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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. 21 of 2020 January 28, 2020

US 71.34| EUR 78.64 | GBP 93.15| JPY 0.65

Cotton Market (Jan 24, 2020)

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

Rs./Bale	Rs./Candy	USD Cent/lb
19187	40100	**71.68**

Domestic Futures Price (Ex. Warehouse Rajkot), January

Rs./Bale	Rs./Candy	USD Cent/lb
19510	40776	**72.89**

International Futures Price

NY ICE USD Cents/lb (March 2020)	70.03
ZCE Cotton: Yuan/MT (May 2020)	13,515
ZCE Cotton: USD Cents/lb	88.80
Cotlook A Index – Physical	**80.20**

Cotton Guide- It seems difficult to comprehend that an epidemic could drive cotton prices lower. But yes the Corona Virus in China is seen to have caused some damage to the ZCE futures. The ZCE Cotton futures are seen on a continuous downtrend. The outbreak in China weighed on market sentiments and pushed equities and oil prices lower as well.

We need understand, in such situations people usually travel less, decrease their frequency of moving out of the house, prefer to work from home, etc. This decreases trade to a big extent. This thus does not have a direct impact on cotton but definitely has a cascading effect on it to a certain extent. Market participants should keep track on this major news for prudent decision making.

The ICE cotton futures took a downturn by triple digit losses. The ICE March futures settled at 70.03 cents per pound with a change of -110 points. The ICE May futures settled at 70.75 cents per pound with a change of -109 points. The volumes were again average at 35,843 contracts.

The MCX contracts on the other hand followed the path of ICE. The MCX January contract settled at 19,510 Rs per Bale with a change of -240 Rs The MCX February contract settled at 19,800 Rs per Bale with a change of -220 Rs. The MCX March contract was seen to have 20,080 Rs per Bale with a change of -170 Rs. The volumes were up at 3296 lots.

The Cotlook Index A was changed at 80.20 cents per pound with a change of +180 points. The prices of Shankar 6 were lower at 40,100 Rs per Candy.

On the fundamental front, the market is waiting for further news on the export sales numbers which will be the first report after inking the Phase 1 trade deal. The numbers on the other hand could either be detrimental or incremental for the ICE Cotton prices.

On the technical front, in daily chart, ICE Cotton March has taken the support & reversed from the 50% Fibonacci retracement level around 68.50. Meanwhile price is around the 5 & 9 day EMA at 70.32, 70.34, along with RSI at 54 which reversed from the overbought zone suggesting a phase of sideways bias in the market.

The immediate resistance for the price is around the near high at 72.00 which coincides near the downward sloping trend line. However, the immediate support for the price would be 68.44, followed by 67.30 which are the 50% & 38.2% Fibonacci retracement level resp. Thus for the day we expect price to trade in the range of 71.30-68.70 with a sideways bias. In MCX Jan Cotton, we expect the price to trade within the range of 19300-19600 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

USA: Despite Slight Market Dip, Higher Prices Are Coming

Be careful what you wish for.

Actually, I did not wish for a bit of a selloff in the cotton market. Last week I merely indicated that it would be healthy if we had a bit of a selloff this week.

Oops, the market responded.

From all indications, demand was very strong, and prices will recover despite ending the week near the lows. The price dip will prove to be market friendly. Whether or not the market is ready to rise above 73 cents just yet is not certain, but a return to higher prices is in store.

The week was most unusual as prices experienced triple digit closes on three of the five trading days – two down and one up. The bull did defend his three-month price rebound and uncovered good demand as it did. Weekly export sales were impressive, and weekly overnight business was very active.

While some seem to think the Chinese were waiting on a price drop to near 67 cents, Chinese mills appeared to express considerable interest on price dips below 70 cents and even more interest once prices fell below 69.50. Yet, near term Chinese business appears limited. It will improve later in the year unless prices spike higher.

The latest Chinese health virus heightened speculative fears of an additional slowing of Chinese textile manufacturing activity as well as textile export activity. This was the major bearish news affecting price movement. Yet, the bull lives on, as both fundamental and technical events continue to provide plenty of nourishment for bull. The market should continue to work the 69.00 to 69.50 cent range with bias up to the 72.50-73.00 cent area.

Speculative concerns regarding the new Chinese virus, coupled with the new year celebrations set to begin, will tend to limit export inquiries during the week. Historically, Chinese mills buy little cotton during the annual celebration week.

Prices could linger in the high 60s into February without disturbing the bull. As indicated, mills have been very active in the export market. Additionally, mills have also been very active in fixing the price of On-Call sales. Current price levels are profitable for mills, and current mill profitability will bode well for future export business.

The weekly export sales report showed net sales of 328,000 bales – 307,800 upland and 20,200 Pima. Weekly shipments, while good, were behind the pace needed to make the current USDA export estimate of 16.5 million. However, upland shipments totaled 282,600 bales and Pima shipments were 6,500 bales.

Open interest increased during the week, suggesting that market shorts may be caught in the bull's attempt to run higher. If this is correct, then a return to 72.00-74.00 cents could occur sooner rather than later. It's a bit early to expect such, but the game appears ready to begin.

The bull will be around through most of the crop year, if not all. Nevertheless, for the third week, I suggest growers be ready to fix the price of a minimum of 25% of their new crop at 74.50 cents. The same suggestion holds for old crop pricing as well.

Give a gift of cotton today.

