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IBTEX No. 155 of 2017 July 28, 2017

USD 64.22 | EUR 75.05 | GBP 83.95 | JPY 0.58

Cotton Market (27-07-2017)		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19792	41400	**82.08**
Domestic Futures Price (Ex. Gin), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20640	43174	**85.59**

International Futures Price	
NY ICE USD Cents/lb (Dec 2017)	68.97
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**84.03**
Cotlook A Index – Physical	**83.7**

Cotton & currency guide: Cotton futures at ICE traded marginally lower on Wednesday to settle the December future at 68.40 cents/lb. This week so far cotton has been quite at the International market however, in the domestic market the scenario is bit dicey.

The spot cotton in India continued to trade steady while lot of volatility and instability in the domestic cotton futures.

The near month July future advanced in last two days ahead of expiry as short covering with steady spot market while stocks to be delivered for the said contract is around 30+K bales.

In the meanwhile, October future has also moved up with heavy trading volume and managed to close the session on a positive note.

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The October ended the session at Rs. 18340 up by Rs. 80 from the previous close while had made an intraday high of Rs. 18740 per bale.

Currency Guide:

Indian rupee appreciated by 0.3% to trade near 64.15 levels against the US dollar. The US dollar has weakened against major currencies post FOMC decision.

The US central bank kept interest rate unchanged but expressed concerns about inflation causing uncertainty about future move. Rupee has also benefitted from gains in global equity market.

Rupee may trade in a range of 63.95-64.3 and firmness may continue.

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

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INTERNATIONAL NEWS

China and investments it has made in Cambodia

The Cambodian economy has performed relatively well in the last two decades with an average growth rate of more than seven percent from 2000 to 2016, making it one of the fastest growing economies in Asean and East Asia.

It is forecast that the Cambodian economy will remain dynamic with a growth rate of seven percent for 2017 and 2018, although the global economic environment remains volatile and uncertain.

Foreign direct investment is the key driving force of Cambodia's economic development. China, Japan, South Korea and Asean countries are the main sources of the foreign direct investment (FDI) inflow to the kingdom.

From 1994 to 2016, the total investment capital from China was about $14.7 billion, concentrated on four sectors – the agriculture and agro-industry, the industrial sector, physical infrastructure and services and tourism

Chinese investments to Cambodia are mainly driven by deep political trust, economic conditions, market access, low labour costs and natural resources.

The reasons given for China investing in Cambodia are the "excellent diplomatic relationship" between the two countries, the relatively stability of the political situation and a sound macroeconomic environment, low labour costs, shared Asian values and Cambodia's strategic location in mainland Southeast Asia.

Chinese investments to Cambodia are enabled by the bilateral agreement on the protection and promotion of investment, which came into force on August 19, 1999.

As a least developed economy, Cambodia has enjoyed preferential trade agreements with and market access to the world market, particularly the United States and the European Union.

As a member of the Asean economic community, Chinese firms investing in Cambodia can export their products to the whole of the Asean market, which has a population of more than 620 million.

Cambodia has relatively cheap labour costs – the minimum wage for a factory worker was $153 as of 2017.

To avert risks, Chinese firms in Cambodia receive political support from China, in the case of state-owned enterprises, and political connections and protection from the local elites.

Chinese investments in Cambodia are varied in terms of ownership type and asset specificity. China's state-owned enterprises focus on hydropower plants and natural resources, which largely enjoy investment approval and protection.

China's private firms concentrate their investments on the garment industry and the tourism sector.

Chinese investment in the textiles and clothing industries contributes significantly to the socio-economic development through creating job opportunities for more than half a million Cambodian workers.

The industry itself has become part of a vertically integrated value chain in China and become the important node in a global value chain. However, Cambodian garment factories mainly work only on the cut-make-trim processes.

There are about 30 Chinese investment projects relating to agriculture and the agro-industry, covering about 237,406 hectares of land, in which 21 projects are in operation on 173,904 hectares. So far, only about 42,081 hectares have been cultivated and rubber plantations consume most of the cultivated land.

In addition, there are seven Chinese investment projects in rice mills with a production capacity of 669,816 tonnes per year.

China also invested in constructing the Sihanoukville Special Economic Zone, the first special economic zone funded by the Chinese government in Asia.

The Cambodia International Investment Development Group and Jiangsu Taihu Cambodia International Economic Cooperation Investment co-manage the project.

There are 108 enterprises and companies located in the zone with a total investment capital of more than $3 billion.

In the tourism sector, China has invested in five main projects – an international resort complex in Koh Kong province and a resort complex and five-star hotel in Preah Sihanouk province.

Of the 23 companies investing in the mining industry for things such as iron ore and gold, 10 are from China. In 2016, there were two Chinese investment projects in granite mining in Kratie province.

China is the largest foreign investor in the energy sector in Cambodia, with accumulated capital of more than $7.5 billion in hydropower plants and about $4 billion in coal power plants.

Chinese companies invested in nine electricity power stations with a capacity of 1,733 megawatts – there are seven hydropower projects with a capacity of 1,328 megawatts and two coal energy projects with a capacity of 405 megawatts.

However, some of these energy investment projects do not meet international standards, which in turn have created some adverse impacts on local livelihoods and the ecosystem.

To scale up the positive impacts of Chinese investment projects, one must assume greater responsibility in promoting an inclusive and sustainable development.

The local government needs to enhance governance, including transparency and accountability, and empower local communities to benefit more from foreign investments.

Source: khmertimeskh.com- July 28, 2017

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Not Made in America: Sociologist Looks at the Human Cost of Cheap Clothing

Many people could probably name the country that exports the most clothing — it's China, of course. But what country comes in at No. 2?

A country slightly bigger than North Carolina and, with 163 million people, one of the most populous in the world for its size, compared to North Carolina's 10 million: Bangladesh.

