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NEWS CLIPPINGS –04-05-2018

GST Council to decide on simplifying return filing	The Hindu http://www.thehindu.com/todays-paper/tp-business/gst-council-to-decide-on-simplifying-return-filing/article23765391.ece

Availing of provision credit by businesses also on agenda

The main item on the agenda for the GST Council meeting on Friday is likely to be the simplification of the return filing system into a single form and a decision on whether businesses can avail of provision credit or not, according to tax analysts.

According to the GST law, the return filing process involves three forms — two of which have been kept in abeyance to ease the compliance process for businesses. The GST Council is to decide on how best to reduce these into a single form.

“Tomorrow’s [Friday] meeting will primarily deal with the revised returns issue,” said Pratik Jain, Indirect Tax Leader, PwC India. “The Sushil Modi-led Group of Ministers met with all the stakeholders over the last one month, such as CII, FICCI, and some select indirect tax experts, and received inputs from them. So that’s what the Council will discuss, which model of return filing to go for,” he added.

So far, there are two models of return filing under consideration, with the key difference between the two being whether businesses can avail of provisional credit when the supplier has not yet filed returns, or if they can only avail of the credit based on the returns filed.

“What we have been waiting to hear is what the Council wants to do regarding provisional credit,” said Archit Gupta, founder and CEO of Cleartax. “Once they put GSTR-2 and GSTR-3 on hold, what is the manner in which they want people to report their purchases and should people continue to claim provisional credit?”

“Right now, there are at least three return forms as prescribed by the law,” said M.S. Mani, Partner at Deloitte India. “That three-stage process is going to be brought down to a one-stage process. The debate over that one-stage process is whether the buyer will be able to take the credit irrespective of the seller’s payment of the tax or should the buyer be able to take provisional credit, and later on if the seller does not pay, then the buyer reverses the credit.”

‘Advantage buyer’

“That is where there is a lot of debate,” Mr. Mani added. “To me, it seems that they will settle on a system where the buyer can take the credit even if the seller does not pay, because it is unfair to blame the buyer for the seller’s mistakes."

The other issue that could come up for discussion is the revival of the reverse charge mechanism, applicable for registered dealers doing businesses with unregistered dealers.

"There was one provision in the law that when a registered dealer bought from an unregistered dealer, then the registered dealer pays tax on behalf of the unregistered dealer and takes the input tax credit," Mr. Mani explained. "While this was revenue neutral for the buyer, it created a lot of compliance issues for the registered dealers. Therefore, the government kept this in abeyance. After discussion, this is expected to be revived."

Other issues that could come up for discussion include the delay among certain States in rolling out the e-waybill system for intra-state movement of goods. While the e-waybill system was rolled out across the country for the inter-state movement of goods on April 1, the billing mechanism for the intra-state movement of goods was to be rolled out across States in a phased manner.

As of April 25, 17 States and Union Territories have implemented the system for intra-state movement, but the rest of the country, including manufacturing States such as Maharashtra and Tamil Nadu, have still not done so. The reasons behind the delay of the roll-out by these States could be a topic of discussion during the meeting, according to tax analysts.

Textiles, jewellery and other labour-intensive export sectors face slowdown	**Business Standard** http://www.business-standard.com/article/economy-policy/textiles-jewellery-and-other-labour-intensive-export-sectors-face-slowdown-118050301430_1.html

Exports from key manufacturing sectors, including textiles, leather, and gems and jewellery, have continued to show low growth in 2017-18. The Centre is banking on these sectors to create a large number of jobs.

Even though such sectors have managed to recoup their losses from previous years, they continued to see a much lower export growth rate in a year when India's outbound trade managed to rise above the $300 billion target after two years, spurred by a rise in global demand, official data showed.

Successive economic surveys have stressed on the need for policy reforms in these sectors. According to rating agency CRISIL, comparative advantage (RCA), or the competitiveness of these labour intensive sectors, has been on a sequential decline. A case in point, the RCA witnessed a significant decline for three of these sectors during 2006 to 2016.

The textile tangle

The $36 billion textile export sector, the third largest foreign exchange earner for the country after petroleum products and gems and jewellery, clocked only 0.75 per cent growth in 2017-18, after a contraction in the past two years. In the last financial year, apparel manufacturing, the largest segment within textiles, registered a decline for the 11th straight month till March 2018.

"These figures indicate an ongoing shrinkage in the industry, which is a cause for concern. The sector currently employs 12.9 million workers, and the ongoing slide has hit several clusters. While India is struggling with the problem of stagnation in exports, countries such as Bangladesh and Vietnam are showing growth in apparel exports," said HKL Magu, chairman, Apparel Export Promotion Council.

Unresolved issues, including the reduction in duty drawback after the imposition of GST and capital blockage due to slow refunds have affected growth estimates, experts said.

The labour-intensive apparel segment is doing quite badly. This is a very disturbing feature because despite the contraction in the sector, India's exports have grown. Currency has also been a big issue. The rupee was trading at around 68 per US dollar in March and then it came down to sub-64 levels," said Sanjay Jain, chairman, Confederation of Indian Textile Industry.

In fact, GST aftershocks have been felt across sectors.

The $23 billion transport equipment segment saw its growth rate plunging from more than 8 per cent in 2016-17 to 1.31 per cent in 2017-18. According to industry insiders, smaller firms reduced output to avoid defaulting on their loans, which hit the sector.

The GST has also affected the leather sector, where informal business chains have traditionally relied on cash transactions. Also, the crackdown on the cattle trade in Uttar Pradesh, the epicentre of the leather industry, has hit the sector hard.