Source: cottongrower.com- Jan 27, 2020

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Sri Lanka: How technology shaping apparel sector supply chains: Shifting to nearshoring and reshoring

The advances in technology have made nearshoring – the practice of shifting production operations to a nearby country closer to the end market – and reshoring – bringing back offshore production back to the home country – more viable for apparel manufacturers, compared to offshoring production to far away, developing countries.

For instance, 'SewBots' – robots that are capable of sewing – in a planned factory in Little Rock, Arkansas, are expected to produce T-shirts at US $

0.33 each, which is lower than the current cost of production in low-cost countries.

While such technologies are likely to have significant implications for supply chains, whether their application leads to relocation of production depends on the product and factors like the importance of speed to market for product competitiveness and production and trade costs in offshore markets.

This article examines the implications of tech-led supply chain changes on Sri Lanka's apparel industry and argues that it is important to prepare early for forthcoming changes through a holistic approach, engaging a spectrum of stakeholders to improve the competitiveness of the industry. Prioritising investment in innovation and skills and improving the efficiency of business processes is critical for Sri Lanka's apparel industry to remain competitive in the changing tech-landscape.

Near or far?

Traditional apparel supply chains were characterised by offshoring or the relocation of production processes abroad, particularly to developing countries, to capitalise on low labour costs. However, the rising wages in these countries, combined with technological advancements such as artificial intelligence (AI), robotics and machine learning, are paving the way for automation of manufacturing processes, reducing the cost of apparel production.

Moreover, the global demand for apparel, which was previously led by advertising and marketing campaigns of leading retailers/brands, is now shifting to a more customer-driven model. Today, demand is determined by exposure to fashion trends and customer insights through social media. Consumers demand products seen on social media and the industry has to quickly respond, through shorter production cycles.

Consequently, the six-month long fashion cycle is now reduced to six weeks or less. Automation of the apparel production process has helped to shorten turnaround cycles. For instance, technology has cut the finishing time of a pair of Levi's jeans from 20 minutes to just 90 seconds.

Another example is Amazon’s newly patented ‘on-demand’ apparel manufacturing system, which can quickly produce ready-made garments to fulfil online orders, covering all stages of production, including designing, manufacturing and packaging. Thus, nearshoring and reshoring are becoming more viable with advances in technology.

Key drivers of technology-led nearshoring and reshoring

The use of advanced technology to nearshore or reshore production does not make sense for every apparel product. Demand for some apparel, such as custom-made and trendy items are volatile, making it necessary to quickly respond to emerging trends through automation.

However, response time is less sensitive for basic garments, for which demand is more stable. Thus, it would make more sense to automate the production of apparel items with highly volatile demand, so that manufacturers can respond more quickly to changes in demand.

Other factors such as ease of doing business, lower costs in terms of tariffs and duties, labour costs and transportation costs and the availability of skilled labour in offshore markets are some of the key drivers of nearshoring.

Thus, it is important to estimate a detailed cost baseline for producing in different countries and identify by how much such costs can be reduced through automation. A better understanding of such costs will help to determine the extent of reshoring or relocating to nearshore markets.

Source: dailymirror.lk- Jan 27, 2020

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Bangladesh: RMG exporters facing troubles in registering with EU GSP process

Readymade garment manufacturing groups with multiple companies but one tax identification number are facing troubles in getting registration numbers required for the units for enabling automated certification system for European Union GSP due to an EU regulation.

They are in apprehension that export might hamper in the EU as only one registered exporter (REX) number was given against each taxpayer identification number but many of the companies were running one more entities against a TIN number.

Citing the EU regulation, the EPB informed exporters that there was no scope for providing more than one registration number against a TIN number as the IT system of EU allowed one registration against a unique number.

The government, as per the instruction from the EU, introduced registered exporter system (REX) for the country's exporters who made their shipment to the European Union in July last year through giving registration numbers to 10 exporters.

The commerce ministry had asked all the exporters to get registered with a database by the Export Promotion Bureau by December last year to get a unique registration number to avail the GSP facilitates in the EU market.

Till date, the EPB has registered some 1,904 local exporters with majority from textile and RMG sectors, the EPB official added.

Under the system, Bangladeshi exporters would make self-certification of the country of origin to avail the generalised system of preference in the EU market.

Currently, the EPB manually issues country of origin certificate to the exporters for the GSP facility in the EU market.

Recently, the Bangladesh Garment Manufacturers and Exporters Association has sent a letter to the EPB to provide REX number to all units under a company against a TIN number.

The trade body fears that if more than one REX number is not provided against a TIN number, the activities of many units would be shut down and labour unrest would take place in the country.

The BGMEA urged the EPB to provide REX number in favour of all units of Ananta Group, Azim Group, Standard Group and Envoy Group against their TIN numbers or in any alternative way.

EPB officials said that they held a number of meetings on the issue and it was discussed that REX number might be provided against business identification number but finally the proposal was not settled.

The EPB in a letter on January 22 requested the BGMEA to obtain separate TINs for the units of the business groups saying that despite having group/proprietorship Saad Musa Fabrics (unit-2 and 3), Garib and Garib Company Ltd (unit-2) and Divine Textile Ltd (unit-2) took separate TINs for getting Rex number.

The bureau also said that if the business group received a single REX against several of its factories and the EU revoked the REX under in any circumstance, all the factories would come under the purview of the revocation.

It also informed exporters that considering the present complexities in getting REX number against all entities the EU extended its time frame up to June 30 this year so that exporters could get separate TIN for separate entity.

Source: newagebd.net- Jan 28, 2020

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East Africa costs itself out of big share in global trade

While Kenya and Tanzania have attempted to join global trade through the production of goods in special economic zones, high labour costs threaten to hamper their effort, says World Bank Group chief economist Pinelopi Koujianou Goldberg.

