Cotton Market

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

<table>
<thead>
<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>20526</td>
<td>42900</td>
<td>75.97</td>
</tr>
</tbody>
</table>

**Domestic Futures Price (Ex. Warehouse Rajkot), August**

<table>
<thead>
<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>August</td>
<td>21040</td>
<td>43974</td>
<td>77.87</td>
</tr>
</tbody>
</table>

**International Futures Price**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NY ICE USD Cents/lb (December 2019)</td>
<td>58.73</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (January 2020)</td>
<td>12,450</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>78.81</td>
</tr>
</tbody>
</table>

**Cotlook A Index – Physical**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton Guide: The ICE prices of cotton futures are seen to go nowhere. As rightly predicted by us yesterday, both the bullish and the bearish factors are keeping the prices at an equilibrium level thus making them look consolidated. The total volumes were at 19,126 contracts which are considered to be lower figures. The ICE December contract thus settled at 58.73 cents per pound with a change of +0.81 cents per pound. Currently the market is trading negative at 58.29 with a change of -0.44 cents per pound. The ICE Contracts have taken cue from ZCE contracts where the most active ZCE January contract settled at 12,450 yuan per tonne with a change of +105 yuan. The MCX contracts on the hand abruptly settled lower. The MCX August contract settled at</td>
<td>69.30</td>
</tr>
</tbody>
</table>
21,040 Rs per bale with a change of -90 Rs. The MCX October contract settled at 19,630 Rs per Bale with a change of -120 Rs. Total volumes were seen comparatively less at 1834 lots.

According to Cotlook, Total open interest increased by 490 contracts to 219,375, its highest level since May 10, 2019. December 2019 interest increased by 549 contracts to 138,472 while March 2020 interest decreased by 108 contracts to 47,149.

What will be interesting to watch for is the Weekly US Export Sales Data that is scheduled for a release this evening at 6 pm IST. There is a pessimistic wave in the market where the market participants are expecting lower export sales data which is considered a bearish indicator for the prices. Hereafter, we need to keep an eye on the developments of Hurricane Dorian in the United States which is considered to be of category 3 intensity.

The Cotlook Index A has been kept untouched at 69.30 cents per pound. The price of Shankar 6 displayed on the website of the Cotton Association of India stands firm and unchanged at 42,900 Rs per Candy.

While speaking about demand, a kind of artificial demand is being created by some international traders/fabric mills where, these cash rich participants abroad are leveraging on the current yarn prices which have suffered a decline due to cotton prices. Also the Depreciated Indian Rupee is helping the spinning mills in India to sell at a decent rate. We have therefore witnessed a few containers being booked since the start of this week.

For Today, fundamentally speaking we are titled towards the downward end for the ICE contracts as we are not expecting extraordinary figures to come from the US Export Sales.

On the technical front, prices has given a break down from the bearish flag pattern accompanied with negative crossover of the EMA(5,9)=(59.45,58.67) suggest the base trend is bearish. Bullish hammer candlestick pattern may restrict the downside, but prices closed above the support line of bear flag indicates the trading zone of 58-60. Relative strength index (RSI) having a positive divergence with prices may also limit the downside. Trading in the range of 57.50-59.50 is recommended for the day. Closing above 60.20 will be the first sign of upside reversal. In the domestic market MCX October future contract is expected to trade in the range of 19450-19700 with a sideways trend.
# NEWS CLIPPINGS

## INTERNATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>US Consumers Are Starting to Worry About Tariff Impact on Retail Pricing</td>
</tr>
<tr>
<td>2</td>
<td>No Grace Period for Tariff Increase on Imports from China</td>
</tr>
<tr>
<td>3</td>
<td>U.S. cotton industry quietly faces crisis from China trade war</td>
</tr>
<tr>
<td>4</td>
<td>WTO ranks Vietnam first in export growth</td>
</tr>
<tr>
<td>5</td>
<td>Mercosur countries keen to sign FTA with Bangladesh</td>
</tr>
<tr>
<td>6</td>
<td>Turkey: Trade Ministry delegation to visit Mexico as FTA negotiations begin</td>
</tr>
<tr>
<td>7</td>
<td>Outgoing envoy hopes Cambodia listens to EU's concerns</td>
</tr>
<tr>
<td>8</td>
<td>Australia partners ILO to support Bangladesh RMG industry</td>
</tr>
<tr>
<td>9</td>
<td>Pakistan: PYMA voices concern over imposition of four percent WHT</td>
</tr>
<tr>
<td>10</td>
<td>Bangladesh apparel exporters, EPB official say India’s concerns ‘unrealistic’</td>
</tr>
</tbody>
</table>

## NATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New sops to check yarn exports fall</td>
</tr>
<tr>
<td>2</td>
<td>Modi government to come up with export sops including WTO compliant schemes</td>
</tr>
<tr>
<td>3</td>
<td>Slowdown in textile sector likely to hit cotton growers</td>
</tr>
<tr>
<td>4</td>
<td>USDA Estimates Indian Cotton Production At 29 Million Bales For MY 19/20</td>
</tr>
<tr>
<td>5</td>
<td>Apple, IKEA, H&amp;M may bolster their presence in India as Centre relaxes FDI rule in single-brand retail</td>
</tr>
<tr>
<td>6</td>
<td>Will sign preferential tariff agreement with India soon, says Iranian envoy</td>
</tr>
<tr>
<td>7</td>
<td>India Ratings cuts growth forecast for FY 2019-20 to 6-year low at 6.7%</td>
</tr>
<tr>
<td>8</td>
<td>Iran to open bank branch in India in 2-3 months to boost trade</td>
</tr>
<tr>
<td>9</td>
<td>What’s causing MSME slowdown? The real reasons why small businesses are struggling</td>
</tr>
<tr>
<td>10</td>
<td>Removal of MEIS to hurt garment industry</td>
</tr>
</tbody>
</table>
INTERNATIONAL NEWS

US Consumers Are Starting to Worry About Tariff Impact on Retail Pricing

Along with the spate of tariffs being bandied about between the United States and China, promises of price spikes at retail haven’t been far behind. And whether retailers have already passed tariff increases along to consumers, or they’ll be prepared to do so after Sunday when new tariffs on apparel and footwear take effect—consumers are already on high alert.

A study released Wednesday by global retail analytics and price optimization leader Intelligence Node, found that 54 percent of shoppers are concerned about the impact new tariffs will have on their wallets.

