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IBTEX No. 124 of 2017 June 19, 2017

USD 64.37 | EUR 72.04 | GBP 82.21 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20103	42050	**83.26**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
20180	42212	**83.58**

International Futures Price

NY ICE USD Cents/lb (July2017)	77.22
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**85.00**
Cotlook A Index – Physical	**85.50**

Post after the major fall in cotton price last week straight from 75 to near 70 cents per pound the same is seen a bit of respite this morning on Monday.

Cotton for July is trading around 1.50% higher at 73+cents. This is mere short covering of positions. The similar kind of movement is also seen December future.

Ovèrall trend remains bearish and the current rebounding in the price could soon see again falling into its original bearish track. We believe the current rise in price could witness stiff resistance near 74 cents and again decline towards 72 levels.

Since July contract 1st notice period is starting on 26th June we believe the remaining open interest of around 40K contracts could gradually reduce and that could possibly bring in some sort of more instability in the market. We have already seen movement of positions from July to December and some into March 18 contract is in place.
Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

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INTERNATIONAL NEWS

EU should grant China Market Economy Status

Although Chinese Premier Li Keqiang's trip to Germany and Belgium from May 31 to June 2 aided China's diplomatic relations with the two countries, the 19th China-EU leaders' meeting from June 1 to 2 in Brussels ended without a joint consensus about granting Market Economy Status (MES) to China in the World Trade Organization (WTO).

During his meeting with German Chancellor Angela Merkel, German President Frank-Walter Steinmeier, Belgian Prime Minister Charles Michel, European Council President Donald Tusk and European Commission President Jean-Claude Juncker, Li persuaded European leaders to accord the status of "Market Economy" to China and relax their actions regarding the dumping of Chinese goods.

In his keynote speech at the 19th China-EU leaders' meeting, Premier Li Keqiang urged the European Union (EU) to fulfill its obligations under Article 15 of the protocol on China's accession to the WTO, so as to pave the way towards a stable development of China-EU relations. He stressed that Article 15 is a sunset provision and that all sides should act in line with WTO rules.

China became the 143rd member of the WTO on December 11, 2001, after 15 years of arduous and prolonged negotiations. Over the past 15 years, China has made great contributions to the WTO's multilateral trading system as well as to global economic growth.

Since joining the WTO, China has strictly adhered to WTO rules by gradually reducing tariff levels. China has also actively assumed its responsibilities as a major developing trading nation, cutting its overall tariff rate from 15.3 percent to 9.8 percent. It has long been an advocate of free trade, as evidenced by the fact that it has to date signed 14 free trade agreements with 22 countries.

According to Article 15, WTO members should have stopped using the surrogate country approach to conduct anti-dumping investigations on China by December 11, 2016.

Under the surrogate country approach, WTO members use costs of production in a third country to calculate the value of products from countries on its "non-market economy" list, which includes China.

China should receive Market Economy Status, which would allow it to enjoy the same market status as the United States and the European Union when it comes to anti-dumping investigations in the WTO. Since the WTO's establishment in 1995, EU members have launched 1,149 trade investigations into China.

In a biased, myopic move, the EU continues to deny Market Economy Status to China on the basis that China is not yet a proper free market. European companies complain that they cannot easily penetrate the Chinese marketplace. Europe does not want to let relatively cheaper Chinese goods flood European markets at a higher rate for fear of undermining local economies. The excuses put forward by the EU are discriminatory.

The EU's censure of China as being accountable for the steel glut in the 28-country bloc is untenable. China's steel exports to the EU are small compared to other countries. China's low value-added steel products are complementary to the EU's steel market portfolio. Without exports from China, the EU would still have to turn to other countries to import similar products. That will not stem job losses in the EU.

China's leadership in boosting regional and global economies through programs such as the "Belt and Road" initiative was supported by WTO reviewers during the sixth round of the Trade Policy Review (TPR) of WTO in Geneva last July.

However, during the meeting with Premier Li Keqiang, Chancellor Angela Merkel confirmed that the EU will offer equal treatment to Chinese enterprises under the protocol on China's accession to the WTO.

Belgian Prime Minister Charles Michel said that his country is ready to play an active part to push the EU to fulfill its WTO obligations. But a majority of the EU members has failed to reach a consensus on accepting China's Market Economy Status.

It should be noted that over 80 countries, including Russia, New Zealand, Singapore and Australia, have recognized China's status as a market economy.

In fact, China's "non-market" label has become a wild card to the EU and the U.S. to contain China's exports and shield local industries, which is unfair. As the world's second largest economy and the largest trade partner for more than 130 countries, China has become a bedrock for protecting global free trade.

The EU and U.S. should not continue to look at China through colored glasses. As an important member of the WTO, the EU should designate China as a market economy if it can truly see the bigger picture of EU-China trade, especially at a time when the Trump administration has stepped back from America's traditional role of dominance on trade and development.

Source: china.org.cn- June 18, 2017

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Brazil: Cotton trades in Brazil affected with reduced supply

Liquidity was low in the Brazilian cotton market in the first fortnight of June 2017 due to reduced supply in the spot market.

Despite the interest in new acquisitions, some processors did not show interest in purchasing for quick-delivery in light of the low quality of the available batches, according to fortnightly report on cotton from CEPEA, Brazil.