North Carolina used to be known for making textiles, until companies moved to countries with lower workers' wages. Bangladesh makes garments with much of the fabric coming from China.

Jennifer Bair, a University of Virginia associate professor of sociology, has been studying "the globalization of supply chains" for 20 years, with a particular focus on labor standards in overseas garment factories. Bair, who joined UVA's sociology department last year and is its associate chair, recently went to Bangladesh to check on progress in upgrading safety measures following the fourth anniversary of the worst garment factory disaster in history.

The collapse of the Rana Plaza factory, where several well-known American and European brands are made, killed 1,134 workers and injured more than 2,000 others in April 2013. As an undergraduate student, Bair became interested in why development paths differed in Latin America and East Asia.

"I became interested in both the similarities and differences in how countries in these regions became integrated into the global economy, and that's how I started studying global supply chains – or global value chains, as we tend to call them in the development field."

While working on her Ph.D. at Duke University, she spent a lot of time with textile companies in the Carolinas. They "were just beginning to feel the full force of global competition, because U.S. trade policy had protected the domestic textile producers in the Southeast much more than the apparel manufacturers in the Northeast," she said.

After NAFTA was implemented in 1994, some companies tried investing in Mexico, hoping it would help them compete with China's cheaper fabrics. As examples, she mentioned that both Burlington Industries and Cone Mills – both based in Greensboro, North Carolina – went bankrupt and the owner who bought them created a new company, the International Textile Group, that built a mill in Guatemala. That buyer was Wilbur Ross, who recently became U.S. secretary of commerce.

Countries in Asia, particularly China, Bangladesh, Vietnam and India, produce the vast majority of fabrics and apparel these days, but some U.S. clothing imports still come from Latin America, Bair said.

"Take a pair of blue jeans. In that case, the cotton is likely to be grown in Texas, woven into denim in Mexico, sewn and laundered in Honduras and shipped to the U.S. from there," she said.

In Bangladesh, Bair was the sole academic member of a multi-stakeholder delegation that included representatives from international labor organizations and clothing brands that went to the capital city, Dhaka, to review two high-profile, private-sector initiatives to inspect and remediate hazards in factories there.

"Bangladesh is ground zero around problems of labor conditions in global supply chains," she said. The Rana Plaza catastrophe was an extreme example, but a movement for workers' safety was already gathering steam after a series of fires and smaller building collapses that had occurred over the almost 10 years since the garment industry took off in Bangladesh.

After the eight-story, shoddily constructed building in the Rana Plaza commercial complex collapsed, the industry was forced to address safety concerns. About 200 companies, most of them European, and two global unions, IndustriALL and UNI, eventually signed the Accord on Fire and Building Safety, a five-year, legally binding agreement requiring retailers to ensure suppliers in Bangladesh upgrade factories and submit to independent inspections.

Many big American companies chose a different path, opting to join the Alliance for Bangladesh Worker Safety. Its inspection program is similar to the Accord's, but the Alliance does not include unions.

Even if companies are well-meaning and create codes of conduct, volunteer compliance is hard to monitor all along the supply chain. In Bangladesh, the factory owners' association is very powerful, Bair said, as the garment industry accounts for well over 80 percent of the country's exports, bringing in $28 billion in 2016.

Bair said she feels somewhat encouraged about the efforts to make some factories safer, but not everything could possibly be fixed by next year's end of the five-year contract.

The Accord has been extended to give more time for finishing repairs and for the government to build the capacity to take over inspections; the Alliance will consider whether to make a similar decision in a couple of months.

Source: news.virginia.edu- July 27, 2017

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Pakistan: Govt assures textile exporters of resolution of grievances

Federal Secretary for Textile Hassan Iqbal on Thursday assured the representatives of value-added textile sector of resolving their grievances relating to his ministry and also to campaign for them to get relief from other concerned government departments as well.

The government had released Rs4 billion on July 26, for payment of refund claims by exporters and industrialists, and the amount would be paid soon, he said.

The Secretary was speaking at a meeting with representatives of various value-added textile associations led by Muhammad Jawed Bilwani, Chief Coordinator of Pakistan Hosiery Manufacturers and Exporters Association (PHMA) and Chairman Pakistan Apparel Forum, here at PHMA House.

Other leading textile exporters included Rafiq Godel, Khwaja M. Usman, Saleem Parekh and Riaz Ahmed.

Muhammad Jawed Bilwani and Chairman, PHMA South Zone, Riaz Ahmed briefed the Secretary Textile on the issues facing the value-added textile sector and the textile industry in general. These mostly related to Federal Board of Revenue and high cost of inputs; making them uncompetitive in the international market which had caused decline in the country's exports.

They gave presentations comparing the cost of inputs and growth of textile industry and the exports against Pakistan's regional competitors including China, India, Bangladesh, Sri Lanka and Vietnam. The business leaders said that Pakistani businessmen had made investments in Sri Lanka, Bangladesh and other countries finding more incentives there.

They urged the government that utilities tariff be separated for export oriented industries on the pattern of fertilizer and agriculture sectors. This would increase the rate of conversion of cotton or value-addition boosting the textile exports of the country.

They also demanded the payment of all the refund claims of the business community especially the exporters so that they could continue their business operations and the exports of the country might not be affected further.

They also demanded the release of the remaining amounts linked to first textile policy and the second textile policy, and under the Prime Minister's Exporters Package.

Federal Secretary for Textile Hassan Iqbal said that the government intended to pay off the refunds at the earliest possible.

The government and the textile ministry were trying their best to strengthen textile sector, which had big share in the country's economy.

FBR had assured that Rs 20 billion would be paid as refunds before August 14, 2017, he added. He informed that during June 2017, textile exports had gone up by 16 percent and hoped that textile exports would be increased.