Gold loses shine

In the gems and jewellery sector, the clampdown on loans by public sector banks following the Nirav Modi scam has affected the sector. "We are awaiting details on the gold policy," a senior functionary from the Gems and Jewellery Export Promotion Council said. The government last year banned the export of gold products with purity above 22 carats, to reduce irregularities in trade.

Are FTAs termites in the trading system?	**Business Line** https://www.thehindubusinessline.com/opinion/columns/ajay-srivastav/are-ftas-termites-in-the-trading-system/article23762720.ece?homepage=true

Thanks to steep fall in tariffs over the years and complex rules of origin, much of world trade is happening outside of FTAs

Eminent economist Jagdish Bhagwati in his 2008 book, *Termites in the Trading System: How Preferential Agreements Undermine Free Trade*, lamented how an ever-increasing number of free trade agreements (FTAs) are a threat to the world trading system. Ten years on we must know if the threat has materialised.

But why does Bhagwati consider FTAs to be bad? In an FTA, two or more countries agree to lower import tariffs and other trade barriers on each other's products. Good for them at one level but bad for the overall trade, because of the two effects that take place as a result.

Economists term these trade diversion and trade creation. Trade diversion favours less efficient producers while trade creation stresses local producers. To understand, let us take the example of a shirt.

Let's presume that all shirts are identical and have the same quality and a consumer will buy from the cheapest source. Cost of one shirt sold by the US is ₹1,000 and the EU, ₹1,100. If the import duty in India on the shirt is 20 per cent, cost of one shirt imported from the US will be ₹1,200 and that from the EU, ₹1,320. Now, since the price of shirts from the US is lower, Indian consumers will prefer to buy them. The game changes if India signs an FTA with the EU and eliminates import duty on shirts from the EU. So shirts from the EU can now enter India at ₹1100, while shirts from the US will continue to come at ₹1,200. So India will stop buying from the US and start buying from the EU. Notice that shirts from the EU cost more, but duty elimination through the FTA makes them less expensive.

Not Significant
Share of Preferential Trade

% share of trade with FTA partner
Countries in Global trade (2016 data)

County / Region	Exports	Imports
EU	13.6	13.6
US	45.0	34.1
US (excluding NAFTA)	13.2	8.3
India	19.4	18.1
China	30.1	23.2
ASEAN	31.1	42.1
Japan	20.8	24.1
South Korea	76.9	76.1
Australia	71.1	68.1

Source: The World Integrated Trade Solution (WITS)

Since the India-EU FTA diverted trade from the more efficient US to less efficient EU producer, the effect is termed trade diversion. Bhagwati considers it bad as the FTA rewards a less efficient producer.

Let us now understand the impact of an FTA on the local industry. Consider the shirt example again. A shirt produced in India sells at ₹1,150. Pre-FTA, no imports will take place as this price is lower than the duty paid price of shirts from the US (₹1,200) and EU (₹1,320).

But position changes after the FTA. Now the shirts from the EU (at ₹1,100 per piece) will cost less than the shirts produced in India (at ₹1,150 per piece). The phenomenon is called trade creation as the FTA created new trade in the form of imports from the EU. Earlier there was none.

Soon imports from the EU will replace locally produced shirts. After some time, Indian shirt makers would shut shop.

Bhagwati called FTAs bad mostly because of trade diversion and trade creation effects. The big question is to what extent these effects distort world trade . The answer lies in finding out how much of the world trade happens through the FTA route.

Since FTAs allow trade at zero import duty on most products and world over 280-plus FTAs are operational, it is widely believed that most world trade happens through the FTA route. We did a data check and the results surprised us.

Global and bilateral export-import data show that much of world trade takes place outside the FTAs (this excludes intra-EU trade as the EU is an integrated economic entity).

Only 13.6 per cent of EU's exports and imports take place through FTA partner countries. Most of its 41 FTA partners, except South Korea, supply raw-materials and low-end products.

For Japan, only 20.8 per cent exports and 24 per cent imports happen through the 17 FTA partner countries.

ASEAN and China are the centres of the East Asian International Production Network. But only 30.1 per cent of China's exports and 23.2 per cent of imports take place through the FTA partner countries. And for ASEAN, 31.1 per cent of exports and 42.1 per cent of imports takes place through six FTA partner countries.

In the case of India, 19.4 per cent of its exports and 18.1 per cent of its imports takes place through the FTA partner countries. We do not have a full FTA with China yet.

Australia and South Korea are two exceptions where share with FTA countries is high. Australia's 71 per cent and South Korea's 76.9 per cent of exports go to their FTA partner countries.

We also noticed that an FTA does not always lead to increase in share or growth of trade between the partners. North American FTA (NAFTA) signed in 1994 among the US-Canada-Mexico is an example. NAFTA's share in US trade was 28.9 per cent just before the signing of NAFTA in 1994. Today it is 31.8 per cent. And if we take out the NAFTA, only 13.2 per cent of the US export and 8.3 per cent of its imports come from the remaining 18 FTA partners.

These examples highlight that the share of most countries' trade with their FTA partners is 20-40 per cent of their total global trade. But even most of this trade takes place outside of the FTA. There are several reasons for this. FTAs lower the import duty, but if it is already zero, FTAs can offer no benefit. And the import duty on products covering about half the world trade is zero, courtesy negotiations at the WTO.

Other reasons for low use of the FTAs are complex rules of origin. Rules of origin impose conditions like minimum value addition that need to be met when an input from a non-FTA partner country is used for making a product. Taking the trade between FTA partner countries and moderating the figure to count only preferential trade between them, we conclude that about 15-17 per cent of world trade is preferential.

