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IBTEX No. 158 of 2018 July 30, 2018

USD 68.74| EUR 80.12 | GBP 90.08 | JPY 0.62

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22636	47350	**87.85**
Domestic Futures Price (Ex. Gin), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22310	46667	**86.58**

International Futures Price	
NY ICE USD Cents/lb (Dec 2018)	88.23
ZCE Cotton: Yuan/MT (Jan 2019)	15,890
ZCE Cotton: USD Cents/lb	**89.60**
Cotlook A Index – Physical	**96.70**

Cotton Guide: Cotton performance globally: In the gone by week Cotton future trades at ICE gained over 1.40% from 87.08 cents to end the week at 88.34 cents per pound. Likewise, the Chinese cotton future at ZCE also moved higher to end at 16820 Yuan/MT. The globally accepted Cotlook-A physical Index advanced to 98 from previous week's close of 97.45. Broadly cotton price had advanced in the last week while moving in the same range for the past two consecutive weeks. We think the broad bullish fundamentals are still in progress and likely to keep cotton price elevated in the near term. The technical studies are also suggesting the same. We think market this week might move towards 90+ cents per pound. In the domestic market the spot price for Shankar-6 continued to trade in the range of Rs. 47000 to Rs. 47500 per candy ex-gin that translates to 88.50 cents per pound with the prevailing exchange rate.

Lastly on the domestic future front currently the active contract is October future. The same ended the week at Rs. 23,630 per bale up by Rs. 30 from the previous week's close however; it made weekly low of Rs. 23310

Events scheduled this week: During this week no major events are scheduled except a few those are routine data. We have the crop condition report releasing from the US for major commodities- cotton, soybean and corn etc. Further there is weekly export sales number coming in from USDA. These data might not have much significant impact on the price unless dramatic change in the number takes place. We are expecting the crop condition report will be important to watch out for given the recent rainfall activity in the US especially in Texas region. Equally the weekly export sales number will be important to look for.

Besides the core fundamentals we think the macros might have some sort of influence on commodities this week. The performance of Currency especially the US dollar against major currencies will be important to watch out for amid series of economic policy reports are scheduled. We have the series of meetings this week - Bank of Japan (BOJ) policy (31st of July), RBI Policy & FOMC meeting on 1st August and Bank of England (BOE) on 2nd August. The USD index is trading near 94.70 and we think it has the potential to move higher to break the recent high of 95.65 witnessed in the previous week. Likewise, on the lower side we see strong technical support level at 93.90. Any significant change in the performance of currency will have impact on the commodity price consequently. August 10: USDA World Supply/Demand Report. August 17: September Options Last Trading Day / Expiration. For further details please get in touch with Kotak Commodity Research Desk.

Currency Guide:

Indian rupee has depreciated by 0.14% to trade near 68.75 levels against the US dollar. The US dollar is supported by optimism about US economy amid upbeat GDP data. US GDP rose 4.1% in Q2, the faster pace since 2014. Also weighing on rupee is weakness in equity market amid concerns about health of Chinese economy. Choppiness in crude oil is also weighing on rupee. Brent trades near $74 per barrel as prospect of higher US supply are countered by higher supply from OPEC and allies. Rupee may witness choppy trade as market players position for major central bank meetings this week however some depreciation is likely as Fed's stance will support US dollar. USDINR may trade in a range of 68.55-68.9 and bias may be on the upside.

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

Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 29/07/2018	***Prices in US$ FOB***	
Country	**20s Carded**	**30s Carded**
India	2.80	3.10
Indonesia	2.56	2.85
Pakistan	2.44	2.82
Turkey	3.10	3.30
Source: CCF Group		

China yarn

Trading sentiment of cotton yarn kept weak and the price weakly stabilized. Polyester yarn price remained stable and rayon yarn price dipped alongside feedstock.

For blended yarn, polyester/cotton yarn price showed relatively stable while polyester/rayon yarn and cotton/rayon yarn prices fell.

International yarn

In the cotton yarn market, demand has been slow in Pakistan. Buyers' and sellers' price ideas have been difficult to reconcile. Yarn stocks were dwindling in Bangladesh.

A nationwide transport strike has disrupted the textile supply chain in India. Turkish yarn production has slowed, owing to high raw replacement costs.

The value of Vietnam's textile and apparel exports rose by over 14 percent during the first half of this year.

Source: CCF Group

NEWS CLIPPINGS

INTERNATIONAL NEWS

Tariffs on Chinese Apparel and Footwear Would be "Credit Negative" for US Companies, Moody's Contends

With the threat of $500 billion in tariffs on a wide range of Chinese goods looming, a new Moody's study said tariffs would be a "credit negative" for the U.S. apparel and footwear sector, as they would increase costs of goods sold for the U.S. divisions of companies that import goods from China.

More than half the revenues of large U.S. apparel companies could be affected, according to Moody's. The overall impact would depend on how much of a company's goods are sourced in China, how quickly they can diversify their sourcing, how much pricing flexibility is built into their products, how firms might adjust product designs or how much they can cut costs elsewhere to absorb the increased tariffs.

The study said companies that sell a greater percentage of imported Chinese goods in the U.S. would take the biggest hit on profits if the proposed tariff increases are implemented.

"We expect these companies to experience more margin and earnings pressure until they can adjust their cost base and sourcing locations, which may take time given their sourcing concentrations in China," Moody's said. "Apparel and footwear companies have been prudently diversifying their sourcing away from China over the past several years in response to rising labor costs. They have also been moving production closer to their end markets."

If the tariffs are imposed—there are efforts in Congress to curtail President Trump's threat—companies would likely experience gross margin pressures for one to two years, Moody's said, as it will take time for most to further diversify operations away from China or adjust costs.

"There are long lead times in the production cycle and it can take time to work through potential limitations in apparel and footwear manufacturing capacity in other countries," the study said. "Nevertheless, we think companies do have levers they can pull to mitigate at least part of the cost."

Roughly 58 percent of combined revenue of large rated U.S. apparel manufacturers is derived in the U.S. and potentially at risk of increased tariffs, Moody's noted. Companies like G-III Apparel Group, which generated around 88 percent of its 2017 revenue in the U.S. and purchased around 65 percent of its 2017 inventory from China, could feel the impact.

Others that would likely "take a hit" include footwear firms Caleres, Payless and Wolverine World Wide. Moody's said Caleres derived 94 percent of 2017 sales in the U.S., while about 68 percent of the footwear it sourced came from manufacturing facilities in China.

Levi Strauss & Co. and VF Corp., on the other hand, "are well positioned from a diversity standpoint," Moody's said, with less than 20 percent of their product sourced from China. Most companies will look to pass at least some of the added cost to customers, particularly on premium products where the consumer may have less price sensitivity.