Source: nation.com.pk- July 27, 2017

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Australia's DPI research to focus on protecting cotton

New research by the NSW Department of Primary Industries (DPI) will focus on the fungal disease Verticillium wilt to help the Australian cotton industry manage the risk associated with the disease. The key to combating this pathogen will be increasing the understanding of the genetic makeup and how diverse symptoms are in Australian cotton crops.

NSW DPI Plant Pathologist Dr Karen Kirkby and her team, based at the Australian Cotton Research Institute in Narrabri, will collaborate with DPI Research Scientist Dr. Toni Chapman at the Elizabeth Macarthur Agricultural Institute to develop a tool for cotton growers to determine the level of Verticillium dahliae in soil.

Kirkby said Verticillium dahliae is a widespread soil-borne fungal plant pathogen that causes wilt disease on many important crops and trees, including cotton.

“Verticillium wilt is a high-priority disease in the cotton industry biosecurity plan, and when the right environmental conditions occur for the disease it can reduce yields by 30-40 per cent,” she said.

“The Australian cotton industry is worth $2 billion annually to the Australian economy. Our aim is to assist cotton growers to implement practices that reduce the impact of Verticillium wilt, assisted by a new tool that can quantify the inoculum levels in the soils,” she added.

Kirkby said the incidence and severity of the Verticillium wilt determined through field surveys, and inoculum levels estimated from soil samples collected at the same time, will be assessed to determine the potential risk to crops.

“New knowledge developed through this project, combined with extensive NSW DPI survey data, will allow the team to use their expertise in cotton pathology to develop decision-making processes that will help growers and managers to assess the risk of where and when to plant cotton,” Kirkby said.

"The objective of this project is to develop a fast and accurate fee-for-service diagnostic test that will identify the strains of the pathogen that cause Verticillium wilt in cotton. The test will also be capable of estimating the pathogen levels in soil," according to Kirkby.

"Knowing what strain, and what level of inoculum, is present in a particular field will enable growers and consultants to make informed planting decisions to minimise the risk of yield losses associated with Verticillium wilt. The results from this project will also assist other industries that are affected by Verticillium wilt," Kirkby said.

This project is being undertaken as part of the Digital Technologies for Dynamic Management of Disease, Stress and Yield Programme, supported by Wine Australia and Cotton Research and Development Corporation, through funding from the Australian Government Department of Agriculture and Water Resources as part of its rural research and development for profit programme and NSW DPI.

Source:fibre2fashion.com- July 27, 2017

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Vietnam: Vietnamese fashion brands lose ground amid foreign arrivals

In late June 2017, Zara's 2,400 square meter store at Vincom shopping mall on Dong Khoi street was full of visitors. Thousands of Vietnamese women flocked to the store after hearing about the biggest sale campaign of the year.

The images of fans standing up in long queues in front of fashion shops waiting for their turn to buy goods show the great potential of the Vietnamese market.

A local newspaper commented that the presence of high-street fashion brands such as Zara, H&M, Topshop and Mango had created a 'shopping wave' in Vietnam.

A report shows that there are nearly 200 foreign fashion brands in Vietnam, which hold up to 60 percent of the market share.

Vietnam is among the top five textile & garment exporters in the world, but the Vietnamese market is being controlled by foreign brands.

Only 20 percent of 6,000 textile & garment companies target the domestic market, but the enterprises only use 20 percent of their capacity for the domestic market, while they focus on making products for export.

Making its debut in 1999 and targeting mid-end clients, by 2007, Foci, a brand of Nguyen Tam Fashion opened 60 shops in large cities. However, its heyday is over. All Foci shops have been shut down and Foci's products are now sold online.

Ninomaxx, a once-famous brand, had a network of 200 shops throughout the country. However, since 2012, it has been undergoing restructuring and has had to close a series of shops. It now has 64 shops, mostly in the south.

A branding expert commented that Zara follows a 'brainy' sale strategy that attracts customers. Every product is displayed on the shelves for 2-3 weeks only and in limited quantity. The manufacturer doesn't make the same products again, and the models will be replaced with new ones.

"The strategy makes people think that they need to buy products as soon as possible, or they won't have the opportunity to own them," he said.

"Clients would rather buy products today and have the right to exchange for other products within 30 days, rather than hesitate," he said.

However, analysts said, though the pressure from foreign brands exists, there is still room for Vietnamese fashion brands, if they understand Vietnamese taste and offer products at reasonable prices.