As many as 61 percent of surveyed consumers said they’ve been deterred from making a purchase online because of price, and 58 percent ranked clothing, footwear and accessories as the items they generally wait to see go on sale before making a purchase, tied with phones, laptops and tablets for the top spot.

“Our survey findings clearly indicate that consumers are more sensitive to price tags on consumer electronics and apparel products than others—categories that are at the center of the impact zone in the Chinese trade war,” Intelligence Node said. “Retailers will undoubtedly try to absorb these tariffs with price hikes.”

Already, Macy’s tested price increases in its furniture and housewares categories impacted by recent Trump tariffs, and found that consumers largely didn’t “have much appetite” for it. As such, the retailer said it’s looking at no price increases for products impacted by the Tranche 4 tariffs just days away.

The problem, in particular, is that price hikes ahead of the critical holiday shopping season, could make promotional pricing even more vital to getting consumers’ attention.

“The impending tariffs will bite into everyone’s margins,” Intelligence Note co-founder and CEO Sanjeev Sularia, said. “Being able to optimize prices to maximize your margins, while putting great products into the hands of
consumers at a price they feel is fair is key right now. This critical capability also allows brands and retailers to move inventory and reinvest profits into new goods they know consumers want.”

In just four days, on Sept. 1, 77 percent of all apparel, footwear and home textile products the U.S. imports from China will face an additional 15 percent tariff, escalated from 10 percent last week when President Donald Trump reacted to China’s own tariff retaliation. And on Dec. 15, the other 23 percent of Chinese apparel, footwear and home textile products will face the 15 percent tariff, according to data from the American Apparel & Footwear Association (AAFA). In just more than one month’s time, on Oct. 1, $250 billion worth of Chinese goods already being taxed an additional 25 percent, will instead face a 30 percent tariff.

“This is a tax that will hurt every American,” Rick Helfenbein, AAFA president and CEO, said even before Trump announced the latest tariff increases. “Contrary to the headlines, the Grinch has stolen the Christmas selling season for our industry.”

Apparel and footwear items, according to Intelligence Node, are caught in the crosshairs of the escalating global tariff conflict, whereby prices at brick and mortar and online are expected to rise. “Any slowed growth in sales could negatively impact retailers’ supply chains and their ability to procure new merchandise for 2020 and beyond,” the company noted.

From Trump’s perspective, however, it seems things are going according to plan.

“…We are doing very with China…” the president mentioned in a tweet Wednesday.

From China’s perspective, it’s leveraging all of the tools it has to fight the drag out battle that is this trade war. The country announced Friday new tariffs between 5 percent to 10 percent on $75 million worth of U.S. goods, prompting Trump to push both already in place, and proposed tariff rates up by 5 percent.

“The US Administration’s blunt force tool to bring about a trade deal has been tariffs. China has to date been judicious and has limited use of tariffs but as the conflict drags on they see it as a necessary measure,” said Michael
Zakkour, Tompkins International vice president and China/Asia Pacific practice leader, who will also be speaking at Sourcing Summit New York on Oct. 17. “Ultimately the goal is to make it as difficult for U.S. companies to sell their products in China as has been made for Chinese companies exporting to America. As I have maintained for the last 17 months, tariffs are not effective trade dispute tools and the real pain is only being felt by average workers and consumers on both sides.

With just days left before the proposed new tariffs roll out, there’s been little to indicate Trump will be dialing the action back—though Zakkour is holding out hope the holiday season can still be saved.

“I believe [the tariff implementation] will hold through the holidays so as not to cause a major disruption or hinder holiday sales,” he said. “The bigger issue is will there be a trade deal before end of the year and, if not, what effect it will have on the first two quarters, and if what this is all leading to is a major decoupling of China and the U.S. and a new world trade order.”

Source: sourcingjournal.com- Aug 28, 2019

***************

No Grace Period for Tariff Increase on Imports from China

The Trump administration has indicated that another tariff increase on imports from China will be imposed with no flexibility for goods already in transit to the U.S.

The administration previously announced plans to impose a Section 301 additional tariff of 10 percent on $300 billion worth of Chinese goods in two stages, effective Sept. 1 (List 4A goods) and Dec. 15 (List 4B goods). China responded by pledging to levy additional tariffs of 5 or 10 percent on $75 billion worth of imports from the U.S. on the same dates.

The White House then said it would increase the additional tariff on List 4 goods from 10 percent to 15 percent. A notice from the Office of the U.S. Trade Representative now states that this higher tariff will be effective with respect to goods entered or withdrawn from warehouse for consumption on or after 12:01 a.m. EDT on the appropriate dates. As a result, this tariff will
apply to subject goods even if they were already on their way to the U.S. prior to these effective dates.

USTR is also planning to increase the additional 25 percent tariff currently in place on $250 billion worth of Chinese goods (lists 1 through 3) to 30 percent effective Oct. 1 following a notice and comment period. However, USTR has yet to issue that notice.

Source: strtrade.com - Aug 29, 2019

***************

**U.S. cotton industry quietly faces crisis from China trade war**

While soybeans have remained front and center in the United States trade war with China, American cotton is quietly facing its own tariff-induced crisis.

Cotton was among the first round of agricultural commodities China hit with retaliatory tariffs in summer 2018. Its price has been slowly declining ever since. And, this summer, it dropped below the level most farmers need to make any money from their 2019 harvest.

“A U.S. farmer really needs futures prices to be 75 cents or higher to be profitable,” said John Robinson, a professor in agricultural economics and an extension specialist in cotton marketing at Texas A&M University.

In May, the price dropped below 60 cents per bale — and it has remained there. Industry experts say there is little chance it will rise again until the trade war ends.

“It is tough, very tough out here on the farm,” said Jimmy Webb, a fourth generation Georgia cotton grower. “Prices are in the tank. It is tough to make a living.”

But despite the increasingly dire situation, the plight of cotton has been largely eclipsed by other commodities hit with Chinese tariffs. This is partly because the impact on cotton was slower to take hold than some of those other commodities.
Despite having the world’s largest textile industry, China over the last few years was not the leading importer of U.S. cotton, said Jody Campiche, the vice president of economics and policy analysis at the National Cotton Council of America.

Around 2011, China began buying huge quantities of cotton, mostly from its own farmers, and stockpiling it in government reserves. The country quickly stored many millions more bales than its textile plants needed.

Over the next several years, China’s imports slumped while it lived off those reserves.