"Larger companies with stronger margins and balance sheets, such as Wolverine and PVH Corp., could decide to absorb higher costs in an effort to gain market share," Moody's said.

On July 10, the Office of the U.S. Trade Representative released a list of $200 billion worth of Chinese goods imported into the U.S. that could be subject to an additional 10 percent tariff. The list includes certain apparel accessories like handbags and leather gloves, textiles and yarns, leathers and cotton.

Apparel and footwear were mostly excluded from the list likely because they are already among the highest taxed U.S. imports. But last week, Trump indicated that he was considering slapping tariffs on all goods imported from China, including all apparel and footwear.

According to Moody's, apparel and footwear companies have been "prudently diversifying" their sourcing away from China over the past several years in response to rising labor costs toward countries like Bangladesh and Vietnam, and moving production closer to their end markets, to regions like Central and South America and the Caribbean.

The threat of new tariffs extends far deeper into the industrial and consumer markets, which, according to Moody's "means this isn't just about whether or not these companies will be able to pass just their own higher costs to the

U.S. consumer." It also raises the issue of what the impact could be on consumer spending power.

"Revenue growth for U.S. apparel companies could also take a hit if China imposes regulatory or other such impediments on U.S. companies or if local consumers turn away from U.S. brands," Moody's added. "It is important to remember that China remains a key growth market for global apparel companies. For example, Nike Inc. reported 18 percent growth in the country during its latest fiscal year."

Source: sourcingjournal.com- July 27, 2018

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USA: Get Ready For Higher Apparel Prices Thanks to the Trade War

So far, apparel has been lucky in the escalating trade war between the U.S. and China. But that good fortune would evaporate immediately should Donald Trump decided to make good on his threat to impose tariffs on everything imported from the country.

Even if the full $500 billion worth of goods isn't targeted though, $200 billion in goods already hangs in the balance in the president's latest volley against the Chinese. The United States Trade Representative will ultimately decide whether clothing and footwear makes that list but either way, there are likely to be both short-term and long-term effects for apparel.

"Most of these first round of tariffs are likely to hit the economy in other ways, as it effects the costs of steel and other big manufacturing-focused parts, but this is unlikely to hit consumers in a meaningful way in Q4," said Tiffany Hogan, senior analyst, apparel of Kantar Consulting.

Beyond that, she said, it's wait and see.

What the industry can already see, though, is what's happening in the laundry aisle of any big box retailer. Washing machines and dryers were on the USTR's previous list and the price tags are bigger as a result.

"You see the price effect for the consumer is on dryers and washing machines. There was a tariff on that and consumer prices did jump up a little bit," said Chris Christopher executive director of IHS Markit, adding those manufacturers basically passed on the full burden to consumers. "It's a benefit to domestic manufacturers of washing machines and dryers but it drives up the price overall."

Christopher said anyone shopping for new clothes should expect to see the same thing should the next round of tariffs include apparel.

"With apparel, it's a no brainer," Christopher said. "With apparel, especially imported from China, that tariff will be fully realized in the consumer price."

With back to school in full swing and the holidays just around the next corner, the industry is trying to head that off by stocking its shelves and warehouses in advance.

"People are trying to load up given that they don't know where they'll be in a month or two. They're trying to increase their inventories," he said, adding that this rush to stock up is creating other pressures.

"The effect is transportation costs are going to go up, and it will drive the price up because people are competing and trying to find alternative sources to be ahead of the game."

Further, he said, manufacturers with product on hand are in the driver's seat since they too could take a wait and see approach, hoping those goods will bring in a lot more if the price of imports increases in a month or two.

Ultimately, the whole situation is more proof that the apparel industry can't rely solely on one production location. The challenge, though, is that supply chains can't be changed on a dime. So even as some look to diversify out of China, it's a longer term play that isn't going to solve any immediate woes.

As a former Levi's supply chain executive, Peter Maerevoet, global CFO for finance solutions company Tradewind, said, while smaller orders might get diverted to other countries based on the threat of more tariffs, manufacturers are unlikely to upend their entire operations.

"I'm not sure if [the trade war] impacts sourcing changes because it has to be really meaningful, and historically companies I worked at haven't changed sourcing strategies based off of tariff changes because tariffs can change every year and you need to have stability in your supplier base," he said.

Worth the cost?

Instability, though, is exactly the point, according to Jeff Streader, managing director for Go Global, a firm that advises strategic investors in textiles, apparel and footwear.

Streader supports the president's measures, which are based on uncertainty, saying higher prices are a small price to pay for a more equitable relationship with China. What's more important, he said, is righting the trade imbalance and halting China's harmful business practices—all of which will come to pass for one reason.

"[China is] exporting more than they import so at the end of the day, 'tit for tat' as it was stated in one of your articles, who's going to suffer? The U.S. consumer, absolutely. But at the end of the day, China has more to lose because we're their largest customer," he said. As the year wears on, Streader said shipments from China will slow until it reaches a crisis point in early 2019.

"Right before Chinese New Year, [we'll] hear how the Chinese are closing factories and laying off people because demand is down, and it's going to force their hand to stop the piracy, to enforce their intellectual property laws, which are lax, and to come to the table and work this out," he said.

While Streader knows his opinion isn't one that's often echoed publicly in the apparel industry, he believes more people would show support for Trump's tactics if they weren't concerned about backlash from their shareholders.

"Take a step back, let's not just look at the fact that sneakers are going to be $20 more," Streader said. "Let's look at the fact that we get everything from China. Let's talk about something bigger."

Source: sourcingjournal.com- July 27, 2018

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Import tariffs will have far-reaching implications on global growth, says Morgan Stanley report

Import tariffs will have far-reaching implications and though the impact is manageable for now, escalation in this aspect could mean significant downside to global growth, says a report.

In recent months the intensity and scope of trade measures have broadened out significantly and against this backdrop, investors have been incrementally more concerned about the impact of trade tensions on global growth.

According to global financial services major Morgan Stanley, global growth would be impacted by just 9 basis points (bps) from the trade measures which have been or are about to be implemented.

"A meaningful impact of 21 bps on global growth could result if a 10 per cent tariff was imposed on USD 200 billion worth of China's imports and a 22.5 per cent tariff levied on EU car imports," the report said.

Further, this impact would rise to 31 bps if all imports from China were affected and further to 81 bps in a scenario of a 25 per cent tariff hike across all imports from both China and the EU, the report added.

The countries that would be most affected include China, US, Euro area and some major trade partners such as Taiwan, Canada, Korea, Mexico as well as some other smaller European economies.

According to the report, significant escalation will impart material downside to global growth. "The starting point of strong global growth provides some buffer, but significant downside risks could emerge if things escalate significantly from here," it noted.