Source: vietnamnet.vn- July 27, 2017

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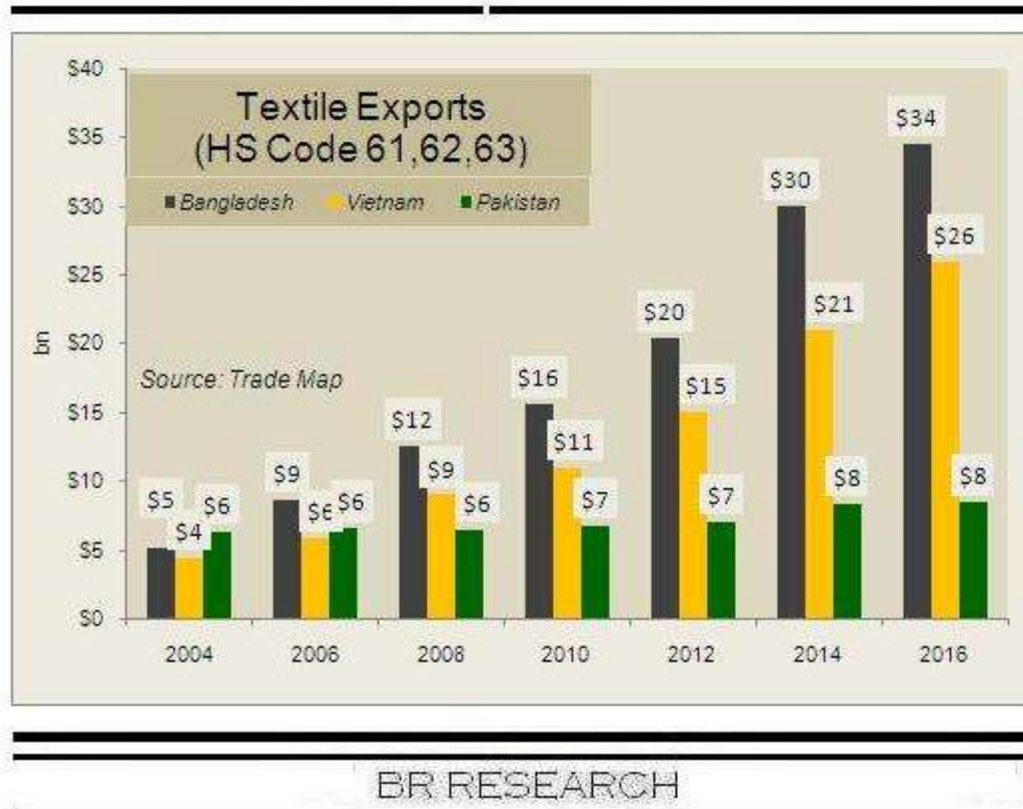
Pakistan: What we have not learnt

Adverse global economic conditions, overvalued rupee, political instability, and unfavourable international trade agreements, these are some of the factors attributed with Pakistan's decline in exports. And all of them explain in part the growing trade deficit.

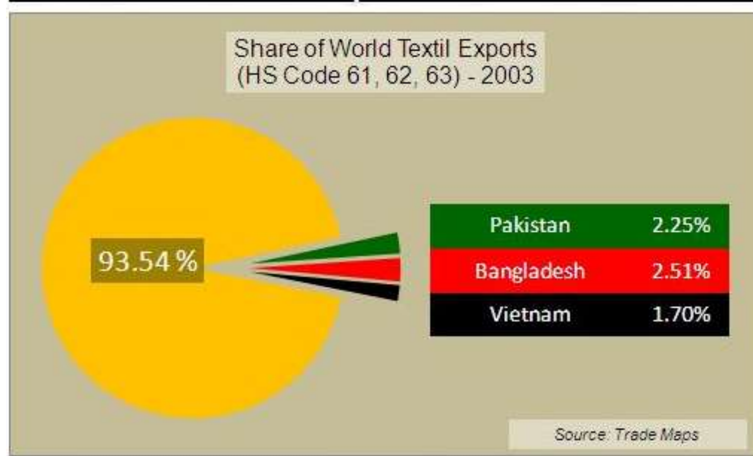


In a hypothetical situation in which Pakistani rupee is at its true market value, democracy is reigning strong, and trade agreements are skewed in Pakistan's benefits, would Pakistan be enjoying a huge surge of exports?

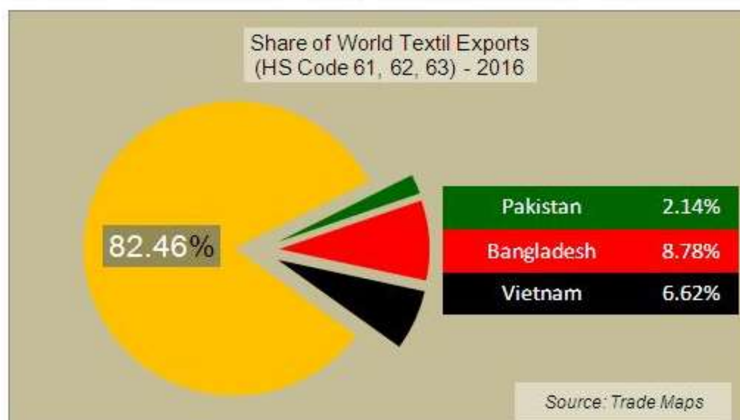
In all likelihood, the trade deficit would not be as large as it is currently, but export receipts would still be significantly less than import payments because of the lack of value addition of our products (read "Trade Deficit, Not a Failure of FTAs" published on 24 July, 2017).

Pakistan, Bangladesh and Vietnam come from a similar base. In 2003, Pakistan's $83 billion GDP was higher than Bangladesh's $60 billion GDP and Vietnam's $65 billion GDP. The textile sectors of all three countries contributed roughly equally to global textile exports.

Since then however, Bangladesh and Vietnam have driven their industries through their garment sectors. Pakistan on the other hand, has only seen incremental growth.



Bangladesh is important for most big brand names in the west. So much so that 77 percent of 2014's US Fashion Industry Benchmarking Study respondents stated that they source their garment imports from Bangladesh. 65 percent of the respondents expected their sourcing from Bangladesh to increase in the next few years.



Ranked second after China in world garment exports, Bangladesh main ingredients for its success are low costs of energy, cheap and abundant labour. Maximizing potential, government policies in Bangladesh support the garment sector.

These include almost no tariffs for the spinning sector, high tariffs on imported yarns and material to encourage use of local fabrics and yarn production and the quota-free textile rule that was introduced in 2005. Liberal government policies promote investment from foreign countries along with monetary advantages and institutional help.

Vietnam's textile industry has been around for centuries in the form of weaving thread into silk. From the late 1950s to the 1970s that French investment flowed and set up several large textile factories. Since then, textile is one of the biggest industries in Vietnam.

