of the spinning mills in Indonesia are huge and if left unchecked, this figure will surely increase threatening the survival of not just the North Indian textile mills but mills across the country.

Perturbed over the rising imports, NITMA has proposed to increase the basic custom duty on polyester yarns from the current 5% to 10%.

The textile mills in the Northern region have a combined turnover of Rs 50,000 crore. With an installed capacity of 750 lakh spindles, the northern region contributes 15% to the total capacity of the country.

The region comprising Punjab, Haryana, Uttar Pradesh, Rajasthan and Himachal Pradesh has around 200 spinning units.

Source: tribuneindia.com- Sept 24, 2019

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FOGWA claims govt turns deaf ear to weavers on RCEP

Powerloom weavers in Surat have blamed the commerce and textile ministries for ignoring the representation of the industry stakeholders in the proposed Regional Comprehensive Economic Partnership (RCEP) scheme.

The Federation of Gujarat Textile Traders Association (FOGWA) has written a letter to textile minister Smriti Irani and commerce minister Piyush Goyal demanding representation of the powerloom associations and FOGWA from Surat and other powerloom clusters for their views on the proposed inclusion of textile sector in the RCEP scheme.

The central government has proposed the inclusion of textile industry in the Regional Comprehensive Economic Partnership (RCEP) allowing the free import of polyester fabrics from Southeast Asian countries including China, Vietnam and Bangladesh.

Last month, FOGWA and the Federation of Indian Art Silk Weaving Industry (FIASWI) had represented the commerce ministry demanding imposition of import duty on the Chinese fabric to protect the SME sector in Surat. FOGWA stated that the import of heavily under-invoiced fabric from China has crossed the Rs 5,500 crore in the last one year. Imported fabrics are heavily under-invoiced and could be worth Rs 10,000 crore.

FOGWA president, Ashok Jirawala said, “The government is inviting office bearers of Confederation of Indian Textile Industry (CITI). Majority of the office-bearers are importers of fabrics. However, they are not opposed to the proposal of including textile sector in the RCEP.”

Jirawala added that FOGWA has demanded that the industry stakeholders from Maharashtra and Gujarat should be heard first as they are providing employment to lakhs of workers and inclusion under RCEP will directly affect the weavers.

Ashish Gujarat, leader of FOGWA said, “WE have demanded that the government should organise meeting of the stakeholders regarding RCEP in the powerloom clusters to get proper response.”

Source: timesofindia.com- Sept 26, 2019

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Telangana has inked 16 MoUs for Kakatiya Mega Textile Park

Telangana has entered into 16 agreements with various firms to set up factories at the Kakatiya Mega Textile Park in Warangal. The process of land allotment is under way and direct and indirect employment for 1.13 lakh people would be generated after full implementation of the project, State industries minister KT Rama Rao told the state assembly.

Among those who are establishing base at the park, Warangal-based Kasam Industries will be setting up a ₹100-crore textiles manufacturing unit at the park. The unit, comprising spinning and yarn mills, may also have a dyeing unit. The company plans to hire around 500 people.

The company will send its yarn for printing in Surat and once the final textile products are made, those will be sold at the group's retail company Maangalya Shopping Malls' stores spread across Telangana and other retailers and wholesalers, according to media reports from the state.

Maangalya Shopping Malls is going to open its seventh store in Kukatpally in Hyderabad soon.

One of the largest investments in the park is the ₹1,700 crore plant set up by the Welspun Group, which is ready to start production. In addition, the Pashupati Group is investing ₹240 crore in the park while Proctor & Gamble is setting up a technical textiles unit. Also in the pipeline is another factory to be set up by Ganesha Ecosphere, Rama Rao said.

The state government will explore employment for former workers of the now-defunct Azam Jahi Mills of Warangal, he added.

Source: fibre2fashion.com- Sept 26, 2019

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DGTR sets up help desk and facilitation centre for full utilisation of trade remedial measures

The Help Desk and Facilitation Centre is an institutional arrangement to facilitate optimal utilisation by different stake holders of available trade remedial measures aimed at curbing unfair trade

The DGTR, an arm of the commerce ministry, has set up a help desk and facilitation centre to ensure optimal utilisation of available trade remedial measures aimed at curbing unfair trade. The Directorate General of Trade Remedies (DGTR) is an investigation arm of the ministry which deals with anti-dumping duty, safeguard duty, and countervailing duty.