Morgan Stanley used an input-output model to analyse various scenarios and identify the countries and sectors which are exposed.

Source: financialexpress.com- July 29, 2018

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Asian economies to surpass US by 2030: Report

India and 9 other major economies of Asia are expected to surpass the GDP of the US by 2030, according to a recent report.

The total GDP of the 10 economies, viz, China, Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan, and Thailand, is expected to be more than $28 trillion, while that of the US will be $22.33 trillion.

Asia's economic future is bright, however, certain factors like climate change, rising inequality, technological disruption and worsening environment for trade can hinder growth, says a report by global financial services major, DBS.

The report adds that several dynamics that have supported the economic development of the Asian economies in recent decades are weakening, and there are many changes in the international environment.

Asian countries have benefitted from multiple demographic dividends in the past, but these dividends are not as valuable anymore.

Asian countries like India and Philippines have a young population, which poses a challenge of generating jobs.

On the other hand, aging countries like Japan, China and Singapore can offset the demographic drag with the help of technology, says DBS in the report.

DBS has also listed the rise of protectionism in global economies as a threat to investment flow in Asia.

Source: fibre2fashion.com- July 28, 2018

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Pakistan: Cotton cultivated over 2.69m hectares during current season

Cotton crop had been cultivated over 2.69 million hectares of land across the crop producing areas of the country to produce 14 million cotton bales fixed during the current sowing season to fulfill the domestic requirements as well as for exporting.

The crop sowing had registered about 1 percent increase across the crop producing areas of the country as compared the cultivation of corresponding period of last season, said Cotton Commissioner in the Ministry of National Food Security and Research Dr Khalid Abdullah.

Talking to APP, here he said that cotton sowing targets were fixed at 2.95 million hectares in order to produce over 14 million cotton bales during the crop season 2018-19 in order to fulfill the domestic requirements as well as for exporting.

He informed that the crop cultivation targets, which fixed for the current sowing season were achieved by over 91 percent as it went up by 1.0 percent as compared with the area under cotton crop cultivation during same period of last year.

He said that overall cotton sowing in the Province of Punjab registered about 11 percent growth as it had cultivated the crop over 2.29 million hectares of land as against the set targets of 2.31 million hectares for the period under review.

However, he informed that crop sowing in the Sindh Province was decreased by 40 percent and attributed the low sowing trend with dry weather during the crop sowing time as well as shortage of water for crop irrigation.

The province, he said could achieve the sowing targets by 66 percent and cultivated the crop over 0.41 million hectares as against the targets of 0.62 million hectares fixed for current sowing season.

Meanwhile, he said that Balochistan and Khyber Pakhtunkhwa provinces were assigned a task to cultivated the crop over 0.1 million hectares.

Dr Abdullah said that due to recent rains the water availability for crop irrigation would strengthened, which would help in further boosting the area under cotton growing as well as enhance the output.

He said that prices in the local markets had observed stable, which was an encouraging sign for local farmers to grow more crop for maximizing their profit.

Besides, he informed that the federal government has imposed import duty on cotton, which would also help in price stabilization in the local markets.

Meanwhile, the exports of raw cotton from the country during l2 months of last financial year ended on June 30, 2018 had registered over 33.65 percent growth as compared the exports of the corresponding period of last year as about 35,347 metric tons of the above mentioned commodity wroth US$ 58.227 million exported, which stood at 25,462 metric tons valuing US$ 43.567 million of same period last year.

During the period under review, about 521,959 metric tons of cotton yarn worth US$ 1.371 billion was also exported as compared the 458,074 metric tons valuing US$ 1.243 billion of the same period last year, according the data of Pakistan Bureau of Statistics.

During the period from July-June, 2017-18, the exports of the cotton yarn grew by 10.30 percent as compared the corresponding period of last year, whereas the exports of yarn other than the cotton yarn grew by 38.85 percent, it added.

About 11,690 metric tons of yarn other than cotton yarn worth US$ 33.411 million exported as against the 2,519 metric tons valuing US$ 24.063 million of same period of last year, it added.

Source: nation.com.pk- July 26, 2018

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Turkey Reasserts Itself as Sourcing Powerhouse

We live in an era where we see major shifts in the way we work, commute, communicate, spend our free time and shop. Digitalization, e-commerce, and social media have given us more time for ourselves and transformed our mindset in many aspects.

Today, consumers are in search of new, customized products with an experience, and they want them now. And while they buy, many consumers are also keen to ensure their purchase isn't contributing to harming the environment or anyone involved in the complete supply chain that product emerged from.

These shifts have forced retailers to re-consider their sourcing strategies and make creative, cost-conscious, and sustainable changes in the way they look at their value chain and product offers. The need for flexible and value-adding opportunities is increasing and an already existing sourcing partner is reemerging in the spotlight.

For nearly five decades, Turkey has been the solution partner for retailers in Europe and the U.S., with a fluctuating relationship. With ongoing investments into skills and technology, Turkey has been able to remain among the top three sourcing countries for Europe. Although the country has faced political and financial difficulties, entrepreneurial ambitions of Turkey's young generation have been able to match the new challenges retailers have been facing.

The vertical manufacturing capability of the textile and clothing sector in Turkey has been upgraded to a new level by adding design, an understanding of Industry 4.0 and a skilled young workforce. With flexibility of turning around smaller quantities fast, it has enabled retailers to try new products and trends and still trade within the season on bigger quantities.

Buyers have started to enjoy a better after sales margin, lower inventory need and costs to bring up-to-date fashion to their shelves just when they need it. The massive depreciation of the Turkish lira to the euro and the dollar since the start of the year, made buying from Turkey even more favorable.

In some product categories, Turkey is now almost as competitive as some key Asian sourcing markets.

The diversity of the country's offer, ranging from basic T-shirts, to fashion denim, shirts, dresses, blouses, underwear, swimwear, knitwear, and accessories like socks, belts and even bags, has made Turkey a one stop shop, where a variety of distribution channels can satisfy the needs of their end-consumers, at the right time and at the right price.

The investments Turkey has made on its ecological regulations and on complete ethical transparency—despite hosting nearly 8 percent of the total refugees in the world—has given manufacturers a strategic advantage compared to other alternatives.

With the increase of disloyal "uber-consumers" aggressively jumping between e-tail platforms and looking for constant product inspiration, major frontiers like Asos, Zalando, Boohoo, Missguided, Amazon and even hypermarket chains like Prisma, are increasingly choosing to buy from Turkey. The total clothing export of Turkey in 2018 will be more than $18 billion, with a year to year increase of 10 percent. U.S. manufacturers with a good understanding of the total value chain that the sector is offering, can spot the trends and find quick and customized solutions for their partners.