Vietnam's main markets are USA, Japan, and Korea. In the US Fashion Industry Benchmarking Study, 90 percent of the respondents stated they preferred Vietnam after China for sourcing of their garments. Since then, geographical convenience, political stability, cost of labour, and favourable trade policies have driven Vietnam's textile sector growth.

Pakistan is a cotton growing nation yet it has not used this resource for value added manufacturing. While the world demand pattern has changed, Pakistan reliance on its cotton exports continues.

For example, under the GSP Plus, several tariff lines remain under utilized due to the lack of capacity and technology to supply man-made fiber-cotton mix. Bangladesh on the other hand leverages GSP Plus to export to the EU as one of its top garment markets.

The garment sector of Vietnam and Bangladesh were driven by FDI that brought technological advancements. On the other hand, Pakistan has weak contract enforcements, lack of protection of intellectual property right, high tariff barriers for imports of key input, ever increasing tax burden, energy crisis, and political instability that discourage foreign investors.

What we have not learnt is the importance of attracting and retaining FDI in growing the manufacturing sector. Importance of foreign investment is a lesson that most of our neighbours and contemporaries are well versed in.

Till this issue is addressed, Pakistan's reliance on export of low value goods, and the widening trade deficit, will continue.

Source: brecorder.com - July 27, 2017

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China's exports to North Korea up 20 per cent

China's exports to North Korea grew nearly 20 per cent in the first half of the year. However, China's imports from North Korea in the same period were down 24.3 per cent. C

hina is North Korea's biggest trade partner and a key source of energy and food. Exports from North Korea to China slumped as much as 52.3 per cent year on year in March, a month after China stopped all imports of the North Korea's coal and lignite.

China's imports of coal from North Korea between January and June showed a 54.9 per cent year-on-year drop. Even though jet fuel was one of five banned export items in April 2016, China's export of jet fuel to the country increased 18.3 per cent year on year in the first half of the year. Exports of rocket fuel and helicopters - also on the banned list - were nil during the period.

China's exports to North Korea were augmented in spite of the sanctions. Shipments of made-in-China mobile phones spiked 92.8 per cent year on year in the first six months and textile exports also expanded at a sizable rate. North Korea had 3.24 million mobile phone users as of end 2015. That is almost 47 times the figure in 2009, when the country first allowed citizens access to mobile phones.

Source: fashionatingworld.com- July 27, 2017

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Vietnam, Argentina held business workshop to boost trade promotion

As part of a trade promotion, the Embassy of Vietnam in Argentina and the Argentinean Confederation of Medium Enterprises (CAME) jointly held a business workshop in the country's capital city of Buenos Aires on July 25.

The delegation of Vietnamese firms visited the 2017 Argentina Agriculture Fair and the Pilar Industrial Park in Buenos Aires. The event saw the participation of 60 enterprises from the two nations.

Addressing the opening ceremony, CAME President Fabian Tarrio highlighted Vietnam's potential and room for trade exchanges between the two nations, expressing his hope that CAME will become a bridge to connect the two sides' enterprises, contributing to raising their bilateral trade value.

Vietnamese Ambassador Dang Xuan Dung underlined the remarkable growth rate of 20 percent on average during 2012-2016 of the economic–trade relations between Vietnam and Argentina since the Vietnam – Argentina comprehensive partnership was established in 2010.

He noted that Argentina is one of the most important partners of Vietnam in Latin America.

According to the Ambassador, the 45th anniversary of the diplomatic ties in 2018 will be an important milestone in the long-term comprehensive cooperation between the two nations.

He suggested the two sides play a more active role in the Association of the Southeast Asian Nations (ASEAN) and the South America's Trade Bloc MERCOSUR, in order to help each other enter the market in those two regions.

Tran Duy Dong, Director of the America Market Department under the Ministry of Industry and Trade said that Argentina is a potential market for Vietnamese key exports such as garment-textile, footwear, wood products, and handicraft.

Vietnam is also a promising market for Argentinean exporters, Dong said, expressing his hope Argentina will support the negotiation on a free trade agreement between Mercosur and Vietnam.

Argentinean firms expressed their interest in Vietnam's garment-textile products, coffee and electric bulbs.

Gustavo Martino from the Argentinean Foreign Ministry lauded the dynamic development of Vietnam, particularly in manufacturing, and said the two countries' firms can connect with each other to bring their products to Asian and Latin American nations.

Source: yarnsandfibers.com - July 26, 2017

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Bangladesh: Garment shipments to Japan decline

Apparel exports to Japan, Bangladesh's most promising export destination in Asia, dipped 3.88 percent in fiscal 2016-17, which exporters blame mainly on the terrorist attack in Gulshan last year that killed seven Japanese nationals.

Exports of garment products to the far-eastern nation -- whose apparel market is worth about $40 billion a year -- raked in $744.47 million last fiscal year, according to data from the Export Promotion Bureau.

"The slowdown in shipment growth to Japan is temporary," said Tareq Rafi Bhuiyan, secretary general of Japan Bangladesh Chamber of Commerce and Industry, adding that Japanese retailers have once again started coming to the country to place orders.

Not only clothing retailers, but Japanese multinationals that have operations in Bangladesh for many years have expanded their operations and some are on their way to investing more after the Holey Artisan Bakery attack, he said.

Bhuiyan went on to cite the recent survey by the Japan External Trade Organisation in which Bangladesh was the top investment destination for Japanese entrepreneurs out of 20 Asia and Pacific countries.

Japanese retailers are more thorough than others: they physically survey the production units to verify the compliance standards.

"This was one of the major reasons for slowdown in garment export to Japan last fiscal year. Many Japanese retailers either deferred their trips to Dhaka or cancelled them altogether after the attack," Bhuiyan said.

Garment shipments to Japan from Bangladesh began after the adoption of 'China Plus One' policy by the Japanese government in 2008 to reduce overdependence on China for goods like apparel, electronic gadgets and home appliances.