The United States exported some cotton to China during that time. And exports to other markets, like Vietnam, India and Bangladesh increased to take up the slack.

By the start of 2018, however, China had used up most of its reserves and was preparing to ramp up imports.

“They suddenly became a big importer again,” Campiche said.

The U.S. cotton industry was preparing to meet the anticipated increase in demand when the tariffs hit.

“For the 2018–2019 crop year, we expected to export more than 3 million bales of cotton to China,” Campiche said. “We ended up exporting 1.6 million bales.”

Instead of exploding, America’s sale of cotton to China shrank — along with the value of U.S. cotton.

Declining direct sales were partly to blame, experts say. But they were not the only factor.

“It is the uncertainty that is really creating the whole situation,” Robinson said. “Buyers, they don’t know what the next tweet will be, the next tariff, if China will cancel existing sales. There is just this cloud of uncertainty. That’s bad for business.”
And there are other issues that the trade war has created, Robinson said. Other key cotton importing nations have started to demand lower prices for U.S. cotton, aware that American companies are becoming more desperate to sell.

What’s more, because cotton prices were slower to fall, many Southern farmers who normally plant corn or soybeans switched to cotton this spring.

“I watch the market signals to swing between corn and cotton,” Webb said. “This year, I swung it to cotton. I swung it in the wrong way.”

According to the U.S. Department of Agriculture, cotton acres grew by 23 percent from last year. The sudden increase in supplies pushed prices down further.

And the trade dispute is affecting the cotton industry in another way — it is causing China’s economy to slow. That slump means the nation’s demand for cotton in general is decreasing, which is reducing demand worldwide, Campiche said.

“The impacts on cotton are indirect, but no less significant,” said Darren Hudson, a professor of applied economics at Texas Tech University.

Farmers are starting to feel the pressure, Hudson said.

Like other commodities, they are being helped by federal aid from the Trump administration’s $16 billion Market Facilitation Program. But those payments don’t make up for all the lost income, Campiche said. And they won’t help if prices remain low.

“To me, I like what the president is doing,” Webb said. “China has always been a big bully. This is going to be good in the long run. But it is hell in the short run. And the question is, how long will it last?”

Source: gephardtdaily.com- Aug 28, 2019
WTO ranks Vietnam first in export growth

The World Trade Organisation’s index ranks Vietnam first in export growth among emerging economies. Vietnam has 14.6 per cent growth while Bangladesh is in second place with 9.8 per cent growth.

The figure is 5.7 per cent for China and 5.3 per cent for India. Mexico has a 4.5 per cent export growth, UAE 3.7 per cent, Turkey 2.4 per cent, Brazil 1.9 per cent and South Africa 1.5 per cent.

Vietnam has moved faster in producing goods which are being relocated from China and has the advantages of a shorter lead to Bangladesh’s exports of apparel and clothing.

Readymade garments are still the main driving factor for Bangladesh’s export growth with its increased stake in the global market. Due to the ongoing tariff war, a significant volume of trade has relocated from China to other countries but Bangladesh has been unable to capture a significant portion of it despite being an attractive sourcing destination.

One reason could be poor delivery capacity. Another is the appreciation of the currency against the dollar, which has eaten up Bangladesh apparel makers’ competitive edge in global markets.

The value of Vietnam’s yarn exports to China has decreased by 2.5 per cent. The reason is the depreciation of the Chinese currency against the dollar.

Vietnam imports cotton from the US to make yarn products for export to China. If the yuan continues to fall, Vietnam’s yarn producers will continue to face difficulties.

Source: fashionatingworld.com- Aug 28, 2019
Mercosur countries keen to sign FTA with Bangladesh

Higher tariff up to 35% on imports from Bangladesh and conservative trade policy are key barriers the manufacturers, especially of apparel goods, face in entering into export markets of Argentina, Brazil, Paraguay and Uruguay.

The countries have agreed to sign free trade agreement (FTA) to increase bilateral trade with Bangladesh by removing the trade barriers.

Mercosur, officially Southern Common Market, is a South American trade bloc comprising Argentina, Brazil, Paraguay and Uruguay with three crore people and high purchase power with $3.4 trillion GDP. The average per capita income is $12,000.

Commerce Minister Tipu Munshi and BGMEA President Rubana Huq came up with observations at a press conference on Wednesday where they shared experience of their recent visit to the Mercosur countries.

A delegation including government officials and private sector people, led by the commerce minister, visited Argentina, Brazil, Paraguay and Uruguay in between August 18 and August 23 to explore new markets for Bangladesh exports.

“It is very difficult to enter into export markets in Mercosur countries especially Brazil for various reasons. Firstly, the import duty is 35%, which reaches up to 60% with the internal taxes. Secondly, the business people are very conservative and they do not want to increase their imports,” said Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Rubana Huq.

"Bangladesh exports to Mercosur is very small — a little over $200 million, whereas our imports from those countries stand at over $2 billion, a trade deficit of $1.8 billion," said the trade leader.

The minister also echoed her.

“Mercosur trade bloc is very important for Bangladesh in terms of exports as this alliance has 30 crore consumers with $3.4 trillion GDP,” said Tipu Munshi.
If Bangladesh could reduce tariff through free trade agreement, exports to these country including apparel goods, medicine, leather and leather goods would increase, said the minister.

The block, however, expressed their keen interest to export beef to Bangladesh, he said, adding that right now the government would not encourage it considering the local farmers.

**Bangladesh to host expo in Brazil**

To make the Mercosur countries familiar with Bangladeshi goods and targeting the Brazil consumers, Bangladesh is going to organize a two-day exposition at São Paulo on November 7 and 8.

To overcome the challenges and improve trade, improving products quality and continued commutation were very important, said Rubana Huq.

"As part of this, we are going to host a two-day expo to display our goods to attract consumers," she added.

Source: dhakatribune.com- Aug 28, 2019

**Turkey: Trade Ministry delegation to visit Mexico as FTA negotiations begin**

Turkey's Trade Ministry is planning a visit to Mexico with a large business delegation this fall, Deputy Trade Minister Gonca Yılmaz Batur said.

The two countries agreed last week on the resumption of free trade agreement (FTA) negotiations.

Batur's remarks came after a Turkey-Mexico Trade and Investment Seminar was held in Mexico on Aug. 23. The program was hosted by the Foreign Economic Relations Board of Turkey (DEİK) and Turkey-Mexico Business Council.

