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NEWS CLIPPINGS –23-11-2018

Textile Ministry simplify ATUFS norms soon to make it industry friendly	Business Standard https://www.business-standard.com/article/economy-policy/textile-ministry-may-simplify-atufs-norms-soon-to-make-it-industry-friendly-118112200899_1.html

In a major relief, the textile ministry may soon announce simplified norms under the Amended Technology Funds Scheme (ATUFS) for players in textile and intermediaries across the value chain.

Following severe difficulties faced by textile players to avail benefits under ATUFS due to its complicated structure, a steering committee under the aegis of senior textile ministry officials held its meeting on Thursday to discuss modalities for its simplifications. The industry hopes that the ministry would soon convene a meeting of senior industry officials including their representative bodies to make the scheme industry-friendly.

The complications can be gauged from the fact that the textile ministry has received 8160 applications seeking benefits under ATUFS since its launch in January 2016 of which the government has issued unique identity numbers (UIDs) for 6400 projects. Out of the annual budgetary allocations of Rs 23 billion and claim sought for around Rs 18 billion, the government has released a meagre amount of Rs 3.5 billion.

"Because of this massive fund blockage with the government, many units are facing financial strain for the purchase of raw material to feed their plants. Since the fund meant for speedy release, companies had borrowed from financial institutions. Consequently, they are paying interest on the fund blocked with the government. So, it is a double blow for the entire textile sector and its value chain," said K Selvaraju, Southern India Mills' Association (SIMA).

The Finance Minister in the Union Budget 2017-18 and 2018-19 had allocated an annual sum of Rs 23 billion for technology upgradation in the textile sector. But, the complicated structure of ATUFS has made it one of India's least preferred subsidy schemes.

Textile units are facing a number of hardships to avail this benefit. For example, the overseas machinery suppliers should be enlisted in the suppliers' list for which the government is asking for documents like ISO (International Organization for Standardization) certification which machinery suppliers find reluctance. Secondly, the government has introduced joint inspection by textile experts in financial institutions or industry associations.

Apart from the allocation of 16-digit MIC (machine identification code) number engraved on imported machinery, the government has included approval for all individual machinery mandatory required for the plant.

“The total fund allocation under ATUFS has been very low since its launch in January 2016,” said Sanjay Jain, Chairman, Confederation of Indian Textile Industry (CITI).

While announcing ATUFS, the government allocated Rs 178 billion of which Rs 51.5 billion was meant for ATUFS alone. The balance was scheduled for old TUFS including blackout period, revised TUFS (RTUFS), revised and restructured TUFS (RRTUFS) etc.

The textile industry has blamed manpower shortage at the Textile Commissioner’s office for joint inspection. The industry has recommended the textile ministry to set up a special task force to study the difficulties faced under ATUFS.

“We believe, the government would soon announce relaxations in ATUFS for ease of doing business in this sector for the benefit of textile sector,” said a senior industry official involved in dialogue with the government.

Meanwhile, India’s textiles and apparel exports jumped by a staggering 38 per cent in October due to growing demand from overseas. Led by the US, the largest importer of India’s clothing, the boom has been triggered by recovery in the global economy. Depreciating rupee helped boost realisations of textile, apparel exporters.

According to data compiled by the Ministry of Commerce, the country's textile and apparel exports stood at Rs 203.53 billion for October 2018 as against Rs 147.79 billion in the corresponding month last year. While overall textiles exports posted a jump of 28 per cent, shipment of apparel from the country shot up by 54 per cent in the month under consideration.

Being closely linked with the country's economy and employment generation, the increase in exports indicates a recovery in the global economy.

G20 trade restrictions soar, cover around $481 billion of trade, says WTO	**Business Standard** https://www.business-standard.com/article/international/g20-trade-restrictions-soar-cover-around-481-billion-of-trade-says-wto-118112200968_1.html

Countries belonging to the G20 group of the world's biggest economies applied 40 new trade restrictive measures between mid-May and mid-October, covering around $481 billion of trade, the World Trade Organization said on Thursday.

The new restrictions covered six times more trade than in the previous period and were the largest since the WTO started monitoring G20 trade in 2012, it said in a statement.