The FTAs, in the early 1990s, became the central part of trade strategy of many countries, which believed that more the FTAs they sign, higher will be their trade. The tariffs in most countries were high, and no business-relevant decisions were taken at the WTO. Quickly this led to most countries signing FTAs with others. Today we have 284 operational FTAs. And more than 200 FTAs under negotiation.

But we are in different time zone now. Average tariffs have come down from over 100 per cent in pre-1990s to 0-10 per cent now. For most developed countries these are just 2-4 per cent. Any country doing an FTA with them will not gain much market access in most products. Also, the countries with high tariffs doing FTAs with those with low tariffs end up giving more benefits and market access to the FTA partners. The losses can hardly be balanced by gains in other areas like services or investments.

So while the alarm raised by Bhagwati was real and the FTAs had the potential to damage the multilateral trading system and world trade, they could not. Reason: Most (about 83-85 per cent) world trade takes place outside the FTAs. Only 15-17 per cent of trade is on preferential terms. But as the US action of increasing the tariffs and China's response shows tariffs are still the central means of regulating imports. And these should be reduced through the FTAs only when economic benefits can be clearly demonstrated.

The writer is an Indian Trade Service officer. Views are personal. Data inputs by Dr Kishor Jadhav

Cotton seed companies may cut foundation seed output	**Financial Express** 'https://www.financialexpress.com/market/commodities/cotton-seed-companies-may-cut-foundation-seed-output/1155149/

Cotton Seed companies are likely to cut down on the foundation seed production this kharif season following the Centre's announcement last month to cut seed prices by Rs 60 to Rs 740 per packet for the current year.

Cotton Seed companies are likely to cut down on the foundation seed production this kharif season following the Centre's announcement last month to cut seed prices by Rs 60 to Rs 740 per packet for the current year. "Right now the distribution of foundation seeds (parent seeds) is going on. The approach of seed companies now is to reduce production. The exact position will be known only after June end," MG Shembekar, vice president, National Seed Association of India (NSAI) said on Thursday.

Cotton seed producers claim that their production costs have risen by 15-20 % in the past three years, especially since the Bollgard II Bt cotton price was fixed at Rs 800 per packet (450 grams) two years ago. "The main reasons for the production cut are rising production costs, which have gone up by 15-20%, illegal menace of seed sale by the unorganised sector, the pink bollworm attack and approach of farmers towards the cotton crop," Shembekar said. The drop in prices will hurt the industry leaving little margins for growth, he pointed out.

"We had requested the government to raise seed prices after two years of stagnation at Rs 800 a packet (of Bolgard II) to accommodate increasing labour cost, fixed and other costs, including the research and development (R&D). Instead, the government reduced the prices.While the cost of production has gone up by nearly 20 % over the last three years, realisation slumped by 7.5 %. This will result into lower production and investment capacity for the next season as the distribution of seed packets for the current season is almost over. The decision of the seed companies to reduce production is also likely to impact investment in the development of new geneplasms and hamper introduction of new seed varieties," Shembekar said.

Seed manufacturers normally prepare production and distribution plans of seed packets a year in advance to enable farmers to source high-yielding seed varieties. The producers have to ensure the packet reaches distributors in North Indian states, such as Punjab and Haryana, by March, for early sowing by the month-end. The country usually produces around 4.5 crore seed packets of 450 grams each for around 80-85 lakh farmers to grow cotton in 122-123 lakh hectares annually.

The price cut was announced by the government at a time when the seed companies had approached it with proposals to hike prices citing rising cost of production. In an earlier representation to the government, the National Seed Association had requested for enhancement of seed value component of the MSP citing rising cost of production , processing, testing and marketing of seeds. This leads to financial difficulties to the members and reduce investments in R&D, leading to slowdown of development of new hybrids or varieties , decrease in seed production and ultimately shortage of seeds to farmers, Kalyan Goswami, director general, NSAI had stated in the representation.

Last season, several farmers in Maharashtra, Andhra Pradesh and Telangana reported huge cotton output loss due to pink bollworm attack on the standing crop. More than one-third of the 42 lakh hectares under cotton in Maharashtra was hit by pink bollworm. Maharashtra requires around 1.6 crore seed packets annually for cotton.

Control on cloth output liberalised	**The Hindu** http://www.thehindu.com/todays-paper/tp-opinion/control-on-cloth-output-liberalised/article23742383.ece?utm_source=tp-opinion&utm_medium=sticky_footer

A comprehensive short-term policy, which includes adjustments of pattern of production, marketing and excise duty on cotton textiles, was announced by the Commerce Minister, Mr. Dinesh Singh, in the Rajya Sabha to-day [May 1, New Delhi] to relieve the present difficulty faced by the textile industry. Under the new scheme, the area of control has been reduced from 40 to 25 per cent. The controlled varieties will now consist of dhotis, saris long cloth, shirting and drill made in coarse and lower medium categories. The superfine, fine and higher medium categories have been taken off the control. A two per cent increase in the ex-mill price of the controlled varieties has been allowed, but this will not affect the consumer price, because it will be absorbed by the reduction in excise duty from 3 paise to 1 ½ paise per square metre and abolition of processing surcharge. In order to maintain the competitive position of decentralised sector vis-a-vis the mill sector, a corresponding reduction is being made in the processing surcharges applicable to coarse and medium handloom and power-loom cloth.