Speaking at the seminar, Batur said a bilateral meeting with the Mexican Undersecretary of Foreign Trade Luz Maria de la Mora was "very fruitful."
Batur expressed her expectation that the commercial and economic relations between the two countries will reach "a level that matches the real potential" with joint work.

"The volume of trade between our countries exceeded $1.2 billion in 2018," Batur said and added: "The first half of 2019 also showed a similar trend in our bilateral trade. Exports to Mexico reached $287.4 million, while imports from Mexico reached $276.1 million."

She said the two economies have common characteristics and the trade figures indicate the potential for Turkey and Mexico. "To raise these figures to the desired levels, we need to plan for more mutual visits, especially between our trade delegations and as a part of regular meetings of the Joint Economic Commission."

"And most importantly, we need to sign a Free Trade Agreement between our countries," she stressed. The Turkish government declared Mexico as one of its target countries in 2019, said Batur.

Mexico's Ambassador to Turkey Bernardo Cordova Tello said that with Turkish Airlines (THY) direct flights to the country, as well as excellent diplomatic and political relations, the distance between Turkey and Mexico is no longer an obstacle for strengthening bilateral economic ties.

"We are determined to develop our economic relations with Turkey," said Luis Fernando Godoy Rueda, acting deputy director at Mexico's Ministry of Economy.

The Turkey-Mexico Trade and Investment Seminar was held last Thursday, within the scope of the launch of direct flights to Mexico City and Cancun from Istanbul by Turkey's flag carrier Turkish Airlines.

Flight to Mexico which takes 15 hours and 15 minutes is among THY's longest. The carrier's scheduled flight from Istanbul to Mexico City ended with a two-hour flight to Cancun, one of the most popular tourist destinations in the American continent, after a one-hour layover.

Source: dailysabah.com - Aug 29, 2019
Outgoing envoy hopes Cambodia listens to EU’s concerns

Outgoing European Union (EU) ambassador to Cambodia George Edgar recently said he hopes Phnom Penh will address EU’s concerns regarding compliance with conventions of the International Labour Organisation (ILO) and the United Nations (UN). He said he does not want to see Cambodia lose the trade preferences enjoyed under the Everything-But-Arms (EBA) scheme.

About half of Cambodia’s exports are to the EU.

“We have underlined repeatedly that [the suspension of the EBA] is not the necessary outcome of the procedure and it is not the outcome the European Union wants to see,” Cambodian media quoted him as saying.

“Our sincere hope is that the Cambodian authorities will address the issue in an effective way and that there is no need for Cambodia’s access to EBA to be called into question,” the outgoing ambassador said.

In February, the EU started a six-month process of intense monitoring and engagement that could lead to the temporary suspension of Cambodia’s preferential access to the bloc’s market under the EBA scheme.

The Cambodian Rice Federation (CRF) recently urged the EU to save the livelihoods of half a million families by halting the process to withdraw the EBA scheme.

In a statement, CRF said cancelling the trade scheme would be a ‘painful’ addition to the duties that the bloc imposed on Cambodia earlier this year to protect European producers.

The Garment Manufacturers Association in Cambodia (GMAC) has also joined calls to halt the EBA removal process. In a recent statement, it said the livelihood of 750,000 workers and the welfare of 3 million Cambodians are at stake.

Source: fibre2fashion.com– Aug 29, 2019
Australia partners ILO to support Bangladesh RMG industry

Australia has partnered International Labor Organisation to improve working conditions, empower women and boost the competitiveness of Bangladesh’s readymade garment industry.

The partnership has been strengthened by the re-commitment of funds for Better Work Bangladesh as part of Australia’s ongoing partnership with ILO. Australia has been supporting BWB since 2016 and today the program reaches 485,708 workers in 210 factories who work with 22 international brands.

Australia is committed to fund this program until June 2020 as a demonstration of support for industrial safety, labor law governance and women’s economic empowerment in Bangladesh.

Australia’s ongoing support for the Better Work Bangladesh program drives important changes in workplace safety in the garment industry. Better Work has made measurable impacts on the lives of millions of workers and their families. It aims to unite multiple stakeholders; promoting decent work for all and helping the garment industry in Bangladesh thrive.

Source: fashionatingworld.com- Aug 28, 2019

Pakistan: PYMA voices concern over imposition of four percent WHT

Chairman, Pakistan Yarn Merchants Association (PYMA)(Sindh & Balochistan Zone), Muhammad Saqib Goodluck has expressed concern over imposition of 4 percent withholding tax(WHT) instead of 1 percent urged to withdraw the increase.

He said that during different meetings with the Federal Board of Revenue (FBR), imposition of one percent withholding tax was agreed over textile value chain (doubling, twisting, knitting, and weaving) but clarification from the FBR says imposition of 4 percent withholding tax instead of 1 percent on whole textile chain, is not acceptable at any cost.
M Saqib Goodluck in his letter to chairman FBR, Shabbar Zaidi has clearly refused to accept imposition of 4 percent W/H Tax instead of 1 percent and declared this step of the FBR as highly disastrous.

On purchase of cotton from ginners, deduction of 4 percent from invoice will increase pressure on ginners to reduce cost of cotton. In fact, they must be responsible for ginning charges which is 35 percent of ginned cotton.

Similarly, from manufacturing of yarn up to manufacturing of cloth, imposition of every tax will develop highly negative impacts on cost & local raw material.

He further said that local manufacturers spinning units & commercial importers of yarn works at low margins but large volume, when it reach up to retails stage with reference to polyester chain, it comprises four to five stages.

If upon fourth or fifth stage, 4 percent tax deducted, then cost of raw material will increase and ultimately WH tax will increase from the total margin and cases of income tax refund will increase, which takes a long time to receive.

It will be more difficult than GST because deduction of WH Tax on input carries no subsidy. A large number of production units are engaged in exports as well as sales in local market.

The FBR while examining audited balance sheets of public listed companies & other companies that withholding tax received over lesser margin is how much excessive. Therefore, for the survival of whole textile value chain one percent WH tax must be implemented.

Source: fp.brecorder.com - Aug 28, 2019

***************
Bangladesh apparel exporters, EPB official say India’s concerns ‘unrealistic’

India’s actual concern lies in Bangladesh’s rise as readymade garment exporter, the Bangladeshi businesses have alleged.

An Export Promotion Bureau or EPB official has also brushed aside as “unrealistic” recent reports on India’s Directorate of Revenue Intelligence sounding an alarm over such alleged practices.