With the end-consumer in mind, one of the leading e-tail sourcing partners, Perseus Tekstil, has been joining forces with its Asian counterpart, Oculas Virtual Manufacturing Limite, to provide a complete and comparable one stop shop sourcing offer to customers. With 3-D design capabilities shortening the product development cycle, buyers' open-to-buy budgets will find the correct platform, allowing for further savings.

Looking at the import figures by the biggest players in fast fashion, like Inditex, and in sustainable fashion, like H&M, there is only one direction retailers should consider. Turkey is leading in responsible fashion, and that's what's driving the sector today.

As Bulent Alkanli, managing director of Perseus Tekstil Dis Ticaret Ltd. Sti and board member of the Turkish Clothing Manufacturers Association (TGSD), put it, "Turkey is back in the game as it was never before."

Source: sourcingjournal.com- July 27, 2018

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NATIONAL NEWS

Truckers' strike hits auto, FMCG, textiles, e-comm sectors

The nationwide truckers' strike, which entered the eighth day today, has impacted industries such as e-commerce, FMCG and automobile, besides hitting the supply of cotton, grains and spices.

The All India Motor Transport Congress (AIMTC) started the indefinite strike on July 20, with demands to reduce diesel prices by bringing it under the GST and reforming the "flawed and non-transparent" toll collection system.

E-commerce major Amazon said the strike has affected its product deliveries in some cities.

"Owing to the ongoing difficulties caused by the strike, the delivery of products in a few cities has been impacted and we are working closely with these customers to get their orders to them quickly," its spokesperson said.

Flipkart, however, declined to comment on the issue.

FMCG major Dabur India's executive director - operations, Shahrukh Khan, said the company had put in place appropriate measures and ensured adequate inventories to meet the demand in anticipation of the strike.

"However, if the strike continues, the entire industry would be staring at supply disruptions," he warned.

Vinay Singh Kushwaha, vice-president - supply chain, Britannia said the prolonged strike has adversely impacted both inbound and outbound stock movements.

"This has resulted in a complete slow-down of sales over the last few days. The situation is getting out of hand and needs a quick resolution," he added.

Kushwaha said the strike has also resulted in factory stoppages in some locations leading to idle manpower and associated issues, and warned that if the situation does not improve, "we will have irreversible losses".

Industry body Assocham today said the strike has already caused direct and indirect estimated loss worth over Rs 50,000 crore to the economy, with micro, small and medium enterprises (MSMEs) being worst affected. Automobile industry body SIAM today said companies have had to adjust production as the strike affected both parts supplies and distribution of vehicles.

"Our members are facing an unprecedented crisis as it is affecting the movement of vehicles and components supply because of the strike," Society of Indian Automobile Manufacturers (SIAM) deputy director general Sugato Sen said in a statement today.

Cotton Textiles Export Promotion Council (Texprocil) chairman Ujwal Lahoti said the transport strike has started adversely affecting textiles exports.

"There is a sharp disruption in the movement of raw materials to the factories and finished goods to the ports for exports," he added. Lahoti said there are strict shipment schedules given by the foreign buyers for exports and many of the textiles exporters will miss these schedules which may result in the loss of export orders.

Cotton Association of India (CAI) president Atul Ganatra said ginning factories are on the verse of closing down because of the lack of raw material. "The traders are not able to move the cotton sold and in turn, all payments are stuck up due to non-movement of yarn," said Ganatra.

Anil Chavan, secretary, Agricultural Produce Market Committee, Mumbai, said the grains and spices market were affected due to the transport strike, with only 12 trucks and tempos of spices and 145 trucks and tempos of grains arriving at the mandi today till 4 pm, compared with 193 for spices and 308 for grains on July 20.

Similarly, in vegetables, 612 trucks and tempos arrived in the mandi today, compared with 636 on July 20. However, Chavan said fruits and vegetable supply remained unaffected during the strike.

Source: moneycontrol.com- July 28, 2018

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How Chinese goods are choking Indian industry and economy: The hard numbers

Parliamentary panel finds re-routing of Chinese goods through markets India has FTAs, under-invoicing to disturb trade balance, calls for product specific strategies

"Chinese imports have thrown a spanner in the wheel of India's economic progress per se, and the industrial sector in particular," the parliamentary standing committee on commerce voiced in its report tabled last week.

Beginning with hard numbers that establishes its basic premise of huge and constantly growing Sino-Indian trade imbalance, the report dwells on the boiling debate on the market economy status to China, echoing a similar line of thought implicit in the US-initiated trade war.

Identifying the problem of costly capital in India vis-à-vis China, it suggests product specific strategies for improving the trade balance, underlining the accountability of pertinent institutions, including the Directorate General for Anti-Dumping and Allied Duties and the Risk Management Division of the Central Board of Indirect taxes and Customs.

The Committee found that Chinese manufacturers were re-routing their products through the markets of other countries that India has Free Trade Agreements (FTA) with. Straddling the South East Asia, underdeveloped members of ASEAN have served as hubs for Chinese exporters to circumvent anti-dumping and countervailing duties, it says.

It has recommended a relook at the Least Developed Countries (LDC) arrangements and joint verification/ certification mechanism with the partner countries.

The report has also expressed skepticism about India's ongoing negotiations with these nation and China, among others for the Regional Comprehensive Economic Partnership (RCEP) agreement.

It expressed hope that India might offer to reduce its tariffs by 74-86 per cent of all goods.

The unscrupulous imports from China are also on account of influx of under-invoiced Chinese goods, goods brought in through mis-declaration and outright smuggling, it says.

These illegalities have its share of adverse effect on domestic industry, the report declared. In April to December 2017-18, as many as 1,127 cases of smuggling have been registered by India, recovering more than Rs 5.4 billion worth of Chinese goods.

However, it also calls for measures such as encouraging people to buy Indian products, popularising ‘Swadeshi apnao’ (consume domestic goods) and generate positive public opinion about Indian goods, which, trade experts say, contribute little to revive domestic industry.

We look at the committee’s view from the perspective of data to understand the depth of the trade imbalance.

The big picture

16.6%: Chinese share in India’s imports grew from 11.6 per cent in 2013-14 to 16.6 per cent in 2017-18. This came as a result of Chinese imports growing at a staggering 20 per cent in 2017-18, compared to 9 per cent growth four years ago. India exports grew by 9.8 per cent in 2017-18.

$50 bn: In a decade to 2017-18, India’s exports to China rose by $2.5 billion. In the same period, China’s imports in India rose by $50 billion. India registered a trade deficit of $157 billion in 2017-18.

5%: Chinese government gives an effective rebate of 17 per cent to its exporter companies.