The report by the Centre for Advanced Studies on Applied Economics (CEPEA) said that purchasers need to buy small volumes only to replenish inventories and/or to accomplish contracts.

With the beginning of the 2016/17 harvesting, cotton from the 2015/16 crop continued concentrated with a few agents, who kept firm regarding asking prices, despite the reduced quality.

In this context, cotton prices oscillated in the market in that period. From May 31 to June 14, the CEPEA/ESALQ Index, 8-day payment terms, for cotton type 41-4, delivered in São Paulo, increased a slight 0.45 per cent, closing at 2.7910 BRL per pound on June 14. Agents were focused on trades involving the 2016/17 crop, mainly for shipment in the coming months and deliveries in Brazil.

According to data released by Conab on June 8, the Brazilian cotton production in the 2016/17 crop may increase by 15.4 per cent, totaling 1.488 million tonnes. The boost is due to expectations for a sharp increase at 17.4 per cent in productivity (1,585 kilogram per hectare), since the estimated area is 1.7 per cent smaller compared to the 2015/16 crop.

Source: fibre2fashion.com- June 17, 2017

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Pakistan: APTMA rejects budget, seeks relief package for textile sector

All Pakistan Textile Mills Association (APTMA), Khyber Pakhtunkhwa zone, has rejected the federal budget 2017-18 and called for announcement of relief package for the crisis-hit textile sector.

Speaking at a press conference at APTMA House here on Saturday, Taimoor Shah, Chairman, Khyber Pakhtunkhwa zone of the association, lamented that before the announcement of the budget, Federal Minister for Finance Ishaq Dar had committed the allocation of Rs180 billion for the prime minister's export-led growth package for payments of drawbacks on taxes to exporters on realisation of export proceeds. But, in the budget, he announced a meager amount of only Rs4 billion.

Chairman APTMA Afan Aziz and others were also present.

Mr Shah said refund cases of millions of rupees of the textile sector were struck off, but despite that the government imposed new taxes and surcharges on them, which was badly affecting the industry. He demanded clearance of all pending sales tax refunds by July 2017 and immediate withdrawal of customs duty and sales tax re-imposed on cotton import.

He said textile upgradation fund announced by the government in 2011-12 was yet to be released.

The APTMA's KP chapter was also critical of high prices of utilities and wages as compared to their competitors in India, Bangladesh and Vietnam, thus increasing the cost of production in Pakistan. He said as compared to India, Bangladesh and Vietnam where the price of gas was Rs400 MMBTU; it was supplied to textile industry in Pakistan at Rs600 MMBTU, while the imposition of GIDC had further multiplied their woes.

Expressing concern over the growing electricity tariff, Taimoor Shah said the rate of electricity during previous government was Rs7 per unit, which had now reached to Rs13 per unit irrespective of record decline in oil prices in world market. In such a situation, how they could compete in the international market, he lamented.

Similarly, he said in the Finance Bill 2017, the government also increased the rate of minimum turnover tax under section 113 of the Income Tax Ordinance 2001, from 1 per cent to 1.25 per cent. He called for reducing the tax to 0.25 per cent to improve liquidity of loss making textile industry.

Furthermore, he said imposition of further tax at 1per cent on supplies to unregistered persons had caused multiplier effect on the disintegrated textile value chain.

Therefore, he demanded exemption of five exporting zero rated sectors from the levy of further tax to reduce cost of doing business.

Taimoor Shah also called for making indirect exports eligible under LTFF scheme and allowing the utilisation of the facility for building infrastructure for garment plants.

Source: dawn.com- June 18, 2017

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Africa: Boost to Rivatex as India grants Sh3 billion for machine upgrade

The Eldoret-based Rift Valley Textile Mills (Rivatex EA) has received Sh3.016 billion from the Indian Government to facilitate technology transfer and upgrade.

Indian firm Lakshmi Machine Works (LMW) Ltd will modernise Rivatex's textile machines to enable the firm to compete globally.

Indian High Commissioner to Kenya Suchitra Durai said the funds would help Rivatex expand its productivity. The financial support follows a visit by Indian Prime Minister Narendra Modi last July where an agreement on trade was signed between Exim Bank of India and the national Treasury.

"Modernisation of Rivatex factory is expected to revive the textile and cotton industry in Kenya and generate employment," said a statement by the company. The LMW managing director, Mr Sanjay Jayavarthanavelu, also wants the curriculum of Moi University School of Engineering reviewed to be in tandem with the needs of modern industries.

Experts from LMW had earlier visited Moi University's School of Engineering to assess its problems and requirements. "There is a need to examine the possibilities of supplying latest machinery to the department's labs and to help in skills development and capacity building," said Mr Jayavarthanavelu.

The Cabinet Secretary for the Ministry of Industry, Investment and Trade, Mr Adan Mohamed, blamed high electricity costs and inadequate raw materials for the slow revival of the textile industry.

"High cost of power is making it difficult for investors in the textile industry to break even. The government therefore needs to increase electricity supply at affordable rates for the sector to maximise production," said Mr Mohamed when he toured the firm last year. "Cheap imports are not a threat to growth and expansion of the textile industry in Kenya. What is required is proper managerial strategies to target export markets," said Mr Mohamed.