Now, companies are avoiding the region because of the existing poor infrastructure, restrictive trade and investment policies and low adoption of international qualities and standards have made companies avoid East Africa, and in the process crippling the take-off of the manufacturing sector and killing the dream of industrialisation.

In Kenya and Tanzania, manufacturing labour costs stand at $2,200 and $1,700 annually, respectively, compared with $900 in Ethiopia and $800 in Bangladesh.

“Kenya has underperformed in its participation in global value chains even after transitioning to basic manufacturing,” said Ms Goldberg during a media briefing in Nairobi.

She added that even after transiting from a commodity-based GVC to limited manufacturing of mainly agribusiness and apparel within the Export Processing Zones, Kenya’s participation has only increased by 10 percentage points in a quarter of a century.

While Vietnam and Mexico witnessed a significant 57 per cent growth in per capita, Kenya’s growth was a mere four per cent. “GVCs translate into faster growth in per capita but we have not seen that in Africa,” she noted.

Source: newagebd.net- Jan 28, 2020

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Pakistan: Cotton yield in Pakistan touches record low

The production of cotton in Pakistan has touched its lowest ever level, which is another indicator of the health of the country''s already fragile economy that is considerably dependent on cotton.

The textile industry is a major contributor to the economy of Pakistan. However, the low yield of cotton has created panic among the nation''s policy makers as well as cotton exporters.

According to a report published in the Pakistani media, a record decrease in the yield of cotton crop was recorded last year.

The report said "this is the result of not paying due attention to cotton seeds and today, countries like India have gone far ahead of Pakistan in terms of cotton production".

The government was expecting that Pakistan would earn foreign exchange from cotton exports and this would provide some relief from the debt of the International Monetary Fund (IMF).

However, considering the current situation, the need to import cotton to meet the needs of Pakistan''s textile industry may arise.

The report said that if cotton is imported, then in a few months, more than the annual amount received from the IMF will be spent on the import of cotton.

This will have a very adverse effect on foreign exchange reserves and will not reduce dependence on the IMF, the report said.

Source: outlookindia.com - Jan 26, 2020

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Pakistan: Liquidity crunch hits cotton market

Cotton prices remained firm on Monday owing to shortage of liquidity and poor availability of quality lint.

The Karachi Cotton Association decreased its spot rate by Rs50 to Rs9,050. Phutti (seed cotton) prices in both Sindh and Punjab remained pegged between Rs3,200-4,800.

Cotton analyst Naseem Usman said trading activities have slowed considerably due to unavailability of good quality cotton. “The local market is also under pressure owing to the holidays in China as well as the decreasing price trend in the cotton markets of US and India.”

Meanwhile, cotton broker Syed Mudabbir Shah said that despite a declining price trend in international markets, local ginners are not ready to sell the commodity at the rates being offered by millers. “Due to a sizeable decline in cotton production, there is very limited quantity of unsold stocks which millers are interested in procuring at any cost. Even demand for low quality cotton has increased substantially,” he added.

Internationally, Chinese and Indian cotton markets are under pressure. Annual vacations in China have been extended for three more days over coronavirus fears. Earlier, China was purchasing cotton from India but now buying has stopped due to prolonged vacations.

Phutti (seed cotton) prices in both Sindh and Punjab remained between Rs3,200-4,800.

The following deals were reported to have changed hands on ready counter: 800 bales, station Rahim Yar Khan, at Rs9,125 and Rs9,050 (400 bales each); 400 bales, Taunsa Sharif, at Rs8,350; 200 bales, Faqirwali at Rs8,600; 200 bales, Fort Abbas, at Rs8,650; 200 bales, Rajanpur, at Rs9,000; and 400 bales, Alipur , at Rs8,950.

Source: dawn.com - Jan 28, 2020

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NATIONAL NEWS

Cotton textile margins may improve; man-made fibres witness volatility

The margins of cotton textiles are expected to improve in the coming period, however, it will be volatile for man-made fibres, says a study by India Ratings and Research (Ind-Ra).

Cotton prices had declined in November 2019, however, December 2019 marked the beginning of an upward movement in prices by 2-3% year-on-year. While the arrival of cotton during Q1 of the current season (October-September 2019) as expected by CCI would improve by 8.5% year-on-year, the impact on actual prices is not visible.

The agency expects cotton prices to soften till March 2020 due to better yield, leading to higher productivity of cotton in the current season, the study said. The Cotton Corporation of India (CCI) has maintained its forecast for cotton production at 35.4 million bales during the current season.

Further, the yield per hectare is expected to improve by more than 6% over the previous season due to a higher acreage and better monsoon.

In November 2019, cotton yarn exports improved 15% month-on-month, but fell 5% year-on-year. Demand from China, Egypt and Bangladesh increased during the month. However, due to the US-China trade war, exports to China are still around 50% of the November 2018 levels.

According to the study, cotton yarn production fell 10% year-on-year in November 2019. Meanwhile, the share of exports in the total production increased to 30% in November 2019 from 25% in October 2019, supported by increased demand from the top two importers (China and Bangladesh).

The first phase of US-China trade negotiations concluded in December 2019 could underpin China import demand in 2020.

Demand for fabric exports has contracted, owing to weak market sentiments and increased competition from South-East Asian countries. Fabric exports fell 12% year-on-year in November 2019 and improved 12% year-on-year.