This, the committee says, results in Chinese goods being 5-6 per cent cheaper than their Indian counterparts, making it lucrative for Indian importers.

9%: On account of costlier energy, finance and logistics, Indian goods are costlier by about 9 per cent in the global market. Chinese industry gets loans at 6 per cent, compared to 11-14 per cent in India. Logistics costs are 1 per cent of the business in China, compared to 3 per cent in India.

294: Of the 803 licenses provided by the Bureau of Indian Standards (BIS) to foreign manufacturers selling in India under the Foreign Manufacturer Certification Scheme (FMCS), 294 licenses for 55 products have been granted to Chinese manufacturers.

A similar scheme has also provided 9,274 registrations for information technology and electronics products. Of this, 5857, or 64 per cent, registrations have been granted to Chinese manufacturers.

8%: Despite the fact that 75-80 per cent of Chinese steel products are covered under anti-dumping duty, their imports have increased 8 per cent in 2017-18.

Sectors that have been impacted		
Industry	**Key number and how badly it hurts**	**Recommendations**
Pharmaceuticals	1,200%: In the life-saving drugs category, the dependence on Chinese imports is as much as 90 per cent. As much as 75% of the APIs (Active Pharmaceutical Ingredients) used in the formulations of essential drugs in the National List of Essential Medicines (NLEM) are sourced from China. China has increased the prices of bulk drugs 11-fold, or 1,200 per cent, during last two years.	Revive India's fermentation based API capability.
Solar	90%: Chinese solar imports form 90% of the India's market share directly or indirectly through their offshore companies across South East Asia. Further, its dumping prices in India are lower than that of the price at which they sell in Japan, Europe or the US. Under the Special Incentive Package Scheme, no domestic manufacturer has got any capital subsidy till now.	Domestic industry must pursue innovation that will help in further reduction in price per unit. Anti-dumping duty may be levied in a differential manner to facilitate level pegging for domestic industry.

Textile	35%: Cheap Chineseimports have resulted in 35 per cent closure of power looms in Surat and Bhiwandi, the report notes. It fires a salvo at the GST structure, stating that taxing synthetic fibres at 18 per cent, yarns at 12 per cent and fabrics at 5 per cent has caused unintended benefit to China resulting in increased imports of fabric from there.	Need to look at the LDC arrangements wherein imports from LDCs are fully exempt. Increase the customs duty on garment imports. Modernize the power loom and handloom sector for mass production with quality.
Toys	85%: About 85-90 per cent of toy market space is commanded by Chinese products, the report says. It has affected 50 per cent of the domestic toy industry. Low-priced Chinese toys are either mass-produced or are rejects from other countries and are diverted to Indian sub-continent/ Africa. Further, Chinese toys are toxic in high proportion, it says.	Issue quality control order (QCO) for toys and ensure toxic and cheap quality Chinese toys do not enter the country. Import of finished toy products from China be banned
Bicycles	58%: Bicycle imports from China saw a rise of 58 per cent in volume and 47 per cent in value in April to October 2017 over the previous year. Further, under-invoiced bicycles constitute 85% per cent of the total bicycle imports from China in 2017-18. Apart from affecting bicycle manufacturers, it is gradually killing the unorganized industry of small bicycle parts manufacturers who provide employment to many skilled and unskilled workers.	Carry out detailed analysis of the customs data in order to unravel the modus operandi of the unscrupulous importers involved and curb the entry of under-valued Chinese bicycles into the country.
Source: Impact of Chinese Goods on Indian Industry, 145th report of Parliamentary standing committee on commerce		

Source: business-standard.com - July 29, 2018

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UAE commits $75 billion towards infrastructure development in India: Commerce Ministry

With increasing economic ties with India, the UAE has committed USD 75 billion towards infrastructure development in the country, the commerce ministry said today.

It also said that the UAE is India's third largest trading partner.

"The UAE has invested over USD 5.3 billion in India and infrastructure is one of the top five focus sections of UAE-India bilateral trade. The UAE has committed USD 75 billion towards infrastructure development in India," the ministry said in a statement.

Further it said that Invest India and the UAE Minister for Artificial Intelligence (AI) signed an agreement for India-UAE Artificial Intelligence Bridge here today.

"This partnership will generate an estimated USD 20 billion in economic benefits during the next decade for both countries.

The MoU will spur development across areas like Blockchain, AI and Analytics as data and processing will be a catalyst for innovation and business growth," it said.

It added that by 2035, AI can potentially add USD 957 billion to the Indian economy.

Source: financialexpress.com-July 28, 2018

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WTC Mumbai suggests policy measures to boost MSME exports in focus sectors

The second edition of World Trade Day received overwhelming response from more than 500 delegates representing micro, small and medium enterprises (MSMEs), women entrepreneurs, industry clusters, start-up enterprises and other business organizations across Maharashtra.

“World Trade day is a unique initiative of World Trade Centers and Trade Promotion Organisations across the world to create awareness on the significance of international trade for economic development.

This initiative in Maharashtra will provide an effective platform for existing and aspiring exporters - MSMEs, women entrepreneurs and industry clusters to explore new foreign markets, understand emerging challenges in international trade and enhance competitiveness”, said Kamal M. Morarka, Chairman, MVIRDC WTC Mumbai.

There are more than 6.33 crore micro, small and medium enterprises (MSMEs) in India, of which Maharashtra has 47.78 lakh enterprises or 8% of the total.

MSMEs play an important role in enhancing India’s exports as they contribute almost 50% to the country’s total outbound shipments.

He said, "We have identified the top ten exporting countries, their major markets and their market size in key industries where Maharashtra has export potential."

These industries include electrical equipments, key fabricated metal products, machineries and equipments and textiles, wearing apparel, leather and related products. Countries such as China, Germany, United States, Japan, Italy, France and the UK together account for around 40-46% of imports of these products.

India’s export share in these industries is miniscule around 1-2%, except for textiles and leather products where India has a marginally higher share of about 4%.

Policymakers and industry bodies must assist Indian MSMEs in these identified sectors to enhance their exports in these markets, he batted. Morarka stressed that based on the extensive interaction and primary survey with MSMEs during the programme, MVIRDC WTC Mumbai would like to propose policy makers a slew of recommendations to enhance MSMEs' competitiveness in the global market.

In order to promote flow of credit to MSMEs, the state government must form strategic partnership with fintech start-up enterprises and create awareness about their services among MSMEs in various districts of the state.

Start-up companies use machine learning and artificial intelligence to assess the credit risk of borrowers. By using these technologies, these companies are able to facilitate collateral-free loans to entrepreneurs without much hassle of paper work and verification of documents.