But it is emerging that the Eldoret-based firm is operating below capacity due to an acute shortage of raw materials. This is dampening the hopes of North Rift residents who were looking forward to revival of the once vibrant textile sector to provide additional employment opportunities and economic growth.

“We are producing an average of 10,000 bales against a capacity of 70,000 bales annually, which has impacted negatively on our operational costs,” said the firm’s managing director, Prof Thomas Kipkurgat, in an earlier interview.

The textile firm was bought by Moi University at Sh205 million after it was placed under receivership more than 10 years ago. The company used to produce a total of 15.73 million metres of fabric before it was placed under receivership in 2000, following massive administration and financial mismanagement.

The fabric comprised 5.5 million meters of dyed cotton, 7.7 million metres of printed cotton, and 1.17 and 0.55 million metres of dyed and printed polyester/viscose, respectively. Stakeholders want the deal with Moi University reviewed, arguing that it has failed to meet the set targets.

“The factory has achieved little success despite the government and development partners pumping colossal sums of money to revive it. The factory has been converted into a training institution, instead of a textile manufacturing firm that could create employment,” said Mr Charles Mose, a former official of the Kenya National Chamber of Commerce and Industry, Uasin Gishu branch.

Some the company’s facilities have been converted by Moi University to offer aviation courses. Company workers staged a protest two months ago demanding a pay increase and better working conditions. Rivatex has an estimated 600 workers against 1,500 workers before it was placed under receivership.

Source: businessdailyafrica.com- June 18, 2017

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Denim back in vogue – though it's rarely been out of style in 200 years

Originally the preserve of labourers, then rebellious teenagers, denim has scaled the heights of the fashion world and is now regularly seen in designer collections and on the catwalks.

This season, Stella McCartney made the case for slouchy, big-pocket jeans, while Carolina Herrera – a designer known for her evening ensembles – crafted a sexy thigh-slit skirt and even a corseted gown from the blue stuff. But how did this tough textile become so loved? We trace the history of denim from its humble beginnings...

PRE-17TH CENTURY: A fabric called 'serge de Nimes', made of silk and wool, is produced in England and France. It appears the word denim was derived from this term, but it's unclear how the cotton fabric we now know as denim got its name. Around the same time, a similarly hardy textile called 'jean', named after Genoa in Italy, is imported and eventually produced in England.

1789: President George Washington tours a mill in Massachusetts that weaves both denim and jean fabrics. In the same year, the word denim appears in print for the first time when a Rhode Island newspaper reports on local textile production.

1860s: Denim is defined in Webster's dictionary as "a coarse cotton drilling used for overalls, etc", but its use is reserved for working men. Advertisements show labourers, mechanics and painters wearing overalls and trousers made of jean.

1873: When Jacob Davis, a tailor in Reno, Nevada, is asked to make a robust pair of trousers for a local woodcutter, he decides to reinforce the rivets on the design. The pants prove extremely popular, but Davis can't afford to patent the idea, so he writes to his fabric supplier, Levi Strauss, for help. 'Waist overalls', as early Levi's were called, were made in 'cotton duck' fabric and denim.

1908: Levi jeans are a great success, but the patent expires, allowing other players to enter the market. An ad for Lee's 'cowboy pants' plays on denim's rugged Mid-West rancher associations.

1920s: Middle-class Americans from the east coast holiday on dude ranches in California and the Mid-West, bringing home jean garments and boosting their popularity.

1950s: Jeans start to appeal to youngsters after they're worn by Marlon Brando and James Dean on the silver screen, capturing the post-war counter-culture spirit. They were later banned in American schools, which only serves to fuel demand.

1960s: Denim goes global, returning to the continent from which it originated and gaining popularity in Asia after American GIs took jeans overseas during the Second World War.

1973: Sales continue to rise as straight-leg jeans make way for trendy flares, but later in the decade, demand for denim fades.

1980s: The drainpipe, a precursor to the skinny jean, is the shape of choice and designer brands enter the fray, charging hundreds of pounds for jeans emblazoned with their logos.

1994: Baggy jeans become a hit with musicians and fans alike on the burgeoning hip-hop scene.

2001: Denim seemed to appear everywhere in pop music – everyone from Liam Gallagher to Britney Spears and Justin Timberlake were sporting it.

2009: The recession hits the designer jeans market hard. "Charging $600 for jeans for no reason at all – those days are over," says Levi's senior vice president of women's merchandising and design.

2017: The SS17 designer collections are filled with high-end denim, once more.

Carolina Herrera even sent an all-denim, strapless, corseted gown down the runway at New York Fashion Week, while on the high street, embroidered and patched jeans and jackets have made a comeback.

Source: irishnews.com- June 18, 2017

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NATIONAL NEWS

Textile mills seek reduction of duty for MMF

Around 430 mills have sent their appeal to PMO

Textile mills in the State have appealed to the Union Government to bring down the GST rate for manmade fibre and yarn to 12 % from 18 %.

About 430 mills recently sent their appeal to the Prime Minister's Office in this regard, according to Prabhu Dhamodharan, secretary of Indian Texpreneurs Federation.