"The report's findings should be of serious concern for G20 governments and the whole international community," WTO Director-General Roberto Azevedo said in the statement.

"Further escalation remains a real threat. If we continue along the current course, the economic risks will increase, with potential effects for growth, jobs and consumer prices around the world."

The WTO was doing all it could to help de-escalate the situation, he added, but solutions would need political will and leadership from the G20, whose leaders will meet in Argentina next week.

The monthly number of trade restrictions averaged eight during the period covered by the report, up from six per month in the previous report, which covered mid-October 2017 to mid-May 2018, the WTO statement said.

"The proliferation of trade-restrictive actions and the uncertainty created by such actions could place economic recovery in jeopardy. Further escalation would carry potentially large risks for global trade, with knock-on effects for economic growth, jobs and consumer prices around the world," it said.

TARIFF HIKES

Three-quarters of the latest trade restrictions were tariff hikes, many of them retaliation to steel and aluminium tariffs imposed by US President Donald Trump in March.

But the WTO did not count measures that had been announced and not yet implemented, and one G20 country had asked for its tariff retaliation to be omitted from the monitoring report, which was done for "transparency" purposes, the WTO said.

G20 countries had also implemented a monthly average of almost seven trade-liberalising measures, such as reducing import tariffs and export duties, in line with the trend since 2012.

The trade covered by the liberalising measures was worth $216 billion, about two and a half times more than in the previous report. Two-thirds of that value was attributable to China reducing more than 1,400 tariffs on vehicles, components and other products.

A further $541 billion of trade, 4 percent of G20 countries' imports, was covered by expansion of the WTO's Information Technology Agreement, a liberalising measure that was excluded from the report's headline numbers.

Production falls in powerloom units	The Hindu https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/production-falls-in-powerloom-units/article25572637.ece

About half the number of workers employed at units in Somanur are from other districts

Cyclone Gaja, which destroyed properties and crops in several of the southern districts, has had an impact on weaving units in Tirupur and districts too.

These districts employ a large number of workers to operate the conventional powerlooms that do job work.

Most of the workers from the southern districts have either not returned to work after the cyclone or have gone back home.

The job working powerloom units in Coimbatore and Tirupur districts are functioning only to 30 % of the capacity, according to the unit owners.

About half the number of workers employed at the job working units in Somanur are from other districts. Usually they go home for Deepavali and return after a week. This year, with cyclone Gaja, workers from these districts have not returned to work yet.

"The units are facing labour shortage as just 50 % of the workers from other districts have returned," says P. Kumarasamy, secretary of the Somanur Job Working Powerloom Unit Owners' Association.

Just 30 % of the installed capacity of job working powerloom units are functioning, he said.

It might take another two weeks for normal production to resume.

Contract workers

According to Velusamy, president of the Palladam Powerloom Job Workers' Association, workers from the northern States are usually employed to operate the larger powerlooms and those from other districts of Tamil Nadu are mostly employed as contract workers at the conventional powerloom units.

Some workers from the southern States who returned to work after Deepavali have also gone back now to assess damage to their houses and to see their families. This has affected production to a large extent, he said.

Palladam job workers to get common facilities	The Hindu https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/palladam-job-workers-to-get-common-facilities/article25572638.ece

The job working powerloom units in Palladam will soon have common facilities that will help them manufacture value-added fabrics.

According to Velusamy, president of the Palladam Powerloom Job Workers' Association, the plan is to set up common sizing, bleaching, printing, stitching, and cutting units with modern machinery. "We have formed a private company called Palladam Powerloom Cluster. It currently has 45 members. The Central Government approved our project and recently sanctioned Rs. 12.5 crore and the State Government has given Rs. 1 crore. We will also invest Rs. 5 crore, part of which will be bank loan," he said.

The members of the company, who now produce grey fabric, will be able to add value. They can print, stitch, and make different products. They can scale up to become "own manufacturers" from job working, he said. They work will be done at a minimal cost for the members. The newly-formed company is looking for land. "We are trying to identify four to five acres." The Central Government has provided back-ended subsidy. So the works have to commence for the Government funds to come in. The private company has to become sustainable, Mr. Velusamy added.