Government of India has set up a credit guarantee fund (under CGTMSE scheme) so that MSMEs can access collateral free loans from banks.

However, this initiative seems inadequate as many entrepreneurs still complain about non-availability of loans through this scheme. In order to supplement this initiative, the state government may explore the possibility of setting up a credit guarantee fund for MSME borrowers in the state, he said.

Further, in 2015, Government of Maharashtra set up a SEBI-registered alternative investment fund (AIF), known as Maharashtra State Social Venture Fund, to support start-up enterprises.

The state government may consider setting up a similar fund to support aspiring and existing exporters. The government may tie-up with management institutions and incubation centres to identify innovative business ideas (related to exports) and financially support these ideas through this fund, the Chairman said.

He suggested that in order to create awareness on the schemes of various government bodies and institutions, the state government must collaborate with local industry bodies to organize awareness programmes.

Organizations such as Foundation for MSME Clusters (FMC) specialize in promoting MSMEs through cluster and value chain-led development. The state government should undertake targeted Cluster Development Programmes with the help of such organizations, Morarka suggested.

Source: knnindia.co.in-July 28, 2018

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GST credit curbs on fabric splits industry

The government's move to allow input tax credit to fabric makers, using raw material with higher GST rates, had brought an all-round cheer last week. But a recent notification is causing some heartburn.

At last weekend's GST Council meeting, ministers had agreed to allow input tax credit to fabric makers, which face a 5% levy, but pay 15% on some of the yarn, the key input. There is no issue for the cotton fabric makers.

In cases involving polyester yarn and fabrics, there is an inverted duty structure, which has now been addressed through credits for taxes paid on the raw material. The credit can be used to clear the tax dues on the fabric when it is sold.

Implementing the decision, the government has said that accumulated input tax credit, which remains unutilised after payment of tax up July, 2018, will lapse.

"If this notification is implemented, accumulated credit of over 1,000 crore with fabric manufacturers will lapse and those having multiple products such as garments will not be able to use the credit balance. The government needs to delete the condition otherwise flood of litigations will start," said tax lawyer R S Sharma.

Tax consultants, however, said that the government move is justified as input tax credit for all taxes paid kicked in after GST was launched. It also allowed for refund in case of a sector with an inverted duty structure (where the final output has lower levy than the input), which was not the case before July 1, 2017 when GST kicked in.

"Some of the garment manufacturers were hoping for a bonanza after the Council's decision as they thought that even pre-GST tax credits can now be used," said a consultant with a leading firm. Eligibility for claiming of refund of inverted duty is available only prospectively, which has been the principle for all GST rules, he added.

Government officials, however, said that the decision to provide a relief for the inverted duty structure was a major gain for the textile industry, going forward.

Source: timesofindia.com-July 30, 2018

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Looking beyond growth numbers

A north-bound GDP is not enough to ensure sustainable economic well-being or the health of businesses

All seems to be well or, at very least, improving. One can soak up economic headlines and analyses, including from bodies like FICCI, that despite short-term challenges India's GDP is expected to grow around 7.5 per cent this year. This makes us the fastest growing economy on a statistical basis.

But should we rush to applaud ourselves based only on this fact? Whether these numbers are what we really merit (think: double-digit growth) or whether they sustain gainful engagement of additional manpower (think: @ one million a month) is yet to be fully deliberated.

Recent history does demonstrate that during 2003-2012, when GDP growth was 8 per cent plus, there was a massive fall in poverty. So growth and income/gainful employment do move in tandem.

Yet, one must remember that GDP captures only the formal economy (FE), while there exists a large (wholly legal) informal economy (IE) that is not measured. Therefore "real" GDP velocity is = (FE + IE). Possibly the "real" GDP growth was well in excess of 8 per cent in the said period.

However, with the informal economy having taken blows, the IE figure may now be minuscule to negative — no one really knows . Therefore, even with a 7.5 per cent formal growth, it is anybody's guess what the true (FE + IE) figure is now. Nor is there a clear grip on employment numbers.

For every GDP forecast, there is also a clutch of economists who can flag risk factors — such as oil prices, inflation, interest rates, and global trade policies — invariably moderating a forecast rather than boost it. But let us prudently assume that the GDP forecasts are just about achievable.

But, as has been often argued, an economic growth story must look beyond just GDP numbers to justify its strength, and businesses must strategise to prosper. Without the inherent potency of businesses and other economic participants, GDP can be, in effect, a mere statistic.

We need to look beyond the growth numbers at multiple levels. Let us stick here to essentials.

At a macro level it requires incisive (as opposed to broad) evaluation to pinpoint how much of the benefit of our growth ultimately flows overseas, and how much of our growth can be traced to exports of goods and services from India. We must create mitigating strategies if needed.

It is interesting that Arvind Pangariya argues that since there is little wisdom in producing at home what we can buy abroad at lower cost, the obvious strategy should be to expand exports on a war footing (rather than try to curb/substitute imports); profitably is obviously implied.

But this is probably contrary to current trends. As our trade deficit (even non-oil) seems to be expanding, it is reasonable to hypothesise that others could be benefiting disproportionately from India's market growth.

Even large 'Make in India' projects by foreign investors could at the end of the day distribute large chunks of India's growth to foreign capacities and employees. This entire perception needs a more rigorous, open-minded study for worthwhile conclusions.

The effective drivers for expanding value-adding exports are industrial cost-competitiveness and technical prowess. At the minimum, the former deserves urgent and intense policy attention.

Profits, cash flows

At a micro-level, the prime issue that businesses must focus on is whether the profits and cash flows that can be sustainably generated by them at projected growth rates are sufficient for their full debt service obligations. Where business models (start-ups, services and the like) are based on funded losses, whether they will be generating cash flows (say) in the next five years or so?

Without sustainable profits and cash flows, irrespective of nature of business, there are negative connotations for India's economic story even if the GDP rate gallops.

India is already going through the pain of banks almost paralysed due to of insufficient cash flow generation by businesses. Based on present trends, traditional lenders will probably not majorly support funding of investments; risk-adjusted return requirements of alternative funding will be invariably higher which means businesses must be kept more profitable inherently.

Therefore, given competitive pressures and the absence of pricing freedom, demands on cost-efficiencies will be higher than ever. It is obvious that the cost structure endured by business requires a comprehensive re-look, notwithstanding any simplifications afforded by GST.

Also, despite significant and sincere efforts being made towards the ease of doing business, how to achieve globally relevant efficiencies, freedoms or time-lines in a regulation-heavy environment is altogether a separate subject.

Many of the pressure points referred to above do not — in the usual course of things — trouble the 100-200 companies at the top of the ladder.

The sound bytes and mind space occupied by these players is very high, and may sideline the issues of others. But what may be true for them is not necessarily true for the multitude of economic participants.