While the rate for fabrics is 5 %, that for yarn and fibre is 18 %. Fabric manufacturers do not have the provision of refund and hence, this would become a "blocked credit", he said. The GST on MMF and yarn should be brought down to 12 % and refund should be permitted for fabric manufacturers, he said.

According to M. Senthil Kumar, chairman of Southern India Mills' Association, the textile industry was hopeful that the GST council would consider the demand of the industry at its meeting on Sunday on reduction of duty for manmade fibre and yarn.

There would be an accumulation of excess credit at 18 % rate on yarn. This would increase the fabric cost and affect the independent weaving and spinning units.

For instance, an independent weaving unit having about 50 looms and producing 100 % viscose fabric would incur an additional cost of over Rs. 2 lakh a year with 18 % rate compared to Rs. 1.3 lakh at 12 % rate.

This would create an unhealthy competition with composite units. Mr. Senthil Kumar said differential rates and non-refund of accumulated input tax credit would not only affect the industry but also lead to wrong declarations and corruption.

The Government should allow refund of accumulated input tax credit at fabric stage and should include job work for garments, made ups, and other textile products at 5 % rate, he said.

Source: thehindu.com- June 18, 2017

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Textile industry hoping rates will be reduced to 12%

The textile industry is hoping that the GST Council, which is expected to meet today, would consider reducing GST rate on manmade fibres, filaments and yarns to 12 per cent. It feels that the independent weaving unit may have to incur additional cost of over Rs 2 lakh per annum.

At the 16th GST Council meeting on June 11, 2017, it was announced that 18 per cent would be the GST rate for manmade fibres, filaments and yarn. The council has also decided not to allow refund of accumulation of input tax credit at fabric stage that attracts only 5 per cent GST rate.

M Senthilkumar, chairman, Southern India Mills' Association (SIMA), said that the textile industry is hoping for the GST Council at its meeting held on Sunday that it would consider the representations and reduce the GST rate on manmade fibres, filaments and yarns from 18 per cent to 12 per cent and also would include garments, made-ups and other sewn products related to job work under five per cent GST rate of service tax.

He has stated that there will be “huge” accumulation of excess credit with 18 per cent GST rate on yarn and only 5 per cent GST rate and non-refund of accumulated input tax credit at fabric stage. He said that this would significantly increase the fabric cost and seriously affect the independent spinning and weaving units, including the powerloom sector.

He added, even with 12 per cent GST rate on yarns, the additional cost would be Rs 1.3 lakh per loom per year, thus creating an unhealthy competition between the composite and independent weaving units.

He has stated that the government could have classified the entire textile value chain under 5 per cent GST rate to avoid such problems or refund the accumulated input tax credit at every stage so that the cost is not increased, a level playing field is created and proper compliance is ensured.

SIMA said the differential rates and non-refund of accumulated input tax credit would not only affect the industry, but also lead to wrong declarations and corruption.

SIMA urged the government to discourage any loophole for wrong declaration and corruption and pleaded for refund of accumulated input tax credit at the fabric stage to protect the interest of powerloom sector and also meet the clothing needs of poor masses of the nation with reasonable tax burden.

He further appealed to the GST Council to include garments, made-ups and other sewn textile products job work under 5 per cent GST rate for service tax, as these segments create 100 to 150 jobs per crore of investment, ensuring large-scale employment for the rural masses, especially women folks.

Source: business-standard.com- June 17, 2017

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Andhra demands exemption for textiles and fertilisers from GST

The Andhra Finance Minister also said that commercial tax from all border posts will be removed when the GST goes into operation.

Andhra Pradesh has demanded exemption for both textiles and fertilisers from the Goods and Services Tax, while the GST Council meeting in New Delhi on Sunday has already decided that e-way bill will be optional.

Briefing reporters in Delhi during a pause in the Council's 17th meeting, Andhra Pradesh Finance Minister Yanamala Ramakrishnudu said that he has requested that textiles and fertilisers be exempted from the GST.

He also said that commercial tax from all border posts will be removed from July 1 when the GST goes into operation, replacing the existing myriad central and state levies on both goods and services.

Ramakrishnudu also said that the Council turned down all the other representations for revision in rates, after it had agreed to revision for a number of items at its previous meeting here on June 11.

Maharashtra Finance Minister Sudhir Mungantiwar said that the e-way bill will be optional under the GST.

"States which have an e-way bill structure in place can continue with it. However, since Maharashtra does not have a e-way bill facility, the state will not be implementing it," he said.

E-way bill is an electronic way bill for movement of goods which can be generated on the GST Network (GSTN) portal. Movement of goods of more than Rs 50,000 in value cannot be made by a registered person without an e-way bill.

Mungantiwar also said that the structure of the proposed anti-profiteering committee has been finalised and that lottery tickets were likely to attract a tax of either 18 per cent or 28 per cent, the highest slabs in the four-tier new indirect tax rate structure.

Source: thenewsminute.com- June 18, 2017

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Future of retail is omni-channel: Report

The future of retail is adoption of omni-channel strategy, according to a report. Omni–channel retail gives consumers a single, holistic view of the retail business by using different channels in a customer's shopping experience like-mobile, online stores, mobile apps, telephone sales, physical stores and any other method of transacting with a customer.