Lack of implementation of labour laws continues to haunt India's textile sector as labourers suffer under exploitative employers	**First Post** https://www.firstpost.com/india/lack-of-implementation-of-labour-laws-continues-to-haunt-indias-textile-sector-as-labourers-suffer-under-exploitative-employers-4453239.html

Since the last seven months, 1,700 people have been demonstrating outside the gates of Century Textiles & Industries, protesting the firm's sale to Wearit Global Limited. Out of these 1,700, nearly 1,300 had been permanent employees.

In textile, workers spend decades honing one or two skills mostly specific to the demands of that company. In the case of Century Textiles, they worked on cotton and denim yarn. "The demands of the workers was that they didn't want to work with Wearit Global and believed it would shut shop sooner or later, and hence demanded their voluntary retirement scheme amount," said Adv. Pratyush Mishra, who assisted legal counsels fighting on behalf of the Textile Mazdoor Union in the Indore High Court.

The high court's judgment dated 8 April, 2018, ruled in favour of the labour union. It stated: "There is violation of

Clause 7.4 of agreement as no proper intimation was given to the employees regarding continuance of service as yet. On 20.12.2017 (Annexure R/2/3), a letter was issued to the management of century yarn and denim from the office of Labour Officer, Khargone, with respect to the illegal deduction of the salaries of the workmen. Further, the reminder of the said letter was issued on 11.1.2018. The office of district registrar, Khargone, also issued the letter wherein it is specifically mentioned that there is no registration of business transfer agreement with respect to the sale of the century yarn and denim in the office of district registrar, Khargone."

In the same order, the Indore High Court mentioned the concept of "corporate entity" and said that it was evolved to encourage and promote trade and commerce and not to commit illegalities. Adv. Mishra asked why the labour commissioners failed to intervene and why the matter had to reach the high court. He said they didn't look at the complete appeal of the trade unions. How often can trade unions seek support of activists and NGOs to raise their voice and spend their precious labour time in litigation is a question that often haunts Mishra.

Tapandas Gupta, a labour rights activist based in Vadodara whom the the Socialist Unity Centre of India-Communist SUCI(C) fielded against Narendra Modi from the Vadodara Lok Sabha constituency in 2014, said the problem lies in the lack of staff in the labour departments. "In a state like Gujarat, where industrialisation is growing at a rapid pace, there should be 80 labour officers, but today, there are less than 25, which means one person is handling up to two to three districts. Lately, labour courts have also been appointing civil judges," explained Dasgupta.

PK Walanj, general secretary of the Hind Mazdoor Sabha, Gujarat State, agreed with him. The Hind Mazdoor Sabha, in the language of the Indian government, is a central trade union with more than one crore members across the country. Walanj spoke to Firstpost about how the implementation of labour laws is bifurcated into state and central level. "The Gujarat government has amended up to eight laws. One of them is The Apprentices Act, 1961.

Earlier the law was that a company of 100 employees could hire one apprentice, but after the amendment, they could hire as many apprentices and pay them 2/3rds of the salary of an average worker. So, it is quite common to see workers being hired for two to three years, then being kept on probation for one year, and then being laid off without Provident Fund," explained Walanj.

Veteran textile researcher Chinmay Mishra, who has recently been working on conserving indigo and natural dyes in the Neemuch and Dhar districts of Madhya Pradesh, said, "Today, automation is taking a toll on the skill and livelihood of textile workers. Make a trip to Mumbai and Ahmedabad and you'll notice that only 10 percent of the mills that existed 25 years ago have survived."

In the textile hub of Surat — a city which holds the record for being the largest producer of man-made fibre and filament fabric, with a 40 percent share in the country and a daily production of 30 million metres of raw fabric units — seven to eight lakh powerlooms have shut down in the last seven to eight years. Manufacturers are investing in imported machines like the Jacquard that are made are Italy and cost up to Rs 80 lakh and don't require much human help.

"In Mauranipur, close to Jhansi in Uttar Pradesh and on the fringes of Ludhiana in Punjab, one finds a cluster of small powerloom units. Since these are small, labour laws don't apply to them," said Chinmay Mishra, explaining how the textile sector is littered with cheat codes.

Apart from uneducated people failing to understand GST complications, he observed that textile unit owners in Madhya Pradesh have also started offering pink slips to workers and are arbitrarily hiring and firing them. "For instance, if there is a rule that says a unit with 20 employees will offer them provident funds, only 19 will be employed," he said, highlighting the plight of labourers who fail to find strength to form unions.

The labour ministry plans to start registering 47 crore unorganised sector workers and providing them with unorganised worker index numbers (UWIN) cards to bring them under the social security net. The size of India's textile market in 2016 was around $137 billion, which is expected to touch $226 billion market by 2023, growing at a CAGR of 8.7 percent in that period. In the textile packages announced during the Union Budget, the government increased the permissible overtime up to 100 hours per quarter in made-ups manufacturing sector besides making employees' contribution to EPF optional for those earning less than Rs 15,000 per month.

But as Padma Shri awardee Runa Banerjee, founder of Self-Employed Women's Association (SEWA), puts it, the problem is that awareness regarding rights doesn't percolate to the lower levels. She feels the labour department should be more active in engaging with the lower rungs of the unorganised work force and should continually educate them about their rights.

At SEWA, an organisation that provides a platform for chikankari artisans to teach the craft to thousands of women, a spirit of uplifting each other is encouraged. The onus of adhering to labour laws laid down by the government is on private enterprises.