This is a project sanctioned through the MSME Ministry to help clusters set up common facilities.

Amendments to State GST Act introduced	The Hindu https://www.thehindu.com/todays-paper/tp-national/tp-mumbai/amendments-to-state-gst-act-introduced/article25572906.ece

The State government on Thursday introduced a Bill to bring amendments to the Maharashtra Goods and Services Tax Act, 2017, to ease out inconveniences caused to medium and small enterprises.

The government has proposed the amendments as per which a tax payer can now have the option to obtain multiple registrations for multiple places of business located within the same State. It also offers separate registration for the special economic zone unit or the developer.

The amendment Bill offers enhancement in the exemption limit for registration in the special category States from Rs. 10 lakh to Rs. 20 lakh, empower the State to notify the classes of registered persons for paying the tax on reverse charge basis, in respect of receipt of supplies of certain specified categories of goods or service or both, from unregistered suppliers, enhancement in the limit of composition levy from Rs. 1 crore to Rs. 1.5 crore, a provision for temporary suspension of registration while cancellation of registration is under process, and an increase in the period relating to detention or seizure of goods and conveyance in transit from seven days to 14 days.

Deepak Kesarkar, Minister of State for Finance, introduced the Bill in the Assembly, which will be discussed next week. The State cabinet had already announced these decisions last month. However, those will now be the part of the State GST Act after the Assembly passes the amendments.

What ails India's anti-dumping process	**Business Line** https://www.thehindubusinessline.com/opinion/what-ails-indias-anti-dumping-process/article25569129.ece?homepage=true

By holding Indian industry to a higher standard than its global peers, the DGTR is failing in its mandate

India is one of the largest consumption economies in the world. Add to that its billion plus citizens' penchant for 'value for money' products. This potent combination has made the country a prime dumping ground for a wide variety of goods, especially from China, Taiwan and South Korea. Under the circumstances, it is only pertinent that India has strong anti-dumping defences in place to safeguard its growing economy in an era where protectionism is rearing its head globally.

But in reality, that is not the case. The Directorate General of Trade Remedies (DGTR), a Department within the Ministry of Commerce that looks at unfair trade practices by exporters from other countries, is inadequately staffed. On top of that, its decision-making, delayed in many instances, has been arbitrary.

Hurt by dumping

The outcome: Indian economy continues to be hurt by dumping of products from other countries. Those taking the brunt of the impact are not just the big corporations, who have the wherewithal to survive, but MSMEs who are shutting down unable to compete in the market.

Let us start with something as mundane as staffing. DGTR, according to the latest available information, has just seven costing officers and five investigating officers. They are currently investigating 38 cases of dumping. Even here the allocation of work is uneven with select costing and investigation officers handling over six to 12 cases each. This does not include investigations they do to *prima facie* determine whether a petition filed for anti-dumping duty (ADD) should be taken up. They cannot be more overworked.

Not surprising that it takes way too longer for Indian enterprises to get relief from dumping. In the US an anti-dumping investigation is initiated within weeks, interim duty imposed in three months and final duty is arrived at in six to nine months. In India it could take as much as 33 months from the time the petitioner realises that he is being hurt by dumping.

The actual investigation is completed mostly within the stipulated 18 months from initiation, but initiation itself takes about a year in many cases. The Finance Ministry then takes another three months to impose ADD.

Delays apart, DGTR's ad hocism when it comes to applying norms is more worrisome. Its decisions, many a times, have gone way beyond what is stipulated by World Trade Organisation (WTO) rules. In its concern against fostering excessive protection, the DGTR is ending up distorting the playing field for the domestic industry instead of its mandate, which is to level it.

Take the case of interim duty. It is a given that once initial investigation reveals injury on account of dumping, an interim duty is levied for immediate relief which will then be replaced by the final duty after extensive investigation. In 2001, all the 33 cases taken up for investigation had interim duties levied. It was 13 out of 13 cases in 2009. But from then on imposition of interim relief began to decline. It was just three out of 22 cases in 2017 and in 2018 (up to June) none of the 13 cases taken up saw imposition of interim relief. Not imposing any interim relief at a time when final duty is invariably delayed is perplexing.