This trend towards an omni-channel strategy will enable retailers to re-think their business strategy in order to tap the best of both worlds and maximise on footfalls, stated the report by Jones Lang LaSalle (JLL), a leading professional services firm that specialises in real estate and investment management.

Retail industry in India is witnessing an increased focus on leveraging technology across functions of merchandising, supply chain, store operations, omni-channel operations, customer engagement and fulfillment, accoding to the report.

Both retailers and retail spaces have to contend with a growing urban population, and one that is increasingly knowledgeable and demanding.

Offline and online retailing will co-exist in India; however, offline retail itself has a lot of potential to grow, the report said. Offline retailers who have limited warehouse infrastructure, may remodel their stores to add direct order fulfillment and stocking in the back office.

The retail spaces can be more vibrant by providing more leisure activity. Curated mix of smaller stores in designated spaces within malls can add a sense of uniqueness.

For retailers, the key to keeping the consumer entertained is to integrate physical and digital experiences to provide an interactive and all inclusive in-store experience that is combined with excellent service. Innovative retailers are responding, and adapting store formats to provide the interactive element that many consumers now desire.

Source: fibre2fashion.com- June 19, 2017

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Kerala state moots one time capital infusion for textile industry

Kerala state government's expert committee headed by P. Nandakumar, comprising, among others, M.P. Sukumaran Nair, chairman, Public Sector Restructuring and Internal Audit Board, has recommended one time fund infusion of Rs. 494.81 crore, Rs. 317.89 crore for capital investment, and Rs. 176.93 crore as working capital for revival of 17 mills in the State with a sustainable development and modernization strategy.

The recommendation for one-time investment assumes significance as Rs. 521.09 crore granted in different phases during the past one decade has not done any good in bailing out the industry from the red.

The 17 mills, in the public and cooperative sectors, offer direct employment to 5,000 and indirect employment to 15,000. It earns an annual revenue of Rs. 100 crore, after making statutory payments to the exchequer.

Supply and demand mismatch, high cotton prices, low realisation from yarn sales, labour absenteeism due to uncertainty, mounting dues to raw material supplies and other commitments have been cited for the crisis.

According to Mr. Nandakumar, a thorough government intervention, monitoring, and one-time financial assistance will increase the capacity utilisation of the mills from the present 55.40% to 98.50%.

Thorough modernisation, training, creation of a conducive milieu to win workers' confidence, and creation of a central purchasing and monitoring system after implementing the reforms will improve internal efficacy and also equip the mills to face market competition.

Time-bound execution of the recommendations will register instant palpable results and make them self-reliant. Moreover, the products can be channelised for distributing school uniforms and also other textile needs of various departments,,

The committee has recommended retrospective conversion of loans into equity and waiver of accrued interest to improve the financial credit worthiness of the mills. It has proposed to slash the interest rate from 11.5% to 10.35%.

It has proposed to bring the mills under government control and monitoring of RIAB and also constitution of centralised committees for purchase of capital goods and sales of used machinery and other things.

A professional management system and creation of a Kerala brand are some of the key recommendations.

Source: yarnsandfibers.com- June 17, 2017

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Employment in India: Why skilling, reskilling the labour force has to be pushed forward

A comment often made is that while growth has taken place in the economy, there has not been commensurate growth in the jobs created. If this were so, it is a worry because growth without employment is not desirable as it cannot be sustained and the fabled demographic dividend that we speak of can become a demographic liability.

Data on employment is sparse and hence it is hard to arrive at absolute numbers, though there are some disparate pockets where such information is available. The concept is nebulous because while it is possible to get information from the organised sector, it is not easy for the unorganised segment where different concepts exist such as usual status, weekly status and so on.

Agriculture is typified by excess labour (disguised unemployment) which can migrate to the cities between two harvests and get counted as employed labour in construction. Employment exchanges provide some data, but often those registered would already be employed and would be seeking better opportunities. The same holds for all the web portals for jobs.

The government sector is, however, more transparent and this is where one can look for such trends. The public sector had an objective of job creation when India got independence and hence an entire retinue of staff was created that segmented labour across various categories of Class I-IV. Post-reforms, the idea was to cut down on staff so as to improve efficiency, and the influx of technology made labour redundant.

Hence, even within the public sector, there was a focus on reduction of employment. While this has been pervasive, often the headcount is reduced and re-enters from the back-door through outsourcing models that do not get captured in the direct employment numbers. Various state governments have outsourced such labour in the areas of security or other menial jobs, or have not replaced the retired gentry in certain categories.

How do some of these numbers stack up? From the Union Budget documents, the total headcount can be ascertained for the central government and the numbers have varied over time.

From a peak of 33.28 lakh in 2013-14, the headcount is down to 32.84 lakh in 2015-16. The economies have presumably been invoked in the lower categories where a combination of retirement schemes and non-replacement of such staff have been combined. Within this group, railways have a dominant share and witnessed a marginal decline from 13.34 lakh to 13.31 lakh.

In case of central PSEs, the picture is similar. From a peak of 14.90 lakh in 2009-10, the staff strength has come down to 14.04 lakh in 2012-13 and further declined to 12.33 lakh in 2015-16. Hence, there has been a fall of almost 2.5 lakh over this period, which is quite a sharp change of 17.2% in a segment that is largely unionised.