The 'China Plus One' policy was supplemented by the relaxation of the Rules of Origin by Japanese government for least-developed countries, which worked in Bangladesh's favour.

Bangladeshi garment manufacturers have been enjoying zero-duty benefit on apparel exports to Japan even if the raw materials were imported.

The fiscal stimulus package introduced by the government for new markets in 2009 has also helped in boosting exports to Japan.

The government has been handing out cash incentives upon export to destinations other than the US, the EU and Canada.

"We have to work a lot to grab more market share in Japan," said Syed Mohammad Tanvir, director of Pacific Jeans, a leading garment exporter. Pacific Jeans' shipments to Japan are increasing but slowly, he said, while declining to share any figure.

Until now, Japan imported 95 percent of its annual requirement for garment items from China, he said. Overall exports to Japan also declined 5.6 percent to $1.01 billion in fiscal 2016-17.

Japan is the only destination in Asia where Bangladesh's overall exports crossed the $1 billion mark in each of the previous two years.

Source: thedailystar.net - July 27, 2017

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NATIONAL NEWS

WTO deadline: Centre to tweak textile export sops

The Centre is preparing to wean off textile and clothing exporters from direct subsidy schemes and replace them with indirect benefits as it may not be possible for the country to push the World Trade Organisation (WTO) deadline for abolishing export sops beyond next year.

"The Commerce and Textile Ministries are already examining alternative schemes that are allowed by the WTO such as ones for quality upgradation and subsidising capital expenditure. However, the changes would happen gradually and there will be no immediate withdrawal of popular schemes like interest subvention or Merchandise Export from India Scheme," a government official told *BusinessLine*.

Delays in implementing WTO deadlines do not usually have an immediate negative repercussion on the erring country as disputes filed by other members take a couple of years to get resolved. If found guilty of bending rules, the erring country gets some more time for making the requisite changes in its rules.

The US has been continuously asking India to re-haul its textile export policy. According to US calculations, the country should have done away with all forms of export subsidies for the sector by 2015.

US argument

According to the US argument, the WTO secretariat released calculations showing that India had reached "export competitiveness" in textiles and clothing no later than 2007. Since WTO rules gave members eight years from that date to phase out export subsidies, the transition period ended in 2015.

New Delhi's argument is that since the WTO undertook a computation of India's world trade share following a member's request only in 2011, and determined that it had retained competitiveness on the basis of data of 2009-10, it can be inferred that the phase-out period would end in 2018.

India's annual exports of textiles and garments are pegged at over $35 billion accounting for about 5 per cent of world trade share.

“Although by our own admission the period for doing away with export sops in textiles is 2018, we don't want exporters to panic as they are already reeling under the burden of GST. We can start the process of phasing out the schemes at our own pace next year,” the official said adding that a message is being given to textile exporters that the export incentives that they have got used to will ultimately have to go.

Two popular export sops enjoyed by textiles and garments producers are the interest subvention scheme, where the government bears part of the interest burden on loans, and the MEIS scheme where en-cashable scrips are given based on the value of the exports.

“Although direct export sops will be phased out, the government has no intention of reducing the total support extended to the textiles industry. Schemes of equal value or more will replace the ones that are phased out,” the official said.

Source: thehindubusinessline.com- July 27, 2017

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Looking at measures in FTP to support exporters: Commerce Secy

The commerce ministry is looking at measures to be announced as part of the review of the foreign trade policy (FTP) to boost exports, Commerce Secretary Rita Teaotia said today.

She said that the review of the policy is now almost coming to its logical conclusion and the exercise will be completed by September.

"We are looking to see what are those measures by which we can actively support the exporting community," she said here.

She was speaking at the curtain raiser event of a mega international food and beverage trade show 'Indus Food', to be held in January next year at Greater Noida.

The secretary said although Indian exporters continue to participate in international events, organising a big show in India would give a large platform to domestic players to interact directly with global buyers.

About 400 participants from 35 countries are expected to participate in the two-day show starting from January 18 next year. The Trade Promotion Council of India (TPCI) is organising this show with the ministry.

"The show will give an opportunity to Indian exporters to showcase their wide range of products in the food sector," she added.

Food and beverages is a USD 33 billion per year business globally.

The show will create a marketplace for Indian products to showcase to global buyers.

When asked about increasing non-trade barriers in the sector, she said this is reality in the global market place today but the government is helping exporters to deal with such hurdles.

The food processing ministry is also organising a three- day World Food India 2017 in November here.

India is the key producer of rice, wheat, milk, sesame, mango, banana and marine products.

Speaking on the occasion, Mohit Singla, Chairman, TPCI, said in spite of such a huge potential, India lacked a platform of its own, which highlights the food production capacities of the country.

"We are organising this show on the lines of globally established food trade shows like SIAL, Anuga and Gulfood. We are sure that Indus food will immensely help the buyers to establish the required network and expand their businesses internationally," he said.

Source: timesofindia.com- July 27, 2017

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Under-invoiced Chinese fabrics hurting the MSMEs, govt must put a check immediately: GCCI

With the Chinese imports beginning to dominate the market and the importers increasingly involving in malpractices such as under invoicing, the domestic fabric making MSMEs are getting adversely affected, industry body Gujarat Chamber of Commerce and Industry (GCCI) said.

Talking to KNN, Shailesh I. Patwari, President of the Gujarat Chamber of Commerce and Industry (GCCI) explained the situation.

Patwari said that the import from China has increased substantially in last few years. The importers are getting the Chinese made fabric and making the market uncompetitive for the Indian MSMEs.

He further said that the Chinese textile industry gets many subsidies and incentives from their government because of which they are able to produce at a very cheap cost. In addition to this, the Chinese imports that arrive in India are highly under-invoiced.