Gautam Vazirani, fashion curator, sustainability at IMG Reliance/Lakme Fashion Week, says that brands and designers need to also become responsible/aware of their supply chains. "At times they just don't care about the conditions of workers who are involved in making their textiles or garments as long as the order is delivered within the budget. The time for profits over people is going to soon come to an end, as a new generation of millennial consumers is demanding transparency and morals. At Lakme Fashion Week, sustainability is a serious agenda. Our collaborations with United Nations, British Council, Craftmark, Fashion Revolution and Usha International among others are about initiatives that create a movement towards ethical fashion and inspire brands and designers to lead the change," he said, talking about how several young designer labels such as Poochki, Pot Plant, Rouka and Naushad Ali are now creating collections with artisans as equal collaborators and not as rural labour.

Fashion needs to see itself as an agent for social change and empower people, more importantly the marginalised.

But inserting accountability into profit-making establishments won't happen in a day and workers in textile mills of Gujarat have been suffering the brunt of it. Firstpost reached out to some of them, who happen to be migrants from Uttar Pradesh and Bihar. Kanhaiya from Bihar's Sasaram district specialises in oxidising fabric. He complained that he doesn't receive medical or provident fund credits with his salary.

Bharat Maurya, who hails from Juaunpur in Uttar Pradesh, said he has been working in Gujarat since 24 years as a weaver in powerlooms in Rajkot's Jasdan area. He narrated his story of denial, of how his karmabhoomi Gujarat hadn't embraced him because workers like him aren't even issued identity cards by mill owners and end up and face the risk of being roughed up by the police if they try to enter the loom. Ram Bharat Maurya, also from Jaunpur, has been working in the textile hubs of Surat since the 1960s. He recalled that when he started out, one kaarigar would man two machines. The number of machines went up to three in 1975 and four in 1985 and six in 1990. Today, he disclosed, one kaarigar is expected to run up to 16 machines.

Mahesh Khushwaha from Firozabad district in Uttar Pradesh said he used to work in handloom when he came to Surat in 1990 and then learnt how to operate powerlooms. Today, he says he gets paid barely Rs 10,000 and works 12 hour shifts.

Yet another problem is that of child labour in the textile sector. Sanjay Gupta, managing trustee of Chetna, an NGO for street children, revealed that the problem is concentrated in areas like Tughlakabad, which houses more than a couple of hundred garment manufacturing companies and employs close to 50 percent children, and in Okhla, where children, owing to their nimble fingers, are employed to sew pearl and sequins beads into fabric.

In Govindpuri, his organisation's groundwork shows that children drop out of school at an early age to work in small-scale illegal garment factories to do sequencing and thread-cutting. Unless there are stronger policing mechanism keeping the check on the textile chain, from top to bottom, manufacturers will keep cheating the law in a sector that employs nearly 45 million.

Relief for garment cos as court rules forex derivatives illegal	**Times of India** https://timesofindia.indiatimes.com/business/india-business/relief-for-garment-cos-as-court-rules-forex-derivatives-illegal/articleshow/64016623.cms

Tirupur: In a major relief, a Coimbatore court has said that the exotic forex derivatives sold by banks to garment exporters during the global financial crisis in 2008 were illegal. The Tirupur Forex Derivatives Consumer Forum (TFDCF), which was formed by 25 exporters from Tirupur, who lost more than Rs 400 crore in the issue, moved the Subordinate Court in Coimbatore stating that as many as 19 banks were involved in the fraud by selling the product that was not authorised by the Reserve Bank of India (RBI).
"Last week, the court completed the trial and passed its judgment. The court has clearly observed that the products sold by the banks were against the country's laws and public policy, and also against RBI rules and guidelines," Raja M Shanmugham, President, TFDCF told TOI.

It has been confirmed that the banks have been involved in the fraud, which was responsible for at least Rs 38,750 crore moving out of the country. It has made our stand strong in seeking CBI probe into the issue. We will take the issue forward on basis of the trial court's judgment," he said.

Exporters are now upping the ante seeking a Central Bureau of Investigation (CBI) into the issue, which allegedly caused losses to the tune of Rs 38,750 crore to exporters across various industries. Garment exporters incurred losses due to fluctuations in currency rates while getting payments from overseas buyers. For instance, in 2007-08, the rupee had appreciated sharply to 39 to the US dollar from 46 in just 15 days.

Many banks, including nationalised, private and foreign banks, came up with these exotic derivatives products promising exporters that they would be a good hedge against the risk of such fluctuations. Several export-oriented firms had taken forward covers and complex derivative products as a hedge against a volatile rupee in 2008-09. While the rupee appreciated 8% against the US dollar in 2007-08, it depreciated 28% in 2008-09. This resulted in huge forex losses. Several companies opted for an out-of-court settlements with banks. Companies and banks had agreed to share the losses on a 60:40 and 55:45 basis in such cases. Many exporters invested hundreds of lakhs of rupees in buying them. But when the rupee started to depreciate sharply against the US dollar, banks asked the exporters to bear the losses. So, the master agreement between the exporters and the banks became defunct. Sensing the alleged fraud involved by the banks, a public interest litigation was filed in the Odisha High Court (HC), which in turn, ordered a CBI probe into the issue.

But the Indian Banks Association and Fixed Income Money Market Derivatives Association of India (Fimmda) filed a special leave petition before the Supreme Court. Following this, the apex court granted an interim stay on the Odisha HC's judgment. And the status quo have been maintained till now.

Form GST anti-profiteering authority, weavers demand in Surat	**DNA India** http://www.dnaindia.com/business/report-form-gst-anti-profiteering-authority-weavers-demand-in-surat-2611355

Weavers in Surat want the formation of an Anti-Profiteering Authority under Goods and Services Tax (GST). They claimed that their businesses are not passing the benefits of a reduced tax on them in absence of such an authority, thereby making their units unviable.