Public sector banks present a different picture, given the topography. Here, the staff size has been increasing from 7.27 lakh in 2009-10 to 8.67 lakh in 2011-12. But it came down to 8.27 lakh in 2015-16. The officer category increased from 2.78 lakh in 2009-10 to 3.26 lakh in 2011-12, and further to 3.76 lakh in 2015-16.

With volumes of business increasing, it does appear that the non-officer grade of staff has come down quite sharply. This may be attributed to two factors—the first is that technology has led to labour redundancy in basic operations like visiting a branch, and the second is that the retiring staff is not replaced at this level as the requirements have come down.

Another institution that heralds the public sector is RBI, where there has been a major rationalisation of staff, with the number coming down from 19,207 in 2010 to 15,854 in 2015 (December). This is sharp fall in headcount for an institution that was a significant employer.

At the industry level, which includes the private sector, the Annual Survey of Industries provides some date on progress in employment generation up to 2014-15. Here, too, the picture is not very exciting. For the quinquennium ending 2014-15, the growth in employee stock increased by an annual average of 3.4% compared with 6.9% for the preceding quinquennium.

In fact, for the period 2012-13 to 2014-15, GDP growth averaged 6.5% while employment growth was just 1.2%. Hence, at the industry level, growth in employment has been lacklustre, notwithstanding steady growth in GDP.

Employment, hence, has become a major issue for the country and, as has been seen, even the public sector is moving towards rationalisation in a bid to improve efficiency. The central government has the added pressure of making allowances for the Pay Commission, which leads to higher payouts, which, in turn, puts pressure on budgetary numbers.

The gains from lower headcount would be offset by these incremental payouts. PSBs and PSEs have also been looking towards enhancing efficiency which is labour displacing at the lower levels though higher skills are still required.

Therefore, the issue is of the ability of the economy to provide employment to people with differential skills. Automation and proliferation of technology—which can see driverless cars or drone delivery, making several skills redundant—has been witnessed in most manufacturing processes. The private sector, guided by the objective of maximising shareholder value, will be working on minimising fixed costs, which is labour, and hence will move more towards higher skilled labour force.

The public sector, too, is turning more towards the market ethic and is progressively answerable to the public. Thus, employment is the least important objective for government-related organisations. What then happens to those at the lower level?

The answer is to ensure that the working population is well-equipped with the higher level of skills, which today is not accessible to all, as once we move up the ladder, the quality matters. The government has spoken about honing skills, but this would be more at the lower level.

But for organised professions, plain vanilla qualifications like being a 12th standard student or a graduate is inadequate as there are even more qualified personnel competing for a fixed set of jobs which is not increasing at the required pace.

This will be a challenge going forward as incomes need to increase to keep the growth process ticking, and with saturation setting at the higher echelons, reverse gravity has to be exerted from below by this class. With farming becoming less attractive and migration being the result, the demand for employment is increasing disproportionately at lower levels.

Quite clearly, the effort on skilling and reskilling the labour force has to be pushed forward in all areas.

Source: financialexpress.com- June 19, 2017

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Free trade vs protection: Battle still on

A container ship being loaded at the container terminal at the Cochin Port. Mega trade agreements are increasingly determining the course of world trade

The evolution of trade agreements finds its genesis in a series of flip-flops in the trade policies of Europe and the United States which, for over two centuries, were heavily influenced by mercantile economic theory. A favourable balance of trade through tariffs and quotas on imports and thwarting anything that might help a foreign nation to compete with the domestic production of goods were the overarching objectives.

The questioning of this doctrine by Adam Smith gave birth to the “absolute advantage argument for free trade", igniting the first movement towards liberalised trade.

The Reciprocity of Duties Act of 1823 made it permissible for Great Britain to enter into the Cobden-Chevalier Treaty with France in 1860, resulting in significant reciprocal tariff reductions and inclusion of a “most favoured nation" clause (MFN). This Franco-British trade agreement initiated a wave of commercial treaties involving all the main European powers. The inclusion of the MFN clause ensured that concessions were rapidly generalised, and Europe moved swiftly towards free trade.

The first headwinds came with the great depression of 1872, sparking a wave of domestic protection across Europe. In 1879, in Germany, the rye-producing Junkers successfully lobbied for imposition of an “iron and rye" tariff. Italy also instituted a moderate set of tariffs in 1878, with more severe tariffs in 1887. France, in 1892, followed with its Méline tariff, thus effectively ending the period of free trade associated with the Cobden-Chevalier Treaty.

After World War I, nationalist ideologies resulted in a protectionist tide which engulfed the world economy to such an extent that the League of Nations, in an attempt to end the continual raising of customs barriers, organised the first World Economic Conference in May 1927.

Twenty-nine countries, including the main industrialised nations, participated. However, before the initiative could find expression, the onset of the Great Depression of 1929 catalysed a new wave of protectionism. Trade barriers rose. The US Congress, in 1930, passed the notorious Smoot-Hawley Tariff Act which, though designed to protect US jobs, instead led to an international trade war that destroyed millions of jobs worldwide.