"China made fabric is being priced at as low as Rs 8 per square metre, this rate is totally unbelievable, a simple handkerchief costs more than that. With such a situation taking over the market, it is becoming impossible for the Indian fabric MSMEs to survive" he said.

He further said that the sector provides for maximum employment in the country, If it goes out of business, it will have a very negative imprint on the country's economy.

Patwari informed that his association along with other industry bodies from Gujarat have appealed to the Textile Ministry to import heavy duty on these Chinese imports immediately.

"I have personally met Textile Minister Smriti Irani, she assured me that the office will take stock of the situation, but nothing has happened in the line so far".

Not just higher import duties, but the importers that are involved in the cases of under-invoicing must be penalised, Patwari added.

Source: knnindia.co.in- July 27, 2017

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Govt spins khadi story for India's growing soft power

After yoga, the Narendra Modi government at the Centre is now increasingly looking to promote khadi as an international brand with a special focus on Indian diaspora.

KEY NUMBERS

- The central government aims to increase the production of khadi to **₹2,000 crore** in terms of market value in 2017-18
- It is expected to generate additional employment of **1.95 million** people, primarily in rural India
- In 2014-15, production was estimated at **₹880 crore** in market value; in 2015-16, at **₹1,066 crore**, in 2016-17, at **₹1,396 crore**
- The Centre has granted financial aid of **₹25 lakh per unit** in urban areas and **₹20 lakh** in rural areas for modernisation of sales outlets

According to a strategy approved by the Centre, the Ministry of Micro, Small and Medium Enterprises (MSME) might even encourage and incentivise Indian diaspora abroad to open and run khadi outlets and shops.

In the first phase, the Ministry plans to exhibit brand khadi in all the embassies and consulate offices either within their premises or outside. The exhibitions would not only showcase Indian khadi products and items but will also give a detailed description on their production and value for the villages.

In the second phase, the ministry plans to target Indian diaspora through regular interventions and exhibitions and participating in their social functions to publicise about khadi.

In the third and final stage, the ministry plans to enter into collaborations with the Department of Commerce to boost exports of khadi and will also encourage people settled abroad to open khadi shops and outlets.

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The proposal was recently approved by the MSME Minister Kalraj Mishra.

"Till now [a] lot of efforts have been made to take khadi abroad as a brand from India, but none could succeed. However, this time a full-fledged action plan has been devised with fixed timelines to ensure that khadi

becomes India's next big soft-power after yoga," Shailesh Vats, spokesperson of the Ministry of MSME told Business Standard.

The Centre has targeted to increase production of khadi to Rs 2,000 crore in terms of market value in 2017-18, which would help in generating additional employment of 1.95 million persons primarily in rural India.

In 2014-15, the production of khadi stood at RS 879.98 crore in terms of market value, which increased to Rs 1,065.6 crore in 2015-16. The production further rose by over 31 per cent amounting to Rs 1,395.94 crore in 2016-17.

Sale of khadi stood at Rs 1,170.38 crore in 2014-15, which increased to Rs 1,510 crore in 2015-16. In 2016-17, sales witnessed a growth of 32.83 per cent amounting to Rs 2,005.75 crore, Minister of State for MSME Giriraj Singh told Parliament recently.

The Centre has also granted a financial assistance of Rs 25 lakh per unit in urban areas and Rs 20 lakh in rural areas for renovation and modernisation of sales outlets under Khadi and Village Industries Corporation (KVIC).

It has also entered into agreements with the National Institute of Fashion Technology (NIFT), Aditya Birla and Raymond to boost quality and sales of the khadi products.

Source: business-standard.com- July 28, 2017

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Transporting goods is still a bumpy ride

First the good news! Post-GST, the elimination of checkposts by almost all states has resulted in a significant reduction in waiting time. Reports indicate a reduction between 3 to 7 hours leading to a 10-16 per cent increase in road transport efficiency .

But this is only the first step towards developing a national regime that governs the movement of goods in the GST environment. The differences between the State and Central governments, and between the States, on the rules and format of a national document or e-waybill to be used for

declaration of movement of goods, needs to be resolved. In addition, a national IT system for generation and administration of these e-waybills needs to be put in place. The official deadline for rollout of a uniform national e-waybill and associated regulations governing the movement of cargo is October 1, 2017. In the meantime, each State follows its own system of rules and enforcement.

What are some of the concerns around rule-making for goods movement in India? And how would that potentially help or create operational challenges in the future?

Easing the way

The e-waybill would emerge as the most intensively used declaration document in India. Since all goods subject to GST that move on the road would have to potentially create an e-waybill, this would means millions of such e-waybills being generated every day. Thus the rules and format from an 'ease of doing business' point of view is important.

Currently there are some challenges. First it requires generation of e-waybill even for intra-State movement. This means that even very short-haul movement of goods, or pick-up of shipments by courier from the door of individual shippers also fall within the ambit of the e-waybill. Since such movements were earlier exempt from the requirement in most States, it adds a layer of transaction costs that did not exist before. Imagine a courier at your door having to first prepare an e-waybill and submitting it to an IT platform before it can move with the product!

Second, the draft rules exempt shipments below ₹50,000 from the e-waybill. However, it still requires a truck that carries shipments collectively valued at more than ₹50,000 to generate e-waybills for each of the individual shipments in the truck, even if they are valued at less than ₹50,000.

This would mean shifting the responsibility of generating the e-waybill from the shipper to the transporter. While this exemption is supposed to give relief to businesses from generating e-waybills for every small transaction, shifting this burden to transporters defeats the purpose.

Another challenge is for the transporter to change the vehicle number every time the shipment changes trucks. In a hub and spoke model, where a single shipment might change trucks several times, this substantially increases the data entry requirements and could potentially lead to delays as trucks assigned for a particular route are often decided on at the last minute.