The DRI asked the customs wing to look carefully into the origin certificates issued for such consignments by Bangladesh trade bodies, The Economic Times reported on Monday.

The move comes after the DRI issued a show-cause notice in early August to Future Enterprises on 83 garment consignments, allegedly imported from third countries and routed via Bangladesh to take advantage of zero import duty, according to the report.

The agency fears that the route could be abused by other importers and wants the customs to remain alert, it added.

“This is unrealistic. They have made an absurd allegation in the media,” EPB Deputy Director Anup Kanti Saha told bdnews24.com.

He said India was yet to officially inform Bangladesh authorities of the issue.

“We will give the response if they tell us through the related authorities,” he said.

On July 13, India’s DRI also arrested Dinesh Maheshwari, executive director and chief financial officer of Future Enterprises Ltd, for flouting import rules that allow duty-free shipments of certain items under the free trade pact with Bangladesh.

The customs fraud charges against him involved more than $2 million of unpaid customs duties on garment imports, Reuters reported citing a government statement.
Asked about the allegations against Future Group, Bangladesh Garment Manufacturers and Exporters Association or BGMEA President Rubana Huq told bdnews24.com: “It looks impossible. I don’t believe someone from Bangladesh is involved in it.”

Such fraudsters, if any, must be identified, but blanket accusations should not be levelled, she said.

The BGMEA president said her association was ready to help if any move to stop such practices alleged by the Indian authorities is made.

Rubana also said the Indian customs intelligence should work in cooperation with their Bangladesh counterparts considering Bangladesh was not supposed to make any profits from the fraud.

“The Indian consumers are the real beneficiaries. They can buy garments at cheaper prices,” she said.

Bangladesh Knitwear Manufacturers and Exporters Association or BKMEA Vice President Shamim Ehsan also said such malpractices were “impossible”.

He alleged propaganda against Bangladesh’s apparel industry starts whenever it moves ahead of India’s RMG businesses.

“Bangladesh’s RMG products made a good ground in India’s market last fiscal year. I think they are running the propaganda as they are concerned after seeing our export crossing $1 billion,” he said.

Source: bdnews24.com - Aug 29, 2019
NATIONAL NEWS

New sops to check yarn exports fall

Textile push incentives aimed at boosting yarn, fabric sector after 35% fall in cotton yarn exports in Q1.

The government has set up an inter-ministerial committee of secretaries to look at a new export incentive scheme especially for the yarn and fabric sector in the wake of a 35% decline in cotton yarn exports in the first quarter of FY20.

The committee has been set up after the Prime Minister’s Office (PMO) took stock of the Rebate of State and Central Taxes and Levies (RoSCTL) scheme and the textile industry’s demand to extend the scheme to other segments of the textile value chain, which is in place since March for the apparel and made-ups sector.

“An inter-ministerial committee has been set up to look at RoSCTL for all products including yarn, which is in trouble,” said an official in the know of the development. Exports of cotton yarn and fabrics declined 9.98% and 10.54%, respectively in July.

The development comes in the wake of the commerce department floating a cabinet note to replace the extant Merchandise Exports from India Scheme (MEIS), which was challenged by the US last year in WTO with RoSCTL for all exports in a phased manner.

RoSCTL will allow reimbursement of duties on export inputs and indirect taxes via freely transferrable scrips. Scrips are incentives that can be used to pay duties.
“Among textiles, cotton and viscose yarn are suffering. Cotton yarn exports attract 5-6% of embedded taxes, which are not refunded to the exporters at any stage,” said an industry representative requesting anonymity.

Moreover, the finance and commerce ministries are sparring over the phasing out of the MEIS and introduction of the new scheme, which is compliant with global trade norms.

“India’s textile and apparel trade gap with China, which is also a member of the Regional Comprehensive Economic Partnership agreement, has widened because India is losing its share of cotton yarn to Vietnam and Pakistan due to lower cost,” the industry representative said.

Source: economictimes.com - Aug 28, 2019

***************

**Modi government to come up with export sops including WTO compliant schemes**

The Narendra Modi Government will be recasting export subsidy schemes with new WTO compliant schemes which give exporters rebates and incentives in a new foreign trade policy that is likely to be unveiled sometime next month.

The Government is also working to see how to reduce import dependence on the top 50 tariff Indian export lines, which constitute 60 per cent of India’s import.

The commerce, finance, industry and other economic ministries have held a series of consultations on the schemes and “are almost ready with the new schemes that are now being vetted by trade experts and legal teams,” said officials.

The schemes that are under attack at the WTO and proposed to be replaced include the Merchandise Export from India Scheme, the Export Promotion Capital Goods Scheme and some incentives for special economic zones.

The new scheme called Rebate of State and Central Taxes and Levies (ROSCTL) is expected to be compliant with WTO norms. “Currently we do
give these rebates to garments and some textile units, now we will extend it to other export sectors. It should help also reverse slowdown in these sectors,” said officials.

“We have been working on the reframing of export promotion measures as otherwise, we were in trouble with many countries including our allies such as USA, Japan, Russia challenging our schemes at WTO,” said Prof Biswajit Dhar of JNU, who was formerly the director-general of RIS.

Officials also said they were looking at refunding not only local taxes such as the GST but also embedded taxes and charges such as the “Mandi” tax levied on farm products as well as excise and VAT paid on auto fuels, etc.

A number of countries, including the US, have opposed India’s export subsidies at the WTO as the country’s per capita income has been over USD 1000 for several years now.

The WTO mandates that a country can offer export subsidies as long its per capita income was below USD 1,000. India crossed that mark in 2010 but according to one set of rules had a cushion of eight years.

Among the new incentive schemes proposed is assistance to MSME production clusters. Clusters would be given assistance that would be about the same as that given to them as direct subsidies.

The government would also work with the States to develop product-specific clusters for 50 sectors with high manufacturing potential.

Incentives are also likely to be given to research and development done by export-oriented companies in a bid to allow them to access modern technologies as well as reduce their costs and make them more competitive, said officials.

Source: newindianexpress.com - Aug 29, 2019
Slowdown in textile sector likely to hit cotton growers

Cotton farmers might find themselves in a spot in the coming procurement season, as the textile industry is reeling under economic slowdown, which may well take a toll on private purchase in the market.

At the same time, the farmers are not keen to sell their produce to Cotton Corporation of India (CCI), as the latter is bound by the government order of making a direct purchase. The farmers had last year opposed direct purchase by the CCI, contending that they had an age-old bond with the arhtiyas (commission agents).