It was the economic insecurity and extreme nationalism of the period which created the conditions for the outbreak of World War II. With the US emerging, after World War II, as an economic powerhouse, it wanted to play a dominant role in the global trade arena.

Free trade was seen as a “peace movement", claiming that “unimpeded commerce" is a “civilising wand". Nations bound by trade are less likely to go to war with each other. Moreover, free trade wasn’t just about economics. It was also central to a broader US foreign policy during the Cold War. Trade agreements helped bind together the major free-market democracies, their growing prosperity serving as an effective counter to the centrally planned economies of the Soviet Bloc and the People’s Republic of China.

The Bretton Woods Conference of 1944, which established the International Monetary Fund and the World Bank, also recognised the need for a comparable international institution for trade.

The mandate to oversee the development of a multilateral trading order was taken up by the General Agreement on Tariffs and Trade (GATT), established in 1947. Though GATT was designed as an all-pervasive agreement for the expansion of multilateral trade, the period that followed saw increasing waves of regional trade agreements. In less than five years after GATT was established, Europe began regional economic integration, commencing with the European Coal and Steel Community in 1951, which eventually became what is now the European Union.

A wave of numerous regional trade agreements with Africa, Central and South America saw Europe’s regionalism grow at the expense of multilateralism.

In the latter half of the twentieth century, large US industries had come of age and were well integrated into the global value chains, thus becoming dependent on foreign trade. So, American businesses became strong votaries of trade-expanding agreements. Until the 1970s, successive US post-war administrations advocated a single comprehensive global trade accord, and strongly criticised preferential deals limited to a few countries. Europe’s common market and economic union were mostly spared a remonstration by the US because of the broader geopolitical bonhomie.

Realising the global divergence of views, the US pursued its own regional trade negotiations, concluding an agreement with Israel in 1985 and the trilateral North American Free Trade Agreement with Mexico and Canada in the early 1990s. Many other significant regional agreements also took off in West Asia, South America, Africa and the Asia-Pacific.

The World Trade Organisation which in 1995 succeeded GATT as the global supervisor of world trade liberalisation, went further by including policies on services, intellectual property, and investment, whereas the focus of GATT had been primarily reserved for goods. Meanwhile, the concept of “multilateralising regionalism" had also begun to take shape under the umbrella of mega trade negotiations like the US-led Trans Pacific Partnership and the Regional Comprehensive Economic Partnership.

However, in the US, free trade had begun to face a political backlash from a different quarter. Multinational business became the target of an emerging anti-globalisation coalition, joining organised labour and social activists, particularly environmentalists, who saw trade as a force enriching the wealthy at the expense of the environment, the poor, and the US middle class. This growing sentiment subsequently culminated in a very decisive manner in the 2016 US presidential elections.

With the US toning down its advocacy of free trade and resorting to trade protectionism, China may seize this opportunity to not only portray itself as a victim of trade protectionism but don the mantle of the new champion of free trade, further boosting its growing ties with Europe.

The history of international trade may look like a struggle between protectionism and free trade, but the modern world has seen both types of policies grow in tandem. A widely held perception is that the developing countries cling to higher tariffs as an instrument of trade protection, while the developed countries use non-tariff barriers just as effectively to serve the same purpose.

Not wanting to leave the impression that trade protection is good for economic growth, the priority afforded to free trade has generated expectations that are yet to be met, and it needs to be supplemented by other institutional reforms for potentially greater payoffs. In the real world, having a clear sense of policy priorities is of utmost importance.
The writer is a Joint Secretary in the Department of Commerce. These views are his own

Source: business-standard.com- June 18, 2017

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Over 50 Global Retailers Plan Ride on India Brandwagon

Mid-sized retailers looking for entry in the next six months likely to open roughly 3,000 stores and focus on untapped markets

More than 50 mid-rung global retailers are planning to enter India within the next six months, according to data compiled by Franchise India that has tied up with them for their launches, with their eye mostly on smaller, untapped markets within the country.

Brands such as Korres, Migato, Evisu, Wallstreet English, Pasta Mania, Lush Addiction, Melting Pot, Yogurt Lab and Monnalisa, many from the US and Singapore, will invest about $300-500 million -all told to open roughly 3,000 stores, triggered by the country's expanding economy , booming consump tion, urbanising population and growing middle class.

“The first retail wave happened a decade ago when bigger retailers and brands entered India,“ said Gaurav Marya, chairman of Franchise India Holdings, a retail solutions provider that is helping these 53 brands find partners and get regulatory clearances.

“Now, it's the turn of small and midsized brands as they look to cash in on the open retail policy and huge gap in the market for branded products.“

Of the incoming brands, 18 are in food and beverage space followed by 13 each in apparel and lifestyle products and education products.

Earlier this month, India repla ced China as the most promising retail market in the world, accor ding to an AT Kearney report.

As retailers struggle in their home markets, India could be the next bright spot for the industry, especially since the government has allowed 100% foreign ow nership in business-to-business (B2B) ecommerce businesses and for retailers that sell food pro ducts manufactured in India.

“Government efforts to boost cashless payments and reform indirect taxation with a nationwide goods and services tax are also expected to accelerate adoption of modern retail,“ the AT Kearney report added.

GST, one of India's most significant tax reforms in decades, is set to be rolled out on July 1.