Sunset review

If at all an ADD is imposed, it is for a select period of, say, five years or so. Even after this period if dumping continues, the industry can at the end of five years apply for a sunset review. Globally, the norm is that if a sunset review is applied for, the ADD is extended for one year pending investigation.

In India, the norm has been modified and the industry has been asked to apply for sunset review nine months before the expiry of ADD so as allow time for the DGTR to investigate the case.

When compared to their peers across the world, the Indian players are deprived of protection for a year. This is critical because the DGTR, of late, has been rejecting almost every sunset review application. In 2013 and 2014, the percentage of duty extension post a sunset review was 100 per cent. In 2017 it was 0 per cent, and in 2018 only one of seven reviews was the duty extended.

This is because the DGTR is increasingly hesitant to extend ADD beyond 10 years on the grounds that this period is good enough for the industry to become competitive. But the industry players argue why the DGTR should hold them to higher standards when Brazil, the US, Canada and the EU have ADDs running for 20 years and more. Their stand is that as long as dumping continues ADDs need to be in place to protect the domestic industry.

The affected industry is also held to higher standard when it comes to the quantum of duty. Norms allow countries to levy ADD based on either the dumping margin or injury margin. India opts for lower of the two. What makes things worse is the way freight, cost of inputs or operating efficiencies is treated, which invariably deflates the injury margin. Then there is ‘public interest’. There have been instances where the DGTR has recommended ADD but the Finance Ministry has demurred on the ground that low-priced imports are good for the country.

It happened in the case of Penicillin G earlier and solar panels (safeguard duty has since been imposed), more recently. This unique Indian policy cannot be more myopic as what is in ‘public interest’ today will end up hurting the country in the long term.

Predatorily priced imports will eventually kill the domestic industry and make the country dependent on imports. Once that happens companies exporting the product to India will stop being charitable and jack up the prices.

These policies do give credence to entrepreneurs' suspicion that the authorities still view them as profiteers and approach the issue with an anti-business, dirigisme mindset. It's time to correct this.

Parliamentary panel to study working conditions of women in textile industry	**Times of India** https://timesofindia.indiatimes.com/city/surat/parliamentary-panel-to-study-working-conditions-of-women-in-textile-sector/articleshow/66756421.cms

The Women workers employed in the city's unorganised man-made fabric(MMF) sector may get the attention of the Central Government in the coming days. A-30 member parliamentary Committee on Empowerment of Women will be visiting the Diamond City on November 28 to examine the condition of women workers in Surat's unorganised textile sector.

According to an estimate, out of the 14 lakh workers employed in the city's textile, embroidery and jari industries, women workers account for about 15% workforce. Majority of the women workers are employed in the jari and hand-embroidery sector.

Most of the women workers are employed in embroidery loike Jardoshi work, butta and lose thread cuttinf jobs, saree stitching lace, pearl tikki and Sitara fixing to add value to the saris and dress materials, stitching in garmenting sector, preparing of soft toys, Pillows and other related products from textile scrap etc.,

The South Gujarat Productivity Council (SGPT), which will make a detailed presentation before the Parliamentary Committee Members, stated that the Women workers have been largely affected due to the ongoing recession in the textile sector. The impact of GST and the decreasing production has directly impacted the women workers in the unorganised textile sector. Apart from recession, the textile sector is facing major challenge in terms of changing trends in fashion and consumption of cotton based fabrics.

Moreover, the textile sector in South Gujarat is facing stiff competition from neighbouring Maharashtra due to highly subsidised electricity tariff rates. At, present, the solar subsidy is provided for eight looms shed, but there are an average of 24 looms in a single shed in the city that are unable to claim the subsidy.

Vice-president of SGPT, Asha Dave told TOI, "There is au urgent need for the Central Government to provide an exclusive women textile market in the city to boost the entrepreneurial skills for the women involved in the textile sector. Also, the government should formulate a special policy for the companies ready to give employment to more than 6o0 per cent Women.