It seems that policy-makers must urgently address lingering or future genuine pain, particularly for those down the ladder, notwithstanding the point of time we are at in the political economy.

In keeping with the need of the hour as well as the true intent of the government, one expects the solutions to not be cosmetic but substantive.

The short points being made here are: future GDP appears stable and headed upwards, which is fundamentally positive for the economic story; and a north-bound GDP is not enough to ensure either the economic narrative or the health of businesses.

The purpose here is not to be sceptical but outline the rational need for policy-makers, businesses and commentators to look beyond numbers and engage quickly, deeply and constructively.

Source: thehindubusinessline.com-July 29, 2018

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Redefining MSMEs

Using turnover, rather than investment criteria, is a more pragmatic way to incentivise industry

The Centre has set in motion a long-pending reform in its policy dispensation for MSMEs (Micro Small and Medium Enterprises), by tabling the MSME Development (Amendment) Bill 2018 in Parliament this week. The Bill's most significant provision is the proposed change in the decade-old official definition of an MSME.

As per the current definition, manufacturing units are defined as micro, small or medium enterprises depending on whether their investments in plant and machinery were below ₹25 lakh, ₹25 lakh to ₹5 crore or ₹5 crore to ₹10 crore.

The thresholds were lower for services units. But the new Bill proposes a uniform MSME definition based on more realistic turnover criteria. Now, units will be 'micro' enterprises if their annual sales turnover is less than ₹5 crore, 'small' if they fall in the ₹5-75 crore range and 'medium' if they are in the ₹75-250 crore band. This change in the outmoded MSME definition has much to commend it.

For starters, the new definition will result in fairer comparisons between older and newer ventures in a sector for utilising MSME sops. Given steady escalation in project costs, comparing investments in plant and machinery over time illogically puts newer units at a disadvantage over older ones, actively militating against modernisation efforts in industry.

Two, annual turnover criteria can be directly verified from the GST Network, thus putting an end to physical inspections, and the Inspector Raj necessitated by the investment-based regime. Three, turnover-based sops may be friendlier to technology-intensive sectors such as engineering, auto components or pharmaceuticals where substantial capital investments are needed to ensure even minimal scale.

Hopefully, the rebooted definition will allow more MSMEs to benefit from recent policy incentives. Turnover criteria will also allow a unit to graduate from its MSME status on reaching a fair size and discourage the proliferation of inefficient units created mainly with an eye to tax sops.

Some industry bodies have expressed the concern that under the new dispensation, medium enterprises with ₹250 crore turnover may crowd out smaller peers in cornering the sops. But a higher turnover limit is welcome because one of the primary problems plaguing Indian industry is the mushrooming of tiny units that stand little chance against competition.

The latest NSSO survey of 6.34 crore unincorporated ventures in India noted that 84 per cent of these were own-account enterprises which didn't employ even one worker.

For the Make in India initiative to take wing, and for Indian firms to stand a fighting chance in the export market, the policy regime for MSMEs needs to actively push them to scale up over time, rather than shower them with sops to remain small-scale. In fact, the Centre should mull a sunset clause on MSME benefits to encourage these units to climb up the value chain.

Source: thehindubusinessline.com-July 29, 2018

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Eight-day truckers' strike that crippled trade, industry called off

The eight-day truckers' strike, which was called off late Friday evening, constricted movements of industrial raw materials, finished goods and essential commodities across the country, jacking up their prices. Gujarat bore the brunt of the strike, with the supply of textile products, industrial raw materials and agri commodities being hit badly.

The strike was called by truckers across the country to protest against the introduction of the e-way bill, exorbitant toll collections at plazas, and inclusion of diesel under the goods and services tax (GST). They also demanded a reduction in levies and permits.

According to an official statement, the government will constitute a high-level committee headed by the Road Secretary to facilitate expeditious resolution of the demands of the transporters. It was this assurance on the part of the government that brought about the withdrawal of the agitation by transporters' body, All India Motor Transport Congress.

The panel would look into the truckers' demands including e-way bill implementation, GST related issues of the transport sector and rationalisation of TDS rates.

As far as ease of toll collections is concerned, the central government has agreed to put in place a technology-driven mechanism to ensure seamless movement of trucks across toll plazas in six month's time.

With regards to e-way bill, "It is agreed in-principle that there should be distinction in the treatment of clerical errors and evasion."

During the past 7-8 days, crop losses owing to floods triggered by torrential rainfall have already caused a lot of suffering for farmers. The agitation has added to the woes, dealing a body blow to traders' activities, especially in agri-commodities and textiles across Gujarat.

Farm product arrivals and dispatches have almost come to a standstill the past four days. Though prices of essentials have largely remained stable or have risen marginally in wholesale markets, there has a been sharp increase at the retail-level in many cities.

Transportation of automobile components and their exports have also been hit.

Gujarat's Saurashtra region is witnessing sluggish arrivals of cotton, groundnut and pulses, while central and southern regions of Gujarat are facing a sharp decline in their regular supplies of fruit and vegetables.

Atul Kamani, president of the Commission Agents' Association at the Rajkot APMC said loss to the Rajkot mandi alone has been estimated at Rs 400-500 million so far. North Gujarat's major Unjha mandi has seen a loss of Rs 800 million. "North Gujarat's Unjha is known for its cumin seed exports. Containers from Mundra port have stopped coming to Unjha. We have also not been able to trade in fennel, psyllium, and sesame seeds since the strike started," said Vijay Joshi, president of the Unjha Commodity Association.

Surat, one of the largest synthetic textile hubs in the country, has been suffering a daily loss of Rs 500 million on account of the strike. Ahead of the festival season, "Surat typically dispatches 400 trucks loaded with textiles daily. The strike has crippled the industry here," said Manoj Agarwal, President of Federation of Surat Textiles Traders' Association (FOSTTA).

Down south, in Tamil Nadu, the strike has resulted in loss of around Rs 250 billion, says a transporters’ body. “Perishables like fruits, vegetables and flowers continue to reach the market in Chennai, albeit with a delay, resulting in prices quoted as per quality," said A Selvaraj, general secretary of Koyambedu Tomato Wholesale Traders' Association.

Fruits and vegetables prices in Delhi and its adjoining areas have largely remained stable as wholesalers and traders have augmented their supplies from non-traditional areas. Onion and potato traders in the largest wholesale market of Azadpur said the supplies had stagnanted. Rajendra Sharma, former chairman of the Azadpur APMC, said, "Onion supplies from Maharashtra and Madhya Pradesh had halved but we have managed to double supplies from neighbouring Rajasthan." In the case of potatoes, a slowdown in supplies from Uttarkhand has been compensated with supplies from neighbouring Agra, Aligarh.