Crude oil prices could remain volatile in the short-run owing to geopolitical tensions and production cuts by Opec, which impacts the man-made textile margins. Man-made fibres saw the third consecutive month of low volatility, until November 2019, of raw material prices on the back of stable crude oil prices, which has helped the segment maintain stable Ebitda margins and improve credit metrics.

In spinning segment, margins could be under pressure for the rest of FY20, owing to the impact of volatility in fibre prices despite a gradual improvement in export demand. While the margins for 2HFY20 may recover over 1HFY20, liquidity will be under pressure for mill owners, the Ind-Ra study said further.

Home textiles continue to be better placed as compared to other textile sub-sectors. For FY20, the agency expects credit metrics to be maintained owing to margins stabilising at 18-20% with softness in cotton prices. The performance (credit metrics) of India Ratings peer set home textiles moderated in 2QFY20, with an overall improvement in 1HFY20 over 1HFY19.

Source: financialexpress.com- Jan 28, 2020

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Textiles industry expects new allocations in Union Budget

Indian textiles industry is expecting the Union Budget 2020-21 to be more focused with new financial allocations to strengthen the sector, especially the MSME segment. Union finance minister Nirmala Sitharaman is scheduled to present Budget in Parliament on February 1 at a time when consumer demand is down and GDP growth rate has also fallen.

Focus on cotton textile segment, brining all textile products under Remission of Duties or Taxes on Export Product (RoDTEP), new schemes to benefit local manufacturers, especially MSMEs, and giving a boost to greener production are among the wish list of textile industry for the upcoming Budget.

The cotton sector is the second most developed sector in the textile industry, with cotton yarn and fabrics exports accounting for about 23 per cent of India's total textiles and apparel exports.

However, exports of cotton textiles are declining drastically according to Ujwal Lahoti, executive chairman of Lahoti Overseas Ltd. "Cotton yarn exports declined by over 30 per cent year-on-year. The situation on cotton textiles exports front is now gloomy, so we need support from the Government on this matter."

"A new scheme RoDTEP was supposed to go into effect from January 1, 2020, but it is yet to be implemented. We urge the government to include all textile products across the board under this umbrella scheme, which will further restore India's share in global markets," Lahoti told Fibre2Fashion.

Though the Government is promoting indigenous comprehensive capabilities, more needs to be done in the sector, feels Smarth Bansal, DGM-Product Management, ColorJet.

"We expect the government to empower indigenous manufacturers by training them with all-inclusive skills. Although, there are schemes like Amended Technology Upgradation Fund Scheme (ATUFS) and Export Promotion Capital Goods (EPCG), more needs to be done for the local manufacturers to help them better compete with their international counterparts, especially in China."

The Indian textile industry is set to be valued at $250 billion by end of the year 2020 and with a unified trajectory the sector can propelled further to new heights. Simultaneously, the industry is marching towards greener production in terms of sustainable products manufactured with green energy.

"Expectation of consumers is growing with the products they purchase. Manufacturing everything green with continuous upgraded fashion requirement needs capacities to produce multiple products under one roof, which is possible only with MSME units.

Due to the current slowdown, MSME's have reduced their production capacities and are struggling to survive. Hence, the government needs to focus not just only in-terms of offering incentives but making sure, they are being delivered in time to the right industry," says Akhilesh Taparia, CEO, Go Green Textiles India.

"Focus on MSMEs will generate immediate employment opportunities and will surely contribute in improving India's economic condition," adds Taparia.

Source: fibre2fashion.com- Jan 27, 2020

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Make MEIS withdrawal prospectively: Made-ups exporters

In the wake of Government of India's decision to withdraw Merchandise Exports from India Scheme (MEIS) with retrospective effect from March 7, 2019 on garments and made-ups, exporters are requesting the government to make the decision applicable prospectively. The government has retrospectively withdrawn MEIS on HS code chapters 61, 62 and 63.

"The decision (to withdraw MEIS retrospectively) is very disturbing because we had taken the incentive into account in our cost and pricing of our offerings in exports. And we had already exported the goods. We have already booked orders by accounting 4 per cent in our costing as the scheme was supposed to continue till March 31, 2020.

But now this sudden withdrawal is not understandable because normally the government always makes prospective modification if it wants to withdraw something and gives the trade a chance to survive," KK Lalpuria, executive director and CEO, Indo Count Industries, told Fibre2Fashion.

"Also, benefit under the scheme to refund state and central taxes and levies (RoSCTL) declared from March 7, 2019 has not been disbursed so far. So, there is a cashflow issue as well. In addition, we have paid income tax on this whole benefit.

Further, we always work 6-8 months in advance for hedging our raw material and there are larger lead times for replenishment orders. So, we have to service the customers well and invest in R&D. So, the government should consider our humble request to make it prospective," Lalpuria added.

The retrospective withdrawal of MEIS has come at a time when Indian home textile exporters are already facing tough situation in Europe and UK markets, whereas Pakistan and Bangladesh have duty advantage.

Explaining the predicament, Kewal Impex CEO Maulik Modi said, "MEIS was already there in the system. The government introduced RoSCTL with effect from March 7, 2019. At that time, it never said that MEIS will be removed and RoSCTL will be continued. Things were going smoothly and all of sudden, in August, the government said that after July 31 MEIS would not be given for HS code chapters 61, 62 and 63.

Now, it is announced that the MEIS benefit which was utilised from March 7 till July 31, will also be taken back. Moreover, RoSCTL which was supposed to come at 8.2 per cent from March 7 has not been credited yet. Being in the industry for the last 25 years, I see there is a big scope for exports, but without incentives our industry cannot work. We are not in a position to quote the price right now."