Dave added, "This is first time that the Parliamentary committee of Loksabha is on visit to understand the condition of women working in the textile sector. We have prepared a detailed presentation and hope for proactive measures for the betterment of the women workers".

Why the Rupee depreciation has not helped in improving India's exports yet	Financial Express https://www.financialexpress.com/opinion/why-the-rupee-depreciation-has-not-helped-in-improving-indias-exports-yet/1357586/

While exports are not along the lines hoped for, base effects played a large role in the September numbers. But, the exchange rate, by itself, can do little

The main argument of proponents of non-intervention in foreign exchange markets in the face of a rapid depreciation of the rupee is that the currency acts as an equilibrating mechanism to shrink India's current account deficit. The merchandise trade data for September 2018 was probably the first empirical test for the hypothesis. As a summary, if only a narrow one, the metric of the exchange rate—the USD-INR rate—fell from an average 67.0 during April-June to 68.7 in July, 69.6 in August to 72.3 in September. Although it is still early days yet—factoring in of lags in trade pricing contracts and transactions invoicing—evidence of trade elasticities responding to the depreciating currency should have begun to show up.

In the first sign of a response of India's trade to the depreciated rupee (INR), the merchandise trade deficit narrowed sharply to $14 billion in September 2018, down from an average $17 billion over May-August. However, the $3.4 billion cut in the deficit was almost entirely due to lower imports, with exports barely creeping up by $100 million. The $3.3 billion lower imports was mainly to a drop in machinery and transport equipment ($1.3 billion), crude and petro products ($0.9 billion) and coal ($0.5 billion). There is some uncertainty about how much the lower industrial imports might be a sign of slowing demand, but domestic sales suggest that it might be a factor.

While exports in September contracted 2.2%, this might not be an accurate metric of a business response to the currency, being largely because of the base effect of the sharp spike in export growth in September 2017 that was probably the result of a one-time adjustment to pent up demand, post the frictions generated before and just after the transition to GST. This said, export by value remained at the $28 billion monthly level in September, about the same as the average $27.5 billion during the four previous months. In terms of the composition, the approximately $1 billion rise in petro products and gems and jewellery over August 2018 was offset by a drop in exports of engineering goods and textiles.

What stands out in a longer term perspective on contributors to the trade deficit is the sharp rise in the petro group deficit over the past 6-7 months, which had shrunk in September 2018. Indeed, there are now signs that demand for diesel, petrol, kerosene and other products has come off in response to the rise in outlet prices. The gold-related deficit, while lower than in FY18, has remained quite stable over the months in FY19.

As an aside, services trade (with data available till August) also does not seem to have responded much. Exports, imports and the surplus have remained rock steady at $16.5 billion, $10.5 billion and $6 billion per month, respectively, since December 2017.

Taking a more granular view on merchandise trade over the years, imports in FY18 (at $466 billion) had already crossed the FY14, FY15 levels of $450 billion, while exports at $ 303 billion were still short. Exports during April-September FY19 were 12% higher than the corresponding period last year, while imports were up 17%. While the growth rates are likely to converge over H2FY19, our projections for the full FY19 suggest that this gap will only increase, unless there is a sharp expansion of exports.

While it might be early days yet to take a call on the response of trade to the rupee, a look at trends in the accompanying graphic provides a perspective. The trends suggest that, over FY18 and FYtd19, import growth has been flat, but export growth seems to have trended marginally lower.

This, unfortunately, is in a global environment where trade had actually improved in value terms, although mostly due to higher prices, while volumes have crept slightly lower. This narrative is also corroborated by trends in shipping prices (the Baltic indices, where the trend of falling shipping rates over the past decade, even adjusted for excess shipping capacities) had reversed since September 2016. Global trade metrics, though only available till July 2018, indicate that emerging Asia trade volumes had risen 4.8% month on month; India's trade value was down 3%.

Based on current readings of export dynamics (which might change), our current account deficit (CAD) estimate for FY19 still remains at 2.7% of GDP, with the expected deficit compression offset by a shrinking GDP (in USD terms). This is based on our assumption of average Brent crude in FY19 at $77/bbl (actual price in H1 was $74/bbl).