Talking to The Tribune, Bhagwan Bansal, former president of Punjab Cotton Factories and Ginners Association, said, “The textile industry is bearing the brunt of US-China trade war. The spinning mills in Malwa region are having a tough time as they are not finding any takers for yarn, primarily because countries like Bangladesh are offering yarn at a lower price. Almost all the spinning mills in the region have curtailed functioning to five days a week.”

He apprehended that some of these mills might even opt for closure, if the scenario remained bleak. He admitted that the private buyers might not be able to offer good price to the farmers for their cotton produce and the latter might have to resort to distress sale.

The association’s incumbent president, Suresh Bansal, said the Union Government must step in to address the crisis being faced by the textile industry. “In the prevailing scenario, I don’t see any possibility of the farmers getting anything beyond Rs 5,000 per quintal, although the MSP is Rs 5,450. The government agencies like the CCI won’t purchase through ‘arhtiyas’, leaving the farmers in the lurch,” he added.

Indian Cotton Association Limited president Mahesh Sharda said, “The situation may be grim, but I can assure you that the farmers will find buyers for their cotton produce. This gloomy scenario won’t last long.”

He felt that a sudden increase of 28 per cent in cotton MSP had also contributed to the problem, as it was difficult for the industry to absorb such a massive hike. He hoped that the government would pitch in to announce some short-term relief measures.
Former North India Cotton Association president Ashok Kapur said, “Usually the cash rich mills store cotton for their operations that run throughout the year. However, if the current situation persists, they may be compelled to run on hand-to-mouth basis without building the inventory.” He, however, was optimistic that the scenario might change before the cotton starts arriving in the region’s markets in October and the government might give a booster dose to the textile industry.

He said they were expecting an estimated cotton production of 45 to 50 lakh bales in Punjab, Haryana and Rajasthan, of which Punjab was likely to contribute around 15 lakh bales.

On the other hand, BKU Ugraaha general secretary Sukhdev Singh Kokri Kalan said there was a dire need to bring out small farmers from the clutches of the arhitiyas and the government should give the farmers the only option of direct cash transfer for the sale of their produce to agencies like the CCI.

Source: tribuneindia.com - Aug 29, 2019

****************

USDA Estimates Indian Cotton Production At 29 Million Bales For MY 19/20

The latest update of United States Department of Agriculture (USDA) estimates Indias marketing year (MY) 2019/20 cotton production at 29 million 480 lb. bales (37.1 million 170-kilogram bales/6.3 MMT). USDA MY 2019/20 production estimate is consistent with the official USDA figure, however USDA estimates slightly lower yields at 497 kilograms per hectare.

Recent travel to the Vijayawada and Guntur districts of the southern state of Andhra Pradesh indicates higher cotton planting than last year, but the delay in rains is likely to impact crop development and lead to lower yields compared to last year.

USDA estimates MY 2019/20 cotton consumption at 24.6 million 480-lb. bales (31.5 million 170- kilogram bales/ 5.4 MMT), 400,000 480-lb. bales lower than previous estimate.
According to the production estimates published by the Textile Commissioners Office (TCO), cotton yarn production has increased by six percent between April - June 2019 as compared to the same period last year. At the same time, blended and 100 percent non-cotton yarn production has increased by 18 percent, while cloth production by the mill sector has fallen by ten percent.

The slowdown in the spinning sector is evident from a large number of mills curtailing their operations and accumulating more yarn stocks. The fall in yarn prices due to weak domestic demand, lackluster export market coupled with high alternative fiber prices is negatively affecting the profitability of many small to medium-sized mills.

USDA estimates MY 2019/20 exports at 4.2 million 480-lb bales (5.4 million 170-kilogram bales/914,000 MT). Indian cotton prices remain almost 5-6 cents higher than Cotlook A-Index. The differential between domestic and international prices has narrowed in the past one month as global demand has also weakened due to slowdown in major cotton consumption countries.

Source: indiainfoline.com - Aug 29, 2019

Apple, IKEA, H&M may bolster their presence in India as Centre relaxes FDI rule in single-brand retail

Large foreign companies, including iPhone maker Apple, Swedish furniture giant Ikea and fashion retailer H&M, will be able to bolster their presence in India, as the government on Friday relaxed key aspects of the 30% local sourcing rule for foreign direct investment (FDI) in single-brand retail.

Seeking to create a manufacturing eco-system at a time when several foreign companies are looking to shift out of China to beat an escalating global trade war, the Cabinet Committee on Economic Affairs also decided to allow up to 100% FDI in contract manufacturing via automatic route.

Tech giant Apple and many pharmaceutical companies that rely on contract manufacturers will gain. While 100% FDI was already permitted in manufacturing under the automatic route, the rules for contract manufacturing were not clearly spelt out earlier.
The government introduced several flexibilities in the 30% sourcing rules that are applicable to those single-brand entities where FDI is above 51%. Single-brand retail entities can adjust their entire procurement of goods from India for their global operations against their mandatory 30% local sourcing requirement. Even sourcing for global operations done through group companies (resident or non-resident), or indirectly via third parties such as contract manufacturers will be counted towards domestic sourcing obligation.

Similarly, all procurements made from India, be it for domestic sales or exports, by such an entity will be counted towards local sourcing. The changes are likely to help Apple the most, as it produces phones through its contract manufacturers like Foxconn and Wistron. As per the extant policy, local sourcing by, say, Foxconn and its exports for Apple are not counted towards the American tech giant’s sourcing obligation. This restricted the iPhone maker from setting up its manufacturing eco-system here, both for domestic sales and exports, said analysts.

The CCEA also cleared subsidies to export up to 6 million tonne of sugar, which will cost the government Rs 6,268 crore. While this will temporarily help reduce the massive surplus stocks—currently pegged at 16.2 million tonne, according to I&B minister Prakash Javadekar — and prop up realisations of stressed sugar mills, unless the cane pricing policy is reformed, the problem of massive arrears will recur in regular intervals. Under the extant rules, while procurement for domestic sales is counted towards sourcing obligation, that for exports is factored in for only five years.

This five-year cap will be removed. Also, currently only that part of the global sourcing is counted towards local sourcing requirement which is over and above the previous year’s value. Briefing reporters, commerce and industry minister Piyush Goyal said the reforms in FDI norms in various sectors will “boost exports, promote Make in India and create massive job opportunities”.