Speaking in the same vein, BKS Textiles managing director Senthil Kumar said, "There was no clarity since the release of the circular on March 7, 2019. So, all the apparel and home textile exporters were under the impression that they will be getting the interest under RoSCTL plus MEIS. Based on this assumption we started booking orders.

We export to Europe where for Indian made items there is an import duty of 9.6 per cent whereas for Pakistan and Bangladesh there is no import duty. Because of the incentives announced under ROSCTL and MEIS which put together amounts to more than 10 per cent, we were competitive and got good business. But we never anticipated that the ministry would withdraw the MEIS and 1 per cent adjustments.

Exporters will lose money due to this retrospective withdrawal because the margin is very thin. If you look at our net profit it is 2-3 per cent. In such a situation withdrawal of 4 per cent MEIS retrospectively will have big impact on the profitability, since we have commitment for the next 4-5 months."

The government's decision has made the industry unhappy because it has come at a time when exports are already on the downside due to the current economic situation and uncertainity around the world.

"There will be lot of problems for the industry, firstly, because RoSCTL has not been paid so far, and secondly, the 4 per cent MEIS—which the government has stopped paying since August 1, 2019, and it will recover the amount paid from March 7, 2019 onwards. So, there will be a loss of 4 per cent to the industry, because all the exporters have considered it in their costing, and they have already exported the goods.

The retrospective effect means that exporters have to pay the MEIS from their own profits, which at present is at a very negligible margin. So, after taking back the 4 per cent incentive, it will lead to either break-even or even loss for exporters. It would have been better, if the government had made the decision effective prospectively, Century Textiles president RK Dalmia told Fibre2Fashion.

Value addition is much higher in made-ups and apparel sector, which results in employment generation on a large-scale. The retrospective withdrawal of MEIS takes away 4 per cent benefit from the value chain for a considerable period of 9-10 months, that too in an industry where margins are already thin.

"If the government says that the benefit will stop prospectively, we will take up with the customers that we are not able to pass on the benefits which have been withdrawn but still have we will have loss of 3-6 months even if they were withdrawn prospectively as the orders have already been taken," according to Amit Gupta of Trident Group.

"Industry is going through a tough time and the government needs to support us. We are one of the largest employment generators in the textile manufacturing value chain. We are also contributing a lot to the foreign exchanges. So, if these benefits are withdrawn it will impact directly and several companies may not be able to sustain," feels Gupta.

The retrospective withdrawal of MEIS, along with non-distribution of benefits under RoSCTL has increased problems of home textiles exporters, who are already facing a stiff competition from countries like Bangladesh, Pakistan and Vietnam. Even if the benefit is withdrawn prospectively, exporters who have already booked orders for the coming months would face loss for the said orders. Hence, they are hoping that the government would review the announcement in the interest of the industry.

Source: fibre2fashion.com - Jan 27, 2020

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What the Union budget can do to re-energize India's stagnant exports

When finance minister Nirmala Sitharaman presented her first budget on 5 July last year, one crucial word was missing from her 20,189-word speech: Exports. This led to talk of a probable turf war between the finance ministry and the commerce ministry.

That was expected to change when Sitharaman announced a new scheme called Remission of Duties or Taxes On Export Product (RoDTEP) in September. The scheme, compliant with World Trade Organization (WTO) rules, was supposed to replace Merchandise Exports from India Scheme (MEIS) which the US had challenged in the WTO. However, exporters are receiving neither MEIS nor RoDTEP benefits for the last five months, at a time exports are contracting month after month beginning August.

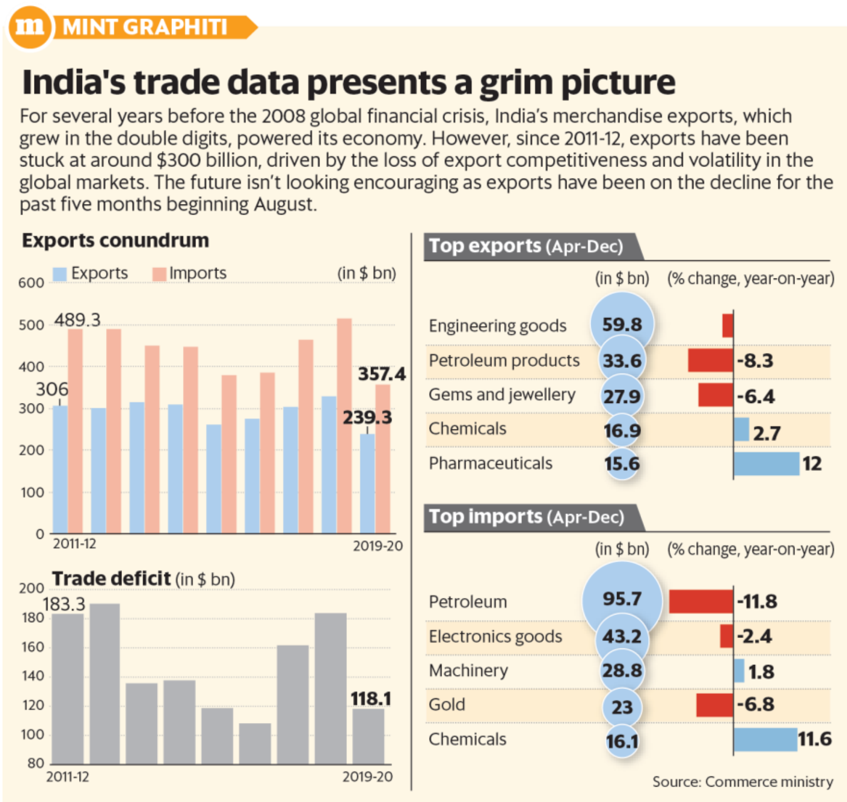
"It's a tough time for exporters, particularly for the small ones who have faced a liquidity crunch. Trade and industry is not aware what transpired between the two agencies.