The Purchasing Managers Index (PMI) survey responses show a steady rise in export orders (and this is corroborated by channel checks), and the cost of financing receivables due to delays in credit of GST taxes are also now reported to have mitigated. However, studies by think tanks and our own research suggests that the exchange rate alone does very little of the heavy lifting of trade adjustment. The government and other authorities have already initiated measures, but more effective structural measures are needed as an ongoing process to increase India's competitive efficiency.

Govt must resolve issues faced by manufacturers to increase exports	**The News** https://www.thenews.com.pk/print/396981-govt-must-resolve-issues-faced-by-manufacturers-to-increase-exports

Pakistani rulers should take cue from the way the leaders of emerging economies operate to push up their manufacturing sector.

They interact on a monthly basis with the leaders of associations and industrialists to listen to and resolve their immediate issues.

The tone was set by the president of South Korea in 1970s, who met the manufacturing sector representatives once a month to listen to their problems. The government and the manufacturers sorted out the issues and instructions were immediately issued to the bureaucracy to implement the decisions.

When the president met the manufacturers the following month, the progress on the previous month's decisions was reviewed. If there was delay from the government side, the bureaucracy was severely reprimanded.

The monthly meeting was religiously held and presided by the president, who ultimately removed all bureaucratic red tape and improved government services to global level.

In recent years, Narendra Modi of India presides over a monthly meeting with industry leaders to remove minor irritants faced by the manufacturers from public servants. Despite excellent government policies, Indian economy was under pressure when Modi assumed power.

In view of the global recession at that time, he took measures to facilitate exporters that in turn promised higher exports. The businesses delivered, as the monthly meetings discussed both the things that government had to do and the update on the promises of the businessmen.

The monthly meetings are still on and the progress from every exporting sector has diversified Indian exports both in terms of sectors and destination.

In Bangladesh, the head of the textile exporters association sits in the prime minister's secretariat. The prime minister is available to the textile head whenever needed.

This system remains operative irrespective of the fact who is in power in that country. All irritants to textile exporters are addressed on priority.

Bangladesh is perhaps the only country in the world where the growth in textile exports remained robust even during deep global recession.

In Pakistan, former Prime Minister Nawaz Shariff announced to meet leading businessmen once a month, but except for a meeting or two he remained unavailable to the businesses. Even his finance minister could not find time to listen to the grievances of exporters.

After PTI assumed power, it was expected that Prime Minister Imran Khan would proactively woe the manufacturers and hold regular monthly meetings with them.

Unfortunately, some elements in the ruling party assumed some businessmen to be pro PML-N or pro PPP. So they ruled them out for interaction at official level.

Instead, a set of 22 prominent businessmen were named in a panel that was to interact with the prime minister regularly. The handpicked businessmen (on political ground) are no doubt respectable in the business community, but they are not representatives of the industrial associations.

The industrial associations elect their representatives democratically, who then represent them on public forums and plead the case of their sector with the government.

The PTI government should have included heads of different industrial associations among the panel of businessmen that the prime minister intends to interact with periodically. The PM would be able to listen to the problems of each manufacturing sector.

He would also have realised that the problems of one sector were in conflict with the issues of the other sector. He could then have formed a committee of experts to formulate the policy that was in best national interest. The economy would then start moving in a cohesive manner.

It is strange that the manufacturing economy is not moving in the right direction, although the labour and other cost indicators reveal that the manufacturing cost in Pakistan is the lowest in the region after massive devaluation of Pakistani rupee.

The minimum wage for instance is $170/month in India, $240/month in China, $95/month in Bangladesh, $145/month in Vietnam and $120/month in Pakistan. The land cost or leasing cost per square meter in India is $80, it is $40-80 in China, $140 in Vietnam and $20-50 in Pakistan.

Industrial water cost per month is 46 cents in India, 45 cents in China, 30 cents in Bangladesh, 48 cents in Vietnam, and only 18 cents in Pakistan. Diesel rates or transportation rates are 105 cents/litre in India, 102 cents in China, 78 cents in Bangladesh, 80 cents in Vietnam, and 80 cents in Pakistan.