The rules conundrum

While businesses can chose to file an e-invoice (called INV1) or a physical invoice for the actual transaction, the online e-waybill is mandatory. The logic is that the e-waybill provides an electronic trail and second check for all transactions. But this is counter-intuitive. Why not insist on only electronic invoices in first place?

If the idea behind not insisting that businesses file electronic invoices and retain the choice of generating physical invoices was to reduce the burden of online compliances, then the requirement of an online e-waybill defeats that objective, that is, businesses would still have to generate e-waybills online with the same data.

A better way forward would have been to insist on all invoices being filed online and using the online invoices as the de-facto e-waybill. A simple e-waybill would have been the truck manifest listing the electronic invoice numbers of the goods it is carrying. This would have not even required the vehicle number to be recorded, thereby eliminating the need for updating the vehicle number in the e-waybill every time shipments change trucks.

Trucks are not stopped only by tax-related check-posts. Seventeen different laws regulate the movement of goods in India. Transport-related regulations that check for fitness of the vehicle, overloading, and a host of other transport regulations is one major reason trucks are stopped and inspected. Regulations related to the transport of hazardous goods, forest produce, commodity-specific controls and so on are some of the other reasons why trucks could be stopped or inspected.

Is there a way by which we can move towards an integrated system of checks and inspections? Given the evolution of the GST e-waybill and the development and expansion of the VAHAN database of the ministry of road transport, an integrated system is definitely possible.

VAHAN database has all the relevant data related to the vehicle: fitness certificate, registration, permits, etc. Since all 17 regulations are concerned with either the goods a vehicle is carrying or the vehicle itself, the e-waybill declaration and VAHAN together can serve as a ‘comprehensive declaration’.

An integrated system

Imagine a system whereby a simplified RFID-enabled e-waybill, that is essentially a list of electronic invoices declared in the GST network, and RFID chip-enabled number plate of the vehicle tagged to the VAHAN database approaches a modern automated check-point. The check-point does not stop all trucks; it picks 10-15 per cent of trucks on a random basis for checks. All that a truck driver does is scan the e-waybill while the number plate is automatically scanned and read.

The officer would have all the information related to the truck and the shipments on her screen. Any violation would be backed by strict and heavy penalties. In order to check for overloading, the approach to this modern automated checkpost would be equipped with weigh-in motion technology that monitors overloading as the truck passes by.

A taskforce for the seamless movement of goods has been set up by the Government to consider reforms backed by technology solutions. This would revolutionise one of the most abused and opaque aspects of law enforcement in India.

However, technology integration is just one aspect of reform. Strict norms are needed to ensure fairness and transparency of enforcement. For this the following ground rules can be considered: all physical inspection of goods to be subject to CCTV camera recording; and all challans to be issued electronically. If an officer over-rides the systems-based, risk-managed, random check, and uses discretion to stop a vehicle, this needs to be registered with full reason and final outcome of all checks and inspections. Data related to such stops should be made subject to the RTI Act. Clearly, more work is needed in these reforms.

Source: thehindubusinessline.com- July 28, 2017

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GHCL to shift focus to domestic market

Home furnishings major GHCL plans capacity addition and wants to move focus from exports to the burgeoning home textiles market even as textile manufacturers continue protests over goods and services tax (GST).

Since the GST was rolled out on July 1, the textile sector has been demanding that the rates and rules be eased for it.

The industry and especially the power loom segment has not been placated by a textile ministry notification that only job workers or units with an annual turnover of Rs 20 lakh or more would need to register for the GST.

However, amid the din, GHCL has confirmed its plans to solidify its presence in the domestic home furnishings market. Currently, an overwhelming 85 per cent of its products are exported abroad, mostly to the United States while the rest are sent to domestic market.

But stagnancy in foreign sales growth, booming demand from domestic consumers will change the model, R S Jalan, managing director, said.

India accounts for seven per cent of global home textiles trade. The country has cornered a majority share of the export market in the United States and Britain, contributing two-thirds to their exports.

India's home textile industry is expected to expand at a compound annual rate of 8.3 per cent during 2014-21 to $8.2 billion in 2021 from $4.7 billion in 2014, according to the India Brand Equity Foundation.

The domestic home textile industry was estimated to be $5.5 billion in 2016.

With the industry consolidated among a few players including Bombay Dyeing, Welspun, Alok Industries and the Trident group, among others, other players are increasingly making inroads.

This will only increase since the Rs 6,000-crore textile package announced by the government last year was tweaked later to include the home furnishings sector as well.

GHCL plans to exploit this by first upgrading its spinning mill in Madurai, Tamil Nadu, which can produce yarn. With a total installed capacity of 175,000 spindles and 3,320 rotors, it produces cotton and blended yarns.

The company is banking on this to boost the processing capacity at its Vapi (Gujarat)-based home textiles operations from 36 million metres per year to 48 million metres per year, Jalan added.

Investments in these two areas are expected to drive forward the home textiles' division, which currently accounts for about 20 per cent of the overall bottom line.

However, in the post-production phase, Jalan clarified that they are not going to venture into the retail space, something other companies are still pursuing. The plan is to leverage wholesale supply to existing partners like Raymonds, Future group, and Bombay Dyeing rather than get into retailing, he added.

The company is also hopeful of bagging orders from foreign entrants into the retail market.

The company posted a standalone revenue of Rs 2,969 crore for the financial year 2016-17, a 8.77 per cent growth over the previous financial year, of which the home textiles business supplied 41 per cent.

"We foresee a good demand in the business in coming years and see a huge demand coming from our existing clients and new clients. We expect improvement in both top line and margin going forward," Jalan added.

Source: business-standard.com- July 28, 2017

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