As a result of this, Sharma said, onion prices in Delhi and adjoining areas fell by Rs 1-1.5 per kg and potato by Re 1 per kg.

Rajkumar Bhatia, a leading fruit trader in Azadpur said, "Arrivals are adequate, but outward movement has slowed down due to the strike, because of which there has been a drop in prices of some vegetables."

Arrivals of agricultural commodities declined sharply in Mumbai Agricultural Produce Markets Committee (APMC).

Sugar supply in Mumbai APMC has reportedly declined by a sharp 80 per cent this week. "Sugar is already under the Essential Services Maintenance Act (ESMA), which ensures supply of essential commodities. There has been no impact on its prices so far," said Sanjay Khatal, Managing Director, Maharashtra State Co-Operative Sugar Factories Fedration Ltd.

Supply of all other agri-commodities also plunged similarly. "However, crippling supplies are yet to make an impact on prices as traders normally hold stocks for 15 days. If the strike continues for a couple of days more, then prices would start firming up in the wholesale mandis," said Sharad Maru, President, Grain Rice & Oilseed Merchant Association (GROMA).

Source: thehindubusinessline.com-July 29, 2018

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New textile policy to be beneficial for women

Govt. plans to give incentive to investors'

The proposed new textile policy to come up for discussion in the next Cabinet meeting would focus on offering more employment opportunities to women by promoting textile industries across the State, Industries Minister N. Amaranatha Reddy said on Saturday.

Interacting with the Self Help Groups (SHGs) at the Indira Priyadarshini Auditorium of Sri Padmavati Mahila Viswa Vidyalayam here, Mr. Reddy said the government would come up with one of the best textile policies in the country that would be more beneficial for women.

During training period it was proposed to give women a stipend of Rs. 7,500 to Rs. 10,000 and wages of Rs. 1,000 to Rs. 3,750 to those working in an industry or groups, he said.

"The government is also planning to offer an incentive of 45% to those keen on investing in the industry," the Minister said.

Referring to the welfare schemes being implemented by the government, Mr. Reddy said Chief Minister N. Chandrababu Naidu was committed to developing the State despite deficit budget. Mr. Reddy later gave away 500 sewing machines to women beneficiaries and released a cheque for Rs. 20.69 crore to the SHGs as loan via bank linkage. MLA M. Suguna was among others present.

Source: thehindu.com-July 29, 2018

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Commerce Ministry to replace export subsidy schemes banned at WTO

The Commerce Ministry will soon be ready with a road map to replace export subsidy schemes incompatible with World Trade Organisation norms with ones that cannot be legally challenged at the multilateral organisation, a senior government official has said.

"Schemes that are being targeted by countries, including the US, at the WTO will be re-designed so that they do not lead to disputes being lodged against India. A competent team of trade lawyers is advising the group of officials, industry representatives and trade experts working on the new schemes," a government official told BusinessLine.

While some re-designed schemes could be announced in a review of the Foreign Trade Policy in 2018-19, some may be replaced even before, the official said.

This is a difficult exercise as incentives can no longer be targeted at exporters alone and giving sops to all enterprises, whether domestic or export-oriented, could put a huge burden on the exchequer.

The Centre is in a hurry to put its house in order as the WTO's Dispute Settlement Body (DSB) has already agreed to constitute a panel to rule on a US complaint on certain programmes in India, including the popular Merchandise Export from India Scheme, the Export Promotion Capital

Goods scheme such as the Electronics Hardware Technology Parks Scheme and some Special Economic Zones incentives. Washington says the schemes don't comply with existing rules.

Under existing WTO rules, a country can no longer offer export subsidies if its per capita GNI has crossed $1,000 for three years in a row. In 2017, the WTO notified that India's GNI had crossed $1,000 in 2013, 2014 and 2015.

Phase-out time

While India refuted the US allegation by arguing that it should be entitled to a eight-year phase-out period, chances of the argument working in the dispute is weak as this demand has been ignored at the WTO since 2011.

"The team re-working the schemes is going through all WTO disputes on export incentives in details with the legal team to see what has been successfully challenged and which schemes have stood up to legal scrutiny," the official said.

The Commerce Ministry will also hold discussions with the Finance Ministry once it has a plan in place as the alternative schemes would need ample funds.

"We do not want the level of compensation and incentives that exporters are getting at present to be reduced. While schemes will be re-designed, the support is likely to remain unchanged," the official added.

According to the US complaint filed at the WTO, the targeted measures provide producers of steel products, pharmaceuticals, chemicals, information technology products, textiles and apparel with benefits to the tune of around $7 billion per year.

Source: thehindubusinessline.com-July 27, 2018

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Gujarat: GST order to cost textile players crores

A recent order by the Union Finance Ministry has put a question mark on the tax credit, worth hundreds of crore of rupees, that was due to textile players.

Accordingly, the accumulated input tax credit (ITC) lying unutilised in balance, on purchased received up to July 31, 2018 shall lapse. Textile players say they will urge the government to amend the order.

As the GST got rolled out a year ago, textile fabric was subjected to 18% tax. Traders across the country had held protest. Finally, the tax was brought down to 5% with a condition that they will not get tax credit on purchases made. Meanwhile, the sector — one of the major providers of jobs — suffered a severe slowdown and businessmen suffered shortage of liquidity.

The recent GST Council meet decided that tax credit will now be available. Finance Ministry came out with a notification, which according to experts will deprive businessmen of surplus credit lying with the government.

"Accordingly, the accumulated input tax credit lying unutilised in balance, on the inward supplies received up to July 31 shall lapse, leading to huge losses," said Monish Bhalla, founder and director of Taxolegal.

Bhalla said the notification is confusing. There is uncertainty about which credit will lapse. Will the credit pertaining to input services and capital goods would lapse as well?

"Such a provision will have far reaching consequences. Textile product manufacturers accumulate stock on seasonal basis as credit on their stock on July 31, 2108 would lapse. For those in expansion phase, the cost of capital will rise," he said.

Naresh Sharma, president of Ahmedabad Textile Processors Association said that they will urge the government to amend the notification so that the intent of GST Council could materialize.

Bhalla said that it seems that GST Council didn't have such an intention while recommending the provision of refund; however the bureaucrats had something else in their mind, which is reflected from the language of the notification.

"The government of the day should ensure that the draft notifications are approved in the GST Council before releasing. An immediate amendment to this notification is the need of the hour," said Bhalla.

UNUSED FUNDS

Accumulated input tax credit (ITC) lying unutilised in balance, on purchased received up to July 31, 2018, shall lapse. Textile players say they will urge the government to amend the order.

Source: dnaindia.com-July 28, 2018

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