As per Wednesday’s CCEA decisions, single-brand retailers will now be permitted to set up online stores before opening brick-and-mortar shops, although they have to establish offline stores within two years conducting online business. At present, such retailers are allowed to sell online only after they set up physical outlets.
Domestic sourcing rule was such a challenge that several companies, including Apple, Xiaomi and LeeCo, had earlier sought exemptions from it on ground of their technology being state-of-the-art. However, while Apple’s application was rejected in 2016, Xiaomi and LeeCo had subsequently withdrew their applications, realising such a waiver was hard to come by.

In 2012, the government allowed 100% FDI in single-brand retail under government approval route. In January 2018, the government allowed up to 100% FDI in single-brand retail via automatic route, scrapping the need to seek its approval beyond 49%. However, the companies where the FDI is above 51%, they have to comply with the 30% local sourcing rules.

Similarly, the government made it clear that up to 26% FDI will be permitted in the booming digital media entities, with government approval. Prior to this move, while up to 26% FDI was allowed in print media, up to 49% was permitted in broadcasting content services — both through government approval. However, the rules were silent on the digital media space, which assumed prominence only in recent years, with the emergence of several such entities.

Atul Pandey, partner at Khaitan and Co, said the government has also cleared a long-standing ambiguity in contract manufacturing and has now permitted 100% FDI under the automatic route, subject to the execution of a legally-tenable contract. “This move is expected to give a big boost to sectors like pharmaceuticals, which majorly rely on contract manufacturing,” he added.

The easing of local sourcing rule “protects the domestic sourcing ecosystem as well as allows global companies to meet the 30% sourcing norms in line with their core business model”, said Subhendu Roy, partner at AT Kearney.

Also, global firms can now invest in a contract manufacturer thereby speeding up their entry into the market. Setting up factories in India takes a lot of time. It also a benefit to Indian contract manufacturers, he added.

Source: financialexpress.com- Aug 29, 2019
Will sign preferential tariff agreement with India soon, says Iranian envoy

Iran will soon sign a preferential tariff agreement with India that will slash tariffs on a large number of traded goods, Iranian ambassador to India Ali Chegeni said on Wednesday.

Many important items will be made zero duty as part of the deal, with a commitment to reduce tariffs on many others, he said, addressing Indian investors at the PHD Chamber of Commerce.

Till now, four rounds of negotiations have been completed and the last one was held in March in Tehran where both countries discussed a draft text of the pact. Sources said the next round will soon be held in New Delhi.

Along with the trade deal, a bilateral investment protection agreement and a double taxation avoidance agreement are also in the works and Iran is confident of signing off on all three deals by end-2019, diplomatic sources said.

Betting on trade

Bilateral trade stood at $17 billion in 2018-19 with exports from India at only $3.5 billion.

Apart from petroleum, major imports from Iran, include fertilisers and chemicals, while exports include cereals, tea, coffee, spices and organic chemicals.

India is the 5th largest source of imports for Iran, while being the 6th largest destination of exports. “While the majority of outbound trade from Iran continues to be crude oil and related items, non-oil exports from Iran to India rose by 18 per cent in 2018, as compared to the year before,” Economic Counsellor in the Iranian Embassy Asghar Omidi said.

While Indian exports of man-made textiles are slowly increasing, Indian companies have been unable to use market access in Pharmaceuticals, according to the Federation of Indian Exports Organizations.
Tehran also remains hopeful of initiating a rupee trade mechanism with India, and later expanding it to include Russia, commerce department officials said. New Delhi had also been hopeful of using the domestic currency to pay for Iranian crude.

While experts and traders have suggested the mechanism as the best possible way to cut India’s dollar exposure as well as shore up the value of the rupee, which has continued to plummet, the recent sanctions have also put off optimism from India.

**Investment tangle**

Tehran continues to command the titles of the 2nd highest proven reserves of natural gas and 4th largest crude producer globally.

While Indian businesses are keen to capitalise on Iran’s 82-million market, the economic sanctions imposed by the United States that are currently in place have dampened the mood.

As a result, Iran has instead channelised Indian interest in trade and investment into the Chabahar port, which remains outside the purview of sanctions.

“The more than 600-km long railway between Chabahar port and the major city of Zahedan will open by early-2021,” Chegeni said.

Overall, Iran maintains the sanctions to be unilateral and have been assured by India that New Delhi only recognises international sanctions and not those of a single country.

Iran has also made a bid to capture Indian investments in its infrastructure expansion programme spread across rail, road and port development.

It has also called for investments in food processing and renewable energy, particularly in solar and wind energy.

Source: business-standard.com- Aug 29, 2019
India Ratings cuts growth forecast for FY 2019-20 to 6-year low at 6.7%

Counting dwindling consumption expenditure as one of the factors affecting the Indian economy, India Ratings on Wednesday said the new government, despite its thumping majority in the Lok Sabha, could not instill confidence in people that their income would grow in the coming years. "The Budget (for 2019-20) also could not do so," said Sunil Kumar Sinha, principal economist at India Ratings.

The measures announced by Finance Minister Nirmala Sitharaman last week are likely to support economic growth in the medium term, India Ratings said. Sinha also did not agree with those who called the economic slowdown as cyclical. He said NPAs of banks that have been on the downward swing may again grow due to the slowdown.

Another risk to the economy is that inflation may rise, depending on the behaviour of oil and rupee value against the dollar, he said.

India Ratings pegged economic growth in the first quarter of the current financial year at 5.7% against 5.8% in the previous quarter.

It scaled down economic growth for FY20 to a six-year low of 6.7% against the previous estimate of 7.3%. The numbers for the first quarter of the current financial year would be released on Friday.

Source: business-standard.com- Aug 29, 2019
Iran to open bank branch in India in 2-3 months to boost trade

Iran will open a branch of its Bank Pasargad in India in the next 2-3 months to help boost trade between the two nations at a time when US economic sanctions have blocked international banking channels.

Ali Chegeni, Iran’s Ambassador to India, said Pasargad has received all necessary approvals including from the Reserve Bank of India (RBI) to commercial banking operations. “It (Bank Pasargad) will start operations in 2-3 months,” he said on sidelines of an industry event here.

Oil was the biggest commodity traded between the two countries with India buying on an average USD 1 billion worth of crude oil from the Persian Gulf nation every month.

But, after the US imposed partial economic sanctions on Iran in November last year, India’s purchase of oil from the Persian Gulf nation was started in the rupee instead of US dollars. Indian oil firms paid Iranian oil company in rupees in a Uco Bank account for the oil they bought.