These duties are trade remedy measures, provided under an agreement of the World Trade Organisation (WTO) to its member countries.

They are used to provide a level playing field to domestic industry in case of dumping of goods, significant increase in imports, and subsidised imports.

"The Help Desk and Facilitation Centre is an institutional arrangement to facilitate optimal utilisation by different stake holders of available trade remedial measures aimed at curbing unfair trade," the DGTR said in a notice.

Functions of the desk centre include dissemination of information to domestic industry regarding various trade remedies/procedures, forms and applications and providing guidance regarding the most suitable trade remedial measure.

It would also hand-hold the domestic industry, especially those belonging to MSME (micro, small and medium enterprises) sector, in filing trade remedial applications.

Besides, it would disseminate information regarding other non-tariff (or duty) measures available to the domestic industry and advise them about how they could avail those measures.

It added that the desk would guide the domestic exporters facing trade remedial investigations in other countries.

"The Help Desk and Facilitation Centre shall function between 10:00 am to 5:00 pm on all working days. It can be contacted on the Toll Free No: 1800111808 and by email on - helpdesk.dgtr@gov.in," it added.

Source: economictimes.com- Sept 24, 2019

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GSP may help restore some exports we lost following India-US trade deal: Saugata Bhattacharya, Axis Bank

On what front can we expect bigger developments, given that Trump's commentary has been encouraging with regards to India-US trade?

It is difficult to predict the nature of the trade deal that will emerge but from all indications, a trade deal is in the works and might be announced as early as today.

Remember that the surplus that we have with the US is relatively small compared to the surplus that the US has with its other bigger trading partners.

What should we look forward to as part of the trade deal that could be in the works?

I have no idea how they are managing the last mile issues but my own sense is that the main issue is with the Generalised System of Preferences (GSP) which the US had withdrawn.

There could be some movement ahead and some resolution of problems. Some part of that $5-6 billion exports that had been taken out from the GSP, will be restored. That is an additional competitive advantage that India has.

You could get at least the 5-10% reduction in tariffs.

Broadly speaking, the issue of the US agricultural and livestock imports into India is the sticking point that is likely to be addressed.

With regards to the broader issue of trade and investment, the coordination between Indian and US companies on shale and natural gas is a very important announcement.

The issues of US and India outbound and inbound investments are also of paramount importance.

As soon as trade deals are signed, you tend to see a pickup and US is a very big market for India. Ccould it lead to meaningful pickup in the near term?

The US is a big market exporter of leather, textiles, electronics, engineering goods and the export of smaller vehicles that are made in India. In these areas, trade can pick up relatively easily.

Having said this, we were looking at imports of India's textiles into the US relative to Vietnam, Bangladesh and Sri Lanka -- some of our more immediate competitors.

To our surprise, the share of Vietnam in particular has been much higher than that of India but India's share, relative to the others in textiles, has held up relatively well.

This is one area where we can increase our exports to the US, given the competitive advantages now that might be brought into place with the tax cuts and a more liberalised system of export credit, import costs. That is one area that India should be focussing on to try to increase exports into US.

Source: economictimes.com- Sept 25, 2019

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Diwali buzz missing from Surat's textile sector

Diwali is round the corner, but the buzz of festival is missing in the country's largest man-made fabric hub in the city.

This is because orders of saris, dress material and other polyester fabrics have gone down by almost 50% compared to last year and more than 80,000 workers have lost their jobs in the powerloom and textile processing sectors here in the last one year.

"Problems in the textile sector got compounded ever since demonetization and Goods and Services Tax were implemented in the country. If demonetization stopped rotation of cash, varied taxes for yarn and fabrics only made things difficult for textile traders.

More than 1.5 lakh powerlooms have been scrapped in the last one-and-a-half-year. Thousands of workers have lost their jobs after the closure of powerloom units," Pandesara Weavers' Association president Ashish Gujarati said.

Textile traders said orders from Delhi, Uttar Pradesh, Punjab - main markets for Diwali sale- have dipped by almost 50% compared to previous year. There is a big issue on payment side as buyers are not making payments for the goods that they had purchased two months ago.