As the GST regime got rolled out on July 1, 2017, polyester yarn was subjected to 18% GST. Later, after a series of representations, the tax was reduced to 12%. Spinners manufacture yarns and sell them to weavers, who claim that the benefit of reduced tax has not been passed on to them. "There is a provision in GST that if the tax burden on the product is lowered, the seller has to pass on the benefit to the buyer. On the other hand, the cost of yarn has risen by Rs 100-150 per kg or about 35% in past four months. Most of the rise is in just over a month," said Mayur Golwala, committee member of Federation of Gujarat Weavers Association (FOGWA).

The central government had earlier categorically stated that if the benefit of reduced taxation is not passed on to the buyer, actions can be taken against the sellers under Anti Profiteering Provisions. But for that Anti Profiteering Authority needs to be created, which is not created so far.

Bombay Dyeing to re-enter readymade apparel segment with menswear products	**Business Standard** http://www.business-standard.com/article/companies/bombay-dyeing-to-re-enter-readymade-apparel-segment-118050301401_1.html

After a long gap, Wadia group's textile company Bombay Dyeing is looking at entering readymade apparel once again with menswear products.

Earlier, it had an apparel brand, Vivaldi, which the company sold to Proline to manage.

"There is a huge demand from southern India for readymade apparel. We will test market it in South and take it to other markets over a period of time," said Aloke Banerjee, chief executive officer for retail at Bombay Dyeing.

The merchandise will be priced below Rs 1,000 apiece.

Currently, Louis Philippe, Allen Solly and other brands of Aditya Birla's Madura Fashion & Lifestyle are market leaders in menswear segment. Raymond has Color Plus, Park Avenue and Parx, and Arvind has brands, such as Arrow, in this segment.

RIL sold its iconic brand Only Vimal earlier to a Chinese company earlier.

Bombay Dyeing was also coming up with bedsheets on which customers can print digital prints like a home printer, Banerjee said. Customers can submit their photos in Bombay Dyeing stores or upload it on the company website. The company will charge charge Rs 1,999 and get it printed in 30 days.

It has started campaigning the new products this month. Banejeree said the company would also enter Central Asia, wherein it will sell its products in multi-brand stores.

The firm is looking at opening 100 franchisee stores this year, mainly in tier II and III cities. It has 200 franchisee stores, 27 company-owned stores and 3,000 multi-brand outlets.

The company is growing 30-35 per cent in retail and textile segment, Banejee said.

Bangladesh, once a 'hopeless' economy, is leaving Pakistan behind, says Kaushik Basu	**Financial Express** https://www.financialexpress.com/economy/bangladesh-once-a-hopeless-economy-is-leaving-pakistan-behind-says-kaushik-basu/1154910/

Bangladesh, once viewed as 'hopeless' economy, will soon leave its larger rival Pakistan behind in prosperity, as social changes and grass root initiatives help the 47-year-old nation move out of poverty, Kaushik Basu wrote in a recent post.

Bangladesh, once viewed as 'hopeless' economy, will soon leave its larger rival Pakistan behind in prosperity, as social changes and grass root initiatives help the 47-year-old nation move out of poverty, India's former Chief Economic Advisor Kaushik Basu wrote in a recent post.

Bangladesh is poised to overtake Pakistan in terms of per capita GDP in 2020 as it has shown transformation on the back of social changes and grass root initiatives, economist Kaushik Basu said in a recent post published by The Brookings Institution. Kaushik Basu, a former chief economist with the World Bank, dubbed Bangladesh as "most remarkable and unexpected success stories" in Asia in recent years.

Once crippled by poverty and famine, 47-year-old Bangladesh once viewed "hopeless" has exceeded Pakistan's GDP growth by roughly 2.5 percentage points per year, the former chief economist of the World Bank wrote.

"…by 2006, conditions seemed so hopeless that when Bangladesh registered faster growth than Pakistan, it was dismissed as a fluke," Kaushik Basu said, adding that even as there is no certain answer to the country's success, it can be attributed to social changes starting with women empowerment, grassroots initiatives, and the success of its garment manufacturing industry. In 2016, Bangladesh's GDP was $221 billion, while that of Pakistan was $283 billion.

"Thanks to efforts by the nongovernmental organizations Grameen Bank and BRAC, along with more recent work by the government, Bangladesh has made significant strides toward educating girls and giving women a greater voice, both in the household and the public sphere," Kaushik Basu wrote.

In fact, World Bank shared the same views as Kaushik Basu. It also praised Bangladesh's growth story, saying that the country has "an impressive track record" for growth and development, aspiring to be a middle-income country by its 50th birthday. Bangladesh has made substantial progress in reducing poverty, supported by sustained economic growth. "Bangladesh reduced poverty from 44.2 percent in 1991 to 18.5 percent in 2010," the World Bank said.

However, Bangladesh faces daunting challenges with about 22 million people still living below the poverty line. The World Bank said that it needs to create more and better jobs for the 2 million youths entering the job market every year. Bangladesh GDP growth is projected to be in the 6.5%-7% range during FY18-20, while Pakistan's GDP growth is projected to be 5.8% in FY19.

Russia to invest $250 million in technical textiles for defence	**Innovation Textiles** https://www.innovationintextiles.com/russia-to-invest-250-million-in-technical-textiles-for-defence/

The Russian government plans to allocate up to US$ 250 million in the design and production of nonwovens and technical textiles for the needs of the Russian military forces during the next several years, according to recent statements of some senior officials of the Russian Ministry of Industry and Trade.