I expect the notifications to come this week. Hopefully, now the things are likely to settle down and the pending dues need to be released as early as possible," Ajay Sahai, director general and chief executive officer of Federation of Indian Exports Organisation said.

On paper, the MEIS is valid till 31 March except for apparel and made-ups sectors which has got its own interim scheme without incentives. RoDTEP has not been rolled out so far as the cabinet has not approved it even after five months of its announcement.

$300 billion conundrum

Once growing at over 20%, powering India's robust economic growth, India's exports have been stuck at around $300 billion for the last one decade, driven by loss of export competitiveness and volatility in global markets.



Indian industry has often played safe, content with the domestic demand and unwilling to upgrade technology or standards to match global levels. In labour-intensive sectors like textiles where India had an edge due to cheap labour, Bangladesh has outsmarted India, thanks to the sticky labour laws of the latter.

Steve Felder, managing director, Maersk, South Asia, said faster adoption of technology to digitize trade operations will need enough budget allocations in order to increase productivity and lower the cost of logistics by reducing or eliminating costs added by middlemen.

“There is a need to further sharpen our focus on infrastructure that would pertain to port infrastructure, hinterland connectivity, warehousing to be really competitive as well as policies and regulations that would help boost infrastructure development in these areas," he added.

Pushkar Mukewar, co-founder and co-CEO, Drip Capital said with the new Foreign Trade Policy (FTP) around the corner, expectations are that the budget will allocate appropriate funds and resources for its implementation and pave a way for boosting exports from the country.

“We expect certain policy interventions to energize the export sector, overcome anticipated flat growth, ease liquidity problems, and resolve persistent problems faced by small and medium-sized enterprises (SMEs) in the sector," he added.

Do No Harm

Faced with the falling fortunes of Indian exporters and rising imports, especially from its northern neighbour China, India has increasingly turned to import substitution by curbing what it calls non-essential imports.

The commerce ministry now wishes to expand its scope further. It has asked the finance ministry to impose a border adjustment tax in the budget on certain imported goods to make up for non-refundable internal taxes like electricity duty, duties on fuel, clean energy cess, etc for exporters.

It has also proposed to put curbs on 200 non-essential items such as toys, furniture, plastic products and sports items. Trade minister Piyush Goyal has even threatened to restrict imports of around 3,000 uncategorized “others" items worth $140 billion in India’s import basket.

A commerce ministry official on condition of anonymity said the move is foolish. “It’s not like we don’t know what we import through the ‘others’ category. Suppose, five varieties of biscuits have been identified. When a new variety of biscuit is imported, then it is put in ‘others’ category. We know it is a biscuit, we only don’t know the variety," he explained.

Biswajit Dhar, professor of economics at the Jawaharlal Nehru University, said these are extremely wrong signals that India is sending to the international community.

“What the US president Donald Trump is doing, whether one likes it or not, he is giving justifications. Here you are putting a tax without even consultations. And these measures will do nothing to promote exports nor will they help the Indian economy," he added.

Source: livemint.com - Jan 27, 2020

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The fastest way to a $5 trillion economy is through exports

The road towards a $5 trillion economy leads through the rapid expansion of India's exports. In recent times, India's export performance, particularly of goods, has not been up to expectations.

If one takes a long-term view, India has managed to increase its share in the world (non-oil) goods exports from 0.6% to 1.6% between 1990 and 2018. However, it has been outperformed by China or other APAC countries such as Vietnam.

India's export's slowdown has often been attributed to the deglobalization after the 2008 financial crisis and the global protectionist environment. However, this seems to be at best a partial explanation as other neighbouring countries have boosted their exports in the same global environment.

Structural shifts in global trade are also creating big opportunities. The world's largest exporter, China, is shedding some of its industrial activity as a result of moving higher in the global value chain, rising wages and trade tensions with the US. However, the capacity of these countries to absorb the large-scale investments is limited because of their size. This is where an opportunity exists for India.

India has been trying to improve its competitiveness in the global economy as it currently faces a fragmented and informal nature of industry, which limits efficiency, rigidities in land and labour market, and high cost of capital, high costs of inputs such as power and logistics, inadequate investment in human capital, and difficulties in doing business for the manufacturing sector.

The government's ability to use direct export incentives has also been reduced by the recent World Trade Organization ruling and increasing international scrutiny.

One step is to revitalize India's export zones. India has had an SEZ (special economic zone) policy since 2005 but it has not had the desired impact on the manufacturing sector because of the small size of the SEZs created, their locations, and other regulatory bottlenecks. There is a case for India to learn from experience and create a few large coastal economic zones (CEZs).

State governments need to be brought to the forefront of the export growth strategy. A national one-size-fits-all strategy may not work as different states have differing competitive strengths and, therefore, require different areas of focus. The central government has already started efforts to nudge states to promote exports.

An immediate step can be to use the goods and services tax (GST) filings data to calculate and publish data on exports by each state. This will provide states with a reliable measure to track their progress and set goals and policies that match their comparative strengths.

Third, with considerable uncertainty in US-China trade relations despite a Phase One deal, India should move ahead to firm up its own trade relations with the US. It should focus on opening the lucrative US market for Indian exporters through a trade deal.