Champalal Bothra, Federation of Surat Textile Traders' Association (FOSTTA) secretary, said, "There is huge liquidity crunch in the market as payments are delayed by almost three months. To top it all, there are very less orders for Diwali this season."

The MMF hub of Surat is known for manufacturing low-cost saris ranging from Rs250 to Rs400. The target market for low-cost saris are Maharashtra, Uttar Pradesh, Bihar, Kolkata, Punjab and Haryana. According to the traders, the purchasing power of consumers from lower middle class families has decreased due to various factors, thus affecting the sale of saris.

Nitin Aggarwal, who deals in low-cost saris, said, "Our sale has dipped by almost 40% compared to last year. There is no demand from middle class families during Diwali season. We are hopeful that the market will pick up in the first week of October."

Source: timesofindia.com- Sept 25, 2019

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Cotton farmers worried as traders reluctant to offer higher rates

Cotton purchase has started on a subdued note in Malwa region, the cotton belt of Punjab. Though the Union government has fixed the MSP of long staple (27.5-28.5 mm) cotton at Rs 5,450 per quintal, it is fetching Rs 5,000-5,200 per quintal.

Raw cotton with moisture content higher than the permissible limit is fetching only Rs 4,800-5,000 per quintal.

Central government agency Cotton Corporation of India (CCI) is also expected to start procurement of the produce in the first week of October, which could stabilize the market, said trade analysts.

The MSP of Rs 5,450 per quintal is for produce with a moisture content of up to 8% and there is deduction of 1% in support price for every 1% increase in the moisture content. The crop with a moisture content of 12% will be procured at the support price of Rs 5,232 per quintal after the deductions.

Due to lower rates for their produce, some cotton farmers held a protest at Mansa on Wednesday. They complained that traders were purchasing cotton for not more than Rs 4,800-4,900 per quintal. They also briefly disrupted the traffic on the Mansa-Sirsa road.

Cotton has been sown over nearly 3.95 lakh hectares in eight districts of Punjab. The state is expected to have a bumper crop due to higher average yields this season, with the Punjab agriculture department expecting the productivity to be up to 770 kg lint per hectare.

“Hopes of the CCI entering the market after four years was enough to enthuse the growers. However, the private players are not offering higher rates, forcing farmers to go for distress sale,” said farmer Jagdev Singh of Mansa, who participated in the protest at Mansa.

“Indian cotton is not much in demand in the international market as it is priced higher than the produce from other countries. Due to this, private players are unwilling to pay higher rates to farmers, putting the onus on the CCI to enter the market and start procurement of raw cotton. If CCI remains reluctant, farmers may be forced to go for distress sale of cotton,” one market watcher said.

A CCI official said, “It seems farmers are taking cotton to mandis with high moisture content. It is expected that the moisture content of the crop picked up in October could be within the stipulated limits.

The CCI is prepared to make purchases directly from the farmers from the first week of October.”

Source: timesofindia.com- Sept 26, 2019

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India, US fail to seal trade deal over differences on import duties

Differences over reduction in import duties on high-value US smartphones and gadgets have held up efforts by India and the US to finalise a trade package, said officials.

However, both sides have continued to discuss issues and trade negotiators are hoping for a breakthrough by Thursday, they added. "Commerce and Industry Minister Piyush Goyal, along with Commerce Secretary Anup Wadhawan and other trade department officials, are in the US," said the officials.

Prime Minister Narendra Modi will have a number of bilateral meetings on Thursday, one of which may see him sit with US President Donald Trump again. Addressing the press on Tuesday, Trump had promised a trade deal with India "very soon", with a larger deal down the line. However, Modi has not commented so far.

ICT hurdle

The US wants India to reduce import duties on certain information and communication technology (ICT) products, such as high-end mobile phones and smartwatches, which may make iPhone products cheaper.

While New Delhi had earlier considered the proposal, talks have been made difficult on the quantum of reduction demanded, the officials said. ICT products make up a minuscule $407 million, out of the $35.54 billion of total inbound shipments from the US, as of now. However, US Commerce Department officials have zeroed in on the category as a prime growth puller.

Major corporations such as Apple have also thrown their weight behind the move, arguing that India is a major market for consumer electronics. The overall import of electrical machines in all forms from the US stood at $1.8 billion in FY19, slightly up from $1.75 billion in the year before.