The production will begin following the special state orders, details of some of which will not be disclosed to the public. The majority of funding for the project will be provided from the Russian military budget, which is estimated at around US$ 70 billion for 2018 – the highest in the history of modern Russia. It is planned that most of the funds will be invested in the design of special materials, based on technical textiles, which will be used in the production of military uniform clothing and other military equipage for Russian soldiers, including those, who are currently deployed in Syria and other Middle Eastern states.

The names of the enterprises that will participate in the project are currently not disclosed, however, according to sources close to the Russian Ministry of Defence, these will be Russia's largest producers of technical textiles and nonwovens, which have previously supplied their products to Western markets, European, in particular.

The project also involves acceleration of the R&D activities in the industry, involving some of Russia's leading research institutions in the field of technical textiles and nonwovens, as well as the country's leading technical universities, such as Bauman Moscow State Technical University – the Russia's oldest and largest technical university, which has been conducting R&D activities in the field of nonwovens and technical textiles since the 1990s.

According to an official spokesman of Denis Manturov, Russia's Minister of Industry and Trade, the majority of these R&D activities will be classified. As part of these plans, the Russian Defence Ministry plans to attract some well-known Western experts in the field of technical textiles that will participate in R&D activities in the industry.

In recent years, the demand for nonwovens and technical textiles from the Russian military and defence industries has significantly increased, which is also due to ongoing militarisation in the country. This has provided a significant impetus for the industry and created conditions for its further growth after stagnation, caused by the economic crisis in the country and Western sanctions.

According to Denis Manturov, in recent years, the Russian defence industry has become one of the largest consumers of nonwovens and technical textiles in Russia and it is expected that its share in the overall structure of consumption will continue to grow during the next several years at higher rates.

In the meantime, leading Russian producers have already welcomed the new state initiative, hoping that its implementation may result in the generation of additional profits, which is especially important due to ongoing stagnation of medical, construction and other sectors of the Russian economy, which to date, have accounted for the majority of technical textile and nonwovens' consumption in Russia.

Prior to 2017, the Russian technical textiles industry has experienced an acute shortage of funding, caused by a significant decline of investment attractiveness of the industry, however, thanks to the ever-growing demand from the defence industry, there is a possibility that such a situation will be significantly improved already in the coming years.

In the meantime, according to the Russian Association of Textile and Light Industry Producers, a public association, which unites Russia's leading technical textiles and nonwovens producers, the government's decision to invest funds in the development of technical textiles for the needs of defence will be a response to the recent announcement of the US to invest US$ 75 million in the design of new technical textile and nonwoven materials for military purposes.

$1.2bn Worth of Textile Materials Smuggled into Nigeria Annually	**Daily Live** https://www.thisdaylive.com/index.php/2018/05/04/1-2bn-worth-of-textile-materials-smuggled-into-nigeria-annually/

Despite the depreciation of the value of the naira and the anti-smuggling operation by the Nigeria Custom Service (NCS), checks by THISDAY have revealed an influx of imported ready-to-wear garments taking the value of smuggled apparel to a whopping $1.2 billion annually.

Stakeholders have blamed Nigeria's porous land borders for the menace while manufacturers insist government failure to tackle the problem was responsible.

Also, there are concerns around the recent signing of the pact forming the African Continental Free Trade Area (AfCFTA) in Kigali.

Stakeholders within Nigeria's textile, apparel and footwear industry opine that if the Federal Government of Nigeria (FGN) signs this agreement, it would have an adverse effect as it could accelerate the importation of cheaper imported textiles and garments.

However, analysts at FBN Quest have noted that the textile, apparel and footwear sub-sector remains the second largest contributor to Nigeria's manufacturing (after food, beverage and tobacco).

"The sub-sector posted total output of N383bn ($1.3 billion) in Q4 2017 or 23.3 per cent of manufacturing gross domestic (GDP). The segment grew by 1.6 per cent year-on-year (y/y) in the fourth quarter of2017, compared with 1.1 per cent recorded in the corresponding period of the previous year. Given Nigeria's huge appetite for fashion and related industries, the segment is still performing well below its full potential.

"Industry sources suggest that the country's annual import bill for textiles and ready-to-wear apparel is $4 billion. Meanwhile, trade statistics from the National Bureau of Statistics (NBS) tell a different story, with imports of textile and clothing items of N37 billion ($121 million) in the fourth quarter, "said FBN Quest.

On what the federal government should do to stop the menace, the analysts stated: "We understand that the FGN has kicked off the creation of special economic zones (SEZs), starting with a zone for garment manufacturing. On a macro level, this should attract investment within the sector, boost output and assist with easing pressure on the job market."

However, the NCS have blamed ignorance on the part of residents of border communities across the country for increasing smuggling of arms and contrabands.

The Controller, Federal Operations Unit, Zone 'A' of the Nigeria Customs Service (NCS), Comptroller Mohammed Uba stated this in a chat with THISDAY

He said that residents see smuggling as legitimate business and this remains one of the major challenges faced by the Unit in its efforts to curtail illegal border trades and other forms of smuggling.
He said the lack of knowledge is the reason why people see customs officials as enemies and sometimes attack them while they are carrying out their legitimate duties.

He however vowed that this will not deter the unit from performing its statutory responsibility of curbing smuggling.

While making reference to section 147 of the Customs and Excise Management Act (CEMA), Uba said the law empowers Customs to search any warehouse where there is reasonable suspicion that prohibited goods are kept there.
He called on the media to support the Service in the fight against smuggling by educating and enlightening the public on the dangers of smuggling.