Iran used this money to settle payments for commodity and equipment imports it does from India. From May, the imports from Iran have completely stopped after full US sanctions came into force.

Chegeni said the reserves in the Uco Bank account are depleting, and opening up of Bank Pasargad will allow settling payments for imports done by Iranian firms.

Bank Pasargad has hired a space in Mumbai and will start operations soon after software for commercial banking is in place. Iran has been asking India since 2016 to allow its banks to open offices here.

Since March 2012, Iran’s banking system had been cut off from SWIFT (Society for Worldwide Interbank Financial Telecommunication) in a bid to intensify the sanctions on Tehran over its nuclear programme.

The US under then president Barack Obama listed the sanctions against Iran in January 2016 after the UN atomic watchdog confirmed that Tehran has met its nuclear obligations under a landmark deal designed to prevent it
from developing nuclear weapons. But, the new regime under Donald Trump has reimposed them. Besides Bank Pasargad, Parsian Bank is also keen to open representative offices in India while Saman Bank was interested in opening a subsidiary.

Source: financialexpress.com- Aug 28, 2019

*****************

**What’s causing MSME slowdown? The real reasons why small businesses are struggling**

Among the leading sectors driving the Indian economy — MSME is being marred with the slowdown across sectors. The growing incidence of sickness of the sector apart from non-availability of authentic financial data, vulnerability on account of delayed payments by buyers, technological challenges due to low awareness, absence of single MSME data repository, low awareness about various government initiatives and lack of compliance to statutory, legal, environmental norms are some of the issues that MSMEs are struggling with, SBI Group Chief Economic Advisor Soumya Kanti Ghosh said in the Ecowrap report this week.

As on March 31, 2016, 480280 sick micro and small units and 6011 sick medium units, according to data furnished by the Minister of State for Commerce and Industry CR Chaudhary in the Lok Sabha on April 2018.

Ghosh also called out for having a centralised authority to monitor and take action for delayed payments that is the major challenge for MSMEs even as finance minister Nirmala Sitharaman had assured to make payment of the MSME dues in 30-days.

However, industry body FICCI suggests that it would be only little effective. “MSMEs will file a complaint against the buyer if it doesn’t want to supply them further because MSMEs won’t get business from them in such a scenario.

So filing complaint on a public forum will never be effective because 90 per cent of MSMEs will never file a complaint. They don’t want to lose that client despite this problem of delayed payment.
The government can only push them for timely payment rather than putting on MSMEs,” Archana Garodia Gupta, Chair, FICCI MSME told Financial Express Online.

MSME ministry already has a delayed payment portal called MSME Samadhaan launched in October 2017 for filing an application against the buyer before the concerned MSE Facilitation Council of the MSME’s respective state. However, there is no central authority to take action on behalf of MSMEs against their buyers for failing to pay dues in time.

The SBI report also favoured switching MSME definition from based on investment in plant and machinery/equipment to based on annual turnover to “make it transparent, progressive, easier to implement and improved ease of doing business.”

The finance minister had also suggested considering the amendment to MSME Act to move towards a single definition for different purposes including investment, taxation etc.

“The government should just go by the turnover to keep it simple. The moment you have many things around it such as employment, investment in plant and machinery etc., there is always scope for interpretation and then it gets complicated,” said Gupta.

Ghosh further sought a public policy in order to give high priority to the MSME sector to have “balanced, sustainable, more equitable and inclusive growth in the country.”

MSMEs are likely benefits of release of Rs 70,000 crore in additional lending and liquidity to the tune of around Rs 5 lakh crore by providing upfront capital to public sectors, as announced by Nirmala Sitharaman last week.

Compliance including GST has to be simplified drastically along with collateral-free finance, promote cluster-based approach, and exports boost are needed currently along with capitalising on the US-China trade war,” said Gupta.

Source: financialexpress.com- Aug 28, 2019
Removal of MEIS to hurt garment industry

Slowly getting back on their feet after the losses caused due to twin policies of demonetisation and roll-out of Goods and Services Tax (GST), the knitwear and garment industry is faced with yet another crisis -- the removal of the crucial Merchandise Exports from India Scheme (MEIS) by the Centre.

Withdrawal of the scheme that provides four per cent incentive to garments’ exporters in the country would mean an increase in the prices of the products which puts exporters from Tiruppur in a disadvantageous position in the highly competitive international garments’ market that is now flooded with cheaper apparels from countries like Vietnam, Sri Lanka and Bangladesh.

Apparels from the above-mentioned countries are preferred by customers in the EU and the US due to the free market access that these nations possess. India does not have free market access to the EU and the US – major buyers of garments – and this is a major problem being faced by manufacturers from Tiruppur since entry tax is levied once goods reach the destination countries.

After the introduction of GST in July 2017, the exporters are left with just the four per cent MEIS as all other incentives in the form of duty drawback, rebate on state levies, and concession on service tax were withdrawn. The twin policies had led to a seven per cent dip in the growth of the industry in 2017-2018 and the sector has begun picking up slowly only in the past few months.

“Withdrawal of MEIS would not just result in cost escalation of the products but defeat the morale of the exporters. If the customers go back once, it will be very difficult to bring them back because the international market now has plenty of options. The government blindly withdrawing the MEIS does not augur well for the multi-crore industry,” Raja M Shanmugham, President of Tiruppur Exporters’ Association (TEA), told DH.

The MEIS, according to a notice issued to the exporters by the Union Government in July, would be withdrawn with effect from August 1, 2019. Shanmugham said the MEIS was offered to exporters’ since the industry had some lacunae and withdrawing the incentive without filling the gaps is something that the government should have avoided.
N M Ravichandran, a partner of Santex Inc, said withdrawal of the incentive scheme would push the prices of the products which have been decided much in advance. “Usually, we take advance orders and agree on a particular price. If the incentive is withdrawn and if we increase the price of the product suddenly, no customer will buy it. And he is under no obligation too because there are cheaper products now available in the market,” he told DH.

Shanmugham said though the government had promised to introduce another scheme to help the industry, nothing has come so far. Industrialists say the sudden removal of MEIS would result in achieving the target of Rs 1 lakh crore business by 2020.

“Removal of MIES would result in structural damage to the garment and apparel industry that is the second-largest employer after agriculture. The industry is put into trouble continuous and loss for any individual is a loss for the country too,” Shanmugham said.

Source: deccanherald.com- Aug 29, 2019