India has tried to reduce its exposure to foreign products for electronics imports, which, at $52 billion, is the third-largest on the country's import bill. The government's phased manufacturing program has targeted reducing the import of technology products over the next five years.

FTA or not?

The US continues to pressurise India on a full-fledged free trade agreement (FTA), since a year, but New Delhi has consistently resisted. Commerce Department officials have argued that India stands to gain little from such a pact, given import duties for goods coming from the US are already among the lowest globally.

India wants a mutually acceptable 'trade package' that provides an amicable solution to major grievances, according to a senior trade negotiator. India may consider dismantling the current price cap regime for coronary stents, with a trade margin policy. It may also lower duties on certain ICT imports.

In return, the US has offered to step back from its aggressive posturing on 'reciprocal taxes'. Trump has repeatedly accused India of being a 'high tariff nation', referring to duties placed on Harley Davidson motorcycles.

The India-US trade talks had run the risk of falling through after the US had, earlier this year, cut off India's duty-free access to the US market under the Generalized System of Preferences (GSP).

Subsequently, India had raised import duties on key high-value imports from the US, mostly on agricultural products such as apples and almonds. The reinstatement of GSP benefits is a key demand from the Indian side, according to people in the know.

Source: business-standard.com- Sept 26, 2019

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GST amendments: A bid to iron out the issues

While the GST Council did address some aspects that were causing pain, sector-specific measures were a given a miss

On September 20, taxpayers were looking forward to the outcome of the 37th meeting of the GST Council expecting some relief measures for the economy in general, as well as for certain sectors such as automobiles and textiles in particular. Long before the GST Council meeting commenced, the Finance Minister diverted attention by slashing income tax rates drastically. Eventually, the decisions taken at the GST Council meeting paled in comparison to the big-bang income tax announcement. No sector-specific reliefs were provided, nor was there any path-breaking announcement.

Composition dealers and those with a turnover of up to ₹2 crore should heave a sigh of relief, since the need to file the annual return in Form GSTR 9 has been removed. For the others, the government has stated that a Committee of Officers would be appointed to recommend simplification of the forms. This is bound to frustrate these taxpayers, since they have attempting to understand and file this form correctly for quite some time now with little success.

Instead of investing further time in changing and amending forms in an attempt to simplify them, the government would do well to permit a one-time revision to the GSTR 3B form for March 31, 2018 and March 31, 2019. 3B is a form that most taxpayers are familiar hence filing this revision should not pose any issues. Introduction of the new system of filing returns has been postponed to April 2020.

The GST Council also cancelled the controversial Circular No.105/24/2019-GST, which attempted to clarify various doubts relating to post-sales discounts but ended up creating further confusion.

The Circular had some strange clauses, such as “if the additional discount given by the supplier of goods to the dealer is the post-sale incentive requiring the dealer to do some act like undertaking special sales drive, advertisement campaign, exhibition etc., then such transaction would be a separate transaction and the additional discount will be the consideration for undertaking such activity and therefore would be in relation to supply of service by dealer to the supplier of goods.

The dealer, being supplier of services, would be required to charge applicable GST on the value of such additional discount". What should worry the GST Council is how and why such Circulars which bring up more questions than answers are being issued.

It could probably be traced to a lack of training and awareness on the part of the tax officers on the intricacies of GST laws. The CBIC should proactively engage with the officers to ensure that controversial circulars are not issued.

The GST Council did not provide any specific relief to the automobile or textile industries. Instead, they proposed reduced rates on an eclectic variety of items, such as slide fasteners, wet grinders (consisting of stone as a grinder), marine fuel and dried tamarind.

Probably with a view to encourage tourists, GST on room tariff and outdoor catering were reduced. The GST Council also solved the controversy surrounding the levy on fishmeal by providing an exemption between July 1, 2017 and September 30, 2019. There were doubts with regard to taxability of fishmeal in view of the interoperatational issues. However, any tax collected for this period shall be required to be deposited.

As the GST journey continues, it is becoming increasingly apparent that both the Department as well as the taxpayer are facing issues due to a law which was implemented in a hurry and added unnecessary baggage when introduced.

It could probably take another couple of years for the law to settle, provided the GST Council, CBIC and the taxpayers continue the process of learning and unlearning.

Source: thehindubusinessline.com- Sept 25, 2019

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