Source: livemint.com - Jan 28, 2020

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Signs of recovery: Cargo handling at ports gains momentum

In an early indication of economic recovery, cargo handling in Indian ports is witnessing a spike. The trend was noticed since mid-December and gained momentum in January.

Cargo handling at ports normally improves in December-January. But this year has been different due to sluggish economic growth during the last two quarters. The manufacturing sector suffered contraction for nearly five months with trailing effect on port operations.

According to Indian Ports Association (IPA), 12 major (government-run) ports reported barely 0.98 per cent growth in cargo during April-December 2019. Though the growth is still lower than last year, things have certainly changed for the better in January in both bulk and containerised cargo.

Congestion at berths

At Paradip, iron ore and pellet exports are maintaining a robust growth in January, leading to congestion and waiting at berths.

Paradip is primarily into bulk cargo. A robust 90 per cent growth in iron ore, which is one-fifth of the total cargo handled, helped the port compensate the fall in many major categories and post 3.97 per cent growth in cargo during April-December 2019.

The change in mood is more evident in coal, which makes up roughly one-third of the total cargo at Paradip. During the past nine months, thermal and coking coal imports were down by 21 per cent and 4.6 per cent, respectively. According to port sources, traffic was up in January.

At Kolkata, Chairman Vinit Kumar confirms a definite uptrend in bulk and container cargo since mid-December. Kolkata is the second largest container port in the East coast, after Chennai.

“Cargo is growing by 3-4 per cent in in all segments. Container cargo is rising by nearly 4 per cent,” Kumar told BusinessLine. According to IPA, during April-December, the port reported 2.8 per cent growth in the handling of twenty-feet equivalent (TEU) boxes. Total cargo grew by 2 per cent.

Strong recovery

What is significant about Kolkata is, apart from domestic demand, the city caters to nearly 80 per cent of Nepal’s $3-billion third-country trade and the entire third-country import demand of Bhutan. Kumar says cargo for both the countries is witnessing a strong recovery.

Though details are not available, sources confirm similar trends in Visakhapatnam (Vizag) port. It reported a 8.64 per cent growth — strongest in the East coast — during April-December, riding on petroleum cargo, iron ore and coking coal.

Sources say the growth has picked up in recent weeks.

Dhamra (Odisha) of Adani Group witnessed a distinct rise in cargo this fiscal. However, sources are not ready to link it to the general economic recovery, as the port suffered from “massive shortage” of rakes during the previous year.

“There is a general upswing this year. This is due to improved wagon supply and induction of rakes by Adani Logistics and Tata Martrade International

Logistics Ltd (TMILL) under the GPWIS (general purpose wagon induction) scheme," a source said.

Source: thehindubusinessline.com - Jan 27, 2020

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Budget 2020: Govt should increase customs duty on finished products to incentivise Make in India

Union Budget 2020 India: With persistent domestic and external headwinds in the last year, there is an expectation of strong and robust measures being announced in the upcoming budget to support economic revival, and boost sagging growth. There are high hopes from the budget, with expectations of a personal tax rate cut and other measures to boost demand.

While the government has the flexibility of considering budget proposals from a direct tax (mainly income tax) perspective, a major chunk of indirect taxes, i.e., Goods and Services Tax, remains outside its consideration; India's federal structure requires amendments to GST to be evaluated and recommended by the GST Council. Hence, from an indirect tax perspective, proposals on customs duty are expected to be analysed and considered by the government—these have a direct impact on businesses in India, at an individual level. Businesses look forward to some of the following being considered and proposed:

A legal dispute resolution scheme for customs-related disputes: Similar to the recently announced dispute settlement scheme for historical indirect tax levies like central excise and service tax, businesses have been hoping for an amnesty scheme under customs as well, essentially to ensure certainty on potential financial impacts on pending disputes, and to help business monetise the probable recoveries on impending litigations and bridge the fiscal deficit.

A dispute resolution scheme under customs, similar to the recently introduced Sabka Vishwas Scheme, which elicited an overwhelming response from businesses, should garner appreciation, especially from global businesses that have set up operations in India by outsourcing their manufacturing processes, for promoting the "Make in India" campaign.

Tweaks in customs duty rates: To incentivise the “Make in India” leitmotif, the government could consider increasing the customs duty rates on finished products, with reducing rates on corresponding inputs, thereby encouraging higher value addition. The Budget could also consider proposals for reduction of export duty on certain goods, like bauxite, lower-grade ore, etc, for enhanced foreign currency earnings and boost to businesses.

A blueprint of the expected Foreign Trade Policy and incentives for foreign exchange earners: Recently, a decision of the World Trade Organization has outlawed various incentives given by India to exporters; these include Merchandise Exports from India Scheme (MEIS) incentives, Special Economic Zones Scheme, and Export Promotion Capital Goods. While an appeal against the verdict has been filed by India, the exporters are worried about the continuity of these schemes, especially at a time when these incentives are imperative for global trade by Indian businesses.

While the decision on the contours of the export schemes/incentives remains a prerogative of the ministry of commerce, the broad outlook/plan of the government in the upcoming Budget, and assurance of long-term confirmed policies being considered should help boost the morale of exporters.

Expected GST revenue collections and relatedly expected roadmap for the coming year: Another aspect which pulls in attention of businesses is the estimated revenue collection from each of the taxes in the forthcoming fiscal year. While the policy decisions on GST remain outside the purview of the budget, the estimates on collections are a part of the fiscal budget. An aggressive target, surmising a possible increase in the GST rates or implementation of tax evasion measures, including new returns, e-invoicing, etc, would be expected.