"It is because of ignorance people living in the border communities feel and believes smuggling is a legitimate business. Customs is a constituted authority by the government but to our surprise, the whole community will just come and be attacking us. Because we collect tax, people see us as enemies.
"It is the media and some individuals who understand that smuggling is dangerous. So we must continue to educate ourselves and that is why we are soliciting the support of the media to educate people that smuggling is injurious to the economy.

"I have also been talking to my colleagues at the borders by advising them on customs community relation activity.

We advise them and they set up such communities and advise them on what to do.

“Smuggling is a war not only for customs but all of us. For example, look at the issue of rice. What is the point bringing in rice when we can locally produce this rice or bring them through the port, this are some of the issues we are facing but that will not deter us from doing our work,” he said.

Asia: jobs policy vs the machines	**Lowyinstitute** https://www.lowyinstitute.org/the-interpreter/asia-jobs-policy-vs-machines

Concerns about the negative impact of technology on the labour market are not new.

As early as 1817, at the beginning of the first industrial revolution, economist David Ricardo explained how jobs in the English textile industry were being lost as a result of the introduction of automatic weaving machines.

The application of new technology in the economy boosts productivity, allowing companies to produce more with less. The gains in productivity reduce the need for workers, destroying existing jobs and occupations.

However, economists have also long held that technology supports job creation by raising the salaries of those operating it, and by making production processes more efficient.

Increased efficiency reduces the cost per unit of goods produced and also, therefore, their price. As a result, workers have more money in their pockets to spend, which creates more jobs in other industries.

Asia’s job challenge

Last month, the Asian Development Bank published its Asian Development Outlook 2018*,* with a focus on how technology affects jobs in Asia. But while the report seeks to explain the ways technology can foster job creation, it does not address how Asian leaders can solve inequalities resulting from technological changes. That is an essential challenge.

The Asian Development Bank argues that in Asia, the higher output facilitated by technology will create jobs because new occupations and industries will be created to meet the new demand of consumers.

To underpin its logic, the bank uses the distinction created by David H. Autor, which recognises that any given job consists of a bundle of tasks. These tasks can be classified into two dimensions: manual or cognitive; and routine or nonroutine.

According to Autor, the technical feasibility of automating tasks using machines and computers is higher for cognitive and manual tasks that are routine (see quadrants 1 and 2 in the illustration above). These are the kinds of jobs at risk of displacement by labour-saving technology.

Cognitive or manual jobs that are non-routine are “safe” because their tasks are difficult to automate. New technologies complement this labour, but does not substitute it.

As a result, the share of employment in high- and low-skilled occupations (mostly located in quadrants 3 and 4) is growing, while the share of employment in the middle-skilled, middle-paying occupations, such as accountants and machine operators, is being squeezed. It is in this category (quadrants 1 and 2) where most routine jobs fall.

Squeezing the middle class

To understand how this phenomenon is unfolding in Asia, the World Bank's World Development Report 2016: Digital Dividends offers a useful description. The graph below, extracted from the report, displays changes in employment share in developing economies between 1995 and 2012.

It shows that, during the period, workers in developing countries left middle-skilled occupations (negative variation, in dark green), while the number of workers in low- and high-skilled jobs increased (positive variation, in light green).

While these changes might have had a positive effect on overall productivity, they also fostered inequality in the labour market.

The main issue is that middle-skills jobs, directly linked to the middle class, are disappearing. Employees in these jobs are moving either to high-skilled jobs that only very few qualify for (those with long experience and degrees), or to low-skilled jobs that face increasing competition and declining wages.

According to the World Bank report:

the jobs where workers are likely to lose out are disproportionally held by the least educated and the bottom 40% of the income distribution.

As a result, the biggest risk from the digital revolution is not massive unemployment, but the growth of income inequality.

Policy solutions

The Asian Development Bank suggests several policy solutions to this situation. It underlines that governments must act to enhance and adapt skills development, labour regulation, and fiscal reforms.

On the skills development side, despite growing access to educational opportunities over the past decade, the quality of education is still low in developing Asia.

The Program for International Student Assessment (PISA), a study led by the OECD that assesses educational systems, evaluates most Asian countries as "below" the OECD average for scholastic performance on mathematics, science, and reading. Basic education should be a priority to enable skills adaptability and encourage employment prospects.

With respect to labour regulation, the dominance of the informal sector in the region (60% according to International Labour Organization) makes policy interventions difficult. However, based on what is written in labour codes, the average level of employment protection in East Asia is actually higher than the OECD average.

The issue is the weak administrative and enforcement capacity of Asian economies. There are few initiatives designed to ensure domestic workers are operating under labour and employment regulations and laws in Asia, and there is still a long way to go to formalise these economies.

Finally, the Asian Development Bank recommends tax reforms that would involve broadening the tax base of these countries and/or improving their tax administration. Currently, the share of government revenue in GDP in many Asian nations is very low (in 2016, about 10% below the OECD average of 25%).

Latest figures from the World Bank show small improvements, but tax trends in Asia are clearly not skyrocketing. In addition, Asian countries face many fiscal issues, such as tax collection, tax evasion, and a large informal sector.
The need for political will

These reforms could support Asian countries' efforts to deal with inequalities in their labour markets arising from new technologies. However, these measures take time and effort, which makes them difficult, politically and administratively, to implement.

The question is, then, whether Asian politicians and policymakers are to up to the task. This the Asian Development Bank report does not say.