“India's current growth and development makes it an ideal target for the brand. Chicken products are the major non-vegetable food in the country , making our menu ideally suited to the market,“ said Andrew Withers, chairman of Southern Fried Chicken, a British quick service restaurant that runs 700 franchise stores globally.

The government relaxed the rules for FDI in single-brand retail last year, spurring interest on the part of several brands, including Sweden-based Hennes & Mauritz (H&M) and Ikea, Japan's Uniqlo, American retailer GAP and Massimo Dutti. H&M has already opened stores in India. However, the latest brands are mostly smaller ones that rely on the franchise system for global expansion. Also, unlike most large global retailers which focus on urban cities initially , these smaller ones wants to cash-in on smaller and untapped markets.

“India is a fast-growing market, huge in size, but Monnalisa's target is concentrated in Tier-2 and 3 cities, allowing us to more easily reach our final users,“ said Thomas Bessi, overseas sales manager, Monnalisa SpA, a European children's wear retailer.

"After the recent expansions in Brazil, Russia and China, and the saturation of the traditional markets in Europe and the Middle East, India was the last big territory that we needed to conquer."

Opportunity in global food chains

The Indian retail market was worth $641 billion in 2016 and is expected to reach $1.6 trillion by 2026, growing at a compounded annual growth rate of 10%, according to the India Business of Fashion 2017 report.

With food and grocery retail just 3% of the overall market, several global food chains sense an opportunity. The 18 QSRs, mostly snacking and ice-cream brands, will enter a market still dominated by Domino's Pizza and McDonald's, although the segment hasn't been doing all that well of late.

"The snack segment in India has been showing some interesting potential as well as India's economic development as it pertains to many different types of international franchises entering the market and culture to some degree," said Martin Azambuya, MD of US-based Doc Popcorn.

Source timesofindia.com- June 19, 2017

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India agrees to government procurement talks in regional trade pact

The commerce ministry has agreed to formal discussions on government procurement in the Regional Comprehensive Economic Partnership (RCEP) trade agreement. Delhi had been resisting the idea so far. A working group will be set up next month to discuss the proposal. "We have been resisting it but discussions have become inevitable.

We can't take binding commitments but can only share best practices," said an official privy to the development.

India will host the next round of negotiations in Hyderabad in July. Public procurement relates to the process through which government, public utilities and state-owned enterprises procure goods or services for their own use.

Since India is neither a party to the WTO's Government Procurement Agreement nor with any other country, it has the flexibility to offer certain benefits in the form of price preferences and local sourcing to domestic players in government procurement.

It doesn't have to go for international tenders while procuring any goods and services.

Many countries feel that public procurement impacts imports and exports and should be transparent. While India has acknowledged government procurement as an important issue but at its current stage of development, it is opposed to taking binding commitments at multilateral, bilateral or regional level trade agreements.

New Zealand has been pushing for the inclusion of government procurement in RCEP and other members have evinced interest in discussing the issue.

Experts fear the move will ultimately lead to India getting cornered by other countries and eventual opening up of public procurement to other countries, which could jeopardise the Make in India programme.

"Government procurement is a useful tool to give fillip to domestic industry because we have the flexibility to give it preference. If we give market access, then we will lose that flexibility," said a Delhi-based expert on trade issues.

Source economictimes.com- June 19, 2017

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CBEC chief says the biggest challenge is trade and industry should not have any difficulty

Completely on track for July 1 rollout of GST

"We will have to look at facilitation as there may be bonafide, genuine mistakes," said Vanaja N Sarna, Chairperson, Central Board of Excise and Customs, adding that enforcement may not be the key focus of the government in the initial days of the Goods and Services Tax (GST) regime.
In an interview to *BusinessLine*, she said the government is fully ready for the rollout of GST. Excerpts:

Apart from relaxation in return filing, will the tax authorities also go slow on penal provisions in the early months?

It depends on what kind of an issue it is.
But I would not think that enforcement is the order of the day.
We will be looking at a smooth rollout and facilitation is the key word.
A lot of people will struggle; there will be bonafide and genuine mistakes that may occur.
We will have to look at facilitation.

By when will the anti-profiteering authority be set up?

We are fine tuning the provisions of the anti-profiteering authority.
There has been a lot of discussion in today's GST Council meeting, which caused the re-look.
We will set it up as soon as possible and hopefully it will be in place by July 1.

What is the biggest challenge in the implementation of GST?

July 1 is quite close. The biggest challenge is that trade and industry should not have any difficulty. Our effort has been to get everyone ready. Our officers are trying to help them understand the rules of the law.

In a recent letter, I have also asked the range officers to be ready and help assessees in physically uploading invoices and also in filing returns and registrations.

Is the government ready for the July 1 rollout of GST?

Absolutely, we are completely on track for a July 1 rollout. Our advertisements have also asked taxpayers to be ready for the scheduled launch of GST.

How will GST help the common person?

It should be rather good. The man on the road who buys something from a store is not aware that there are embedded taxes at the factory gate, which he doesn't see on his bill. So a shopkeeper or a seller can actually put any price and he may not know.

With GST, every tax has been subsumed. For a buyer, he is paying what he sees on the bill.

Source thehindubusinessline.com- June 18, 2017

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