While, as mentioned earlier, not much is expected to be proposed on indirect taxes in the upcoming budget, there is a general expectation that wider policy measures will be announced to reinstate the trust of businesses, bolster demand, and tackle the slowdown in the economy.

Source: financialexpress.com - Jan 27, 2020

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India, Brazil sign 15 pacts to bolster defence, trade ties

Reaffirming a strategic partnership, India and Brazil on Saturday signed 15 agreements as Prime Minister Narendra Modi held talks with Brazilian President Jair Bolsonaro who will also be the chief guest at the Republic Day parade at Rajpath on Sunday.

India wants to open up its relations with Latin American countries, and Brazil could become New Delhi's gateway to the continent.

The two sides signed a joint statement and an action plan to deepen cooperation in defence and security; trade and investment; agriculture and energy; civil aviation; energy; environment; and health and innovation. They promised to work together to conclude an agreement to deal with international terrorism. The major focus was on boosting bilateral trade and investment as both the large economies have been hit by economic slowdown.

The 15 agreements cover a wide range of areas including oil and gas, mineral resources, traditional medicine, animal husbandry, bio-energy and trade and investment.

India and Brazil drew up ambitious plan to boost their stuttering economies by expanding cooperation in oil, gas and minerals sectors, and set a target of USD 15 billion in bilateral trade by 2022. "Your visit to India has opened a new chapter in ties between India and Brazil," Modi said.

Tweeting later, Modi said, "Apart from bilateral cooperation, India and Brazil are working together at various multilateral forums. We see immense synergies on various issues including the need to uproot the menace of terrorism. India and Brazil will keep working together for a better planet."

Source: timesofindia.com - Jan 267, 2020

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Final contours of scheme on cheap export credit being drawn: Goyal

Commerce Minister called for creation of a database for better schemes

The "final contours" of the scheme for providing export credit at low interest rates announced by Finance Minister Nirmala Sitharaman in September last year are being firmed up and would be implemented soon, said Commerce and Industry Minister, Piyush Goyal.

"Export credit on easy terms could go up three times in the next 3-4 years as a result of the measures being taken by the government," Goyal said at a meeting with traders organised by the Confederation of All India Traders (CAIT) on Monday.

Goyal also called for creation of a database for traders in order to have better schemes. "If we want to have some scheme..we need to find out how many people need to give benefits. If we don't have accurate data, how will we have schemes," he said.

Giving an example, the Minister said that he had been considering an amnesty scheme for businesses that could not meet their commitments under schemes such as Advance Licence or EPCG.

"But we need data for this such as how many traders will benefit and how much revenue the government will have to forego," he said, adding that data collection was important and should not be opposed as was being done in case of the National Population Register.

In September, Sitharaman had announced revised priority sector lending norms for exporters which would release an additional funding of ₹ 36,000-68,000 crore to them. It was decided that export finance would be actively monitored by an inter-ministerial working group in the commerce department.

Stating that the Mudra loan scheme had worked very well for the small sector, the Minister said the government could explore going for 'Mudra Plus' scheme with additional features.

The Minister further said that he would hold a meeting with traders after the Delhi elections next month to discuss problems and suggestions to improve the financing situation.

Sale of counterfeit products

Earlier, CAIT welcomed US President Donald Trump's move to release new rules to curb sales of counterfeit and pirated goods on e-commerce platforms and the traders body urged Goyal to implement a similiar policy in India. The new recommendations published by the US Department of Homeland Security puts the onus of policing counterfeit goods on e-commerce hubs like Amazon, eBay and Alibaba.

"If the US can take this action, why can't the Indian government take the same action to refurbish the image and nature of the Indian e-commerce market?" asked Praveen Khandelwal, National Secretary General, CAIT.

Source: thehindubusinessline.com - Jan 27, 2020

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'Shortage of skilled workforce a concern in clothing industry'

Focus must be to create an effective policy framework: VC

A two-day international conference on skills for clothing sector, sponsored under Rashtriya Uchchatar Shiksha Abhiyan (RUSA) scheme and organised by Alagappa Institute of Skill Development of Alagappa University, Karaikudi, was inaugurated on January 22.

University Vice-Chancellor N. Rajendran, in his presidential address, said that clothing industry is one of the oldest sectors that contributes a major share to the Indian economy. He said that this is the second largest employer in the country after agricultural sector.

"Unprecedented technological transformations and a shortage of skilled workforce is a major concern for the industry. Hence, the focus must be to create an effective policy framework towards offering quality vocational training to the students during their graduation," he said.

G.L.D. Wickramasinghe, former Vice-Chancellor of University of Vocational Technology, Sri Lanka, inaugurated the conference. In his address, he explained the modern trends and techniques used in global clothing sector. Further, he urged the students to develop interest towards research to develop good products and become successful entrepreneurs.

K. Murugesh Babu from the College of Textile and Clothing Engineering, Soochow University, China, delivered the keynote address. In his address, he illustrated how the modern technological advancements like Computer Aided Design (CAD), Artificial Intelligence and Virtual Reality have changed the nature of the clothing sector.

During the conference, Alagappa Institute of Skill Development signed a memorandum of understanding (MoU) with Anugraha Fashion Knitwear, a leading export industry in Tirupur. Also, Entrepreneurship, Innovation and Career hub of Alagappa University signed an MoU with Atal Incubation Centre - NIFT-TEA, Tirupur.

Source: thehindu.com- Jan 27, 2020

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