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NEWS CLIPPINGS –05-06-2018

Tamil Nadu exempts textile job working/service units from e-way bill	**Financial Express** https://www.financialexpress.com/economy/tamil-nadu-exempts-textile-job-working-service-units-from-e-way-bill/1193710/

There are hundreds of job working units located in and around Tirupur, involved in stitching, ironing, cleaning, embroidering, among other activities.

The Tamil Nadu government has exempted job working and service units related to yarn, fabrics and garments from generation of e-way bill. There are hundreds of job working units located in and around Tirupur, involved in stitching, ironing, cleaning, embroidering, among other activities.

The state government has issued a notification stating that no e-way bill is required for the transport of consignment with value of goods not exceeding Rs 1 lakh and a list of goods notified by it, which include textile products like hank yarns, and job work/services related to yarn, fabric and garments.

India's textile exporters expect easing of working capital	**Business Standard** https://www.business-standard.com/article/markets/india-s-textile-exporters-expect-easing-of-working-capital-118060500047_1.html

This is major relief for the textile industry, said Ujwal Lahoti

The country's textile industry is pleased at the news that the central government would, in a fortnight, release 60 per cent of the estimated Rs 25 billion of dues under the Refund on State Levies (ROSL), held by it since the goods and services tax (GST) was implemented last year.

"This is major relief for the textile industry. Exporters were facing a working capital squeeze due to blockage of such a large fund under ROSL. Also, exporters were paying interest to lenders on the blocked amounts. Textile exporters would now get relief from this double blow," said Ujwal Lahoti, chairman, Cotton Textile Export Promotion Council.b "ROSL was a major issue facing the the entire industry for long. While the government's intention was clear in favour of releasing the fund, actual disbursal was an issue until now. With the government's fresh commitment for speedy release, textile exporters would get easy refund of state taxes. This would improve their liquidity," said R K Dalmia, president, Century Textile and Industries.

Lahoti added: "Some policy measures like refund of embedded taxes (also recognised by the Economic Survey for 2017-18), extending the ROSL scheme which refunds state levies like value added tax and generation of captive power, mandi tax, duty on electricity, stamp duties on export documents, etc, and to expedite the refund of pending GST and IGST claims, and ROSL of exporters need to be considered on priority basis.

How to tackle the cotton bollworm	**Business Line** https://www.thehindubusinessline.com/economy/agri-business/how-to-tackle-the-cotton-bollworm/article24081971.ece

The farm varsity here has recommended to cotton growers on measures to tackle pink bollworm infestation which has been causing havoc to the crop.

In a note issued here today, the University has advised growers to remove the cotton crop and dispose the crop residue soon after harvest, adopt proper crop rotation and also avoid ratoon cotton crop.

“Summer ploughing is a good agronomic practice for removal of pupal stage pests from the soil. Weeds which are the alternate source of insect pests in cotton field should be removed at right time,” the note said.

Cotton researchers have urged growers to collect the remaining crop residues from last harvested field and destroy the same.

Pink bollworm should not be allowed to complete its life cycle, crop researchers said.

State Bank of India to offload NPAs worth over Rs 13 billion	**Business Standard** https://www.business-standard.com/article/finance/state-bank-of-india-to-offload-npas-worth-over-rs-13-billion-118060500013_1.html

According to information document placed on SBI website, Ankit Metals and Power with an exposure of around Rs 6.9 billion, is the largest among them

Continuing with efforts to clean up its balance sheet, the country’s largest lender, State Bank of India, has put on sale non-performing assets (NPAs) worth over Rs 13 billion. Banks intend to sale these bad loans, covering sectors such as steel and textile on a 100 per cent basis.

There are 12 corporate accounts from branches in Chandigarh, Kolkata and Hyderabad.

According to information document placed on SBI website, Ankit Metals and Power with an exposure of around Rs 6.9 billion, is the largest among them.

SBI executives said this was the second auction in the current financial year. Only asset reconstruction companies (ARCs), banks, finance companies and financial institutions can participate in the auction.

The first auction held in April 2018 was for NPAs worth Rs 8.48 billion.

The bank is offloading homes, office spaces and factories, kept as collateral for various loans, through a separate process. There is also an option for cash-cum issuance of security receipts (SRs) for the sale of these assets.

The sale on cash-cum security receipts basis will be governed by following rules. The management fee would be 1.50 per cent per annum of net asset value (NAV) at the lower end of the range of the NAV specified by the credit rating agency for first 3 years.

The management fee would be reduced later — 1.25 per cent for the fourth and fifth year, and 0.75 cent for the sixth year onward.

The excess recovery after redemption of security receipts i.e. upside, if any, will be shared by the holders of security receipts and the asset reconstruction companies on 80:20 basis.

Gross NPA ratio (gross NPA as a percentage of advances) for the quarter ended March 2018 was at 10.91 per cent, against 6.90 per cent a year ago, and 10.35 per cent in the third quarter ended December 2017.

Decoded: Relevance of Competition Commission of India in an open economy	**Financial Express** https://www.financialexpress.com/opinion/decoded-relevance-of-competition-commission-of-india-in-an-open-economy/1193644/

Competition laws should definitely be concerned where products or services are priced below their variable costs.

Like particles behave unpredictably under zero gravity in physics; in economics what works well in a closed economy may not work that effectively in an open economy and vice versa. The current controls over monopolies, anticompetitive practices, abuse of dominant positions and mergers exercised by the Competition Commission of India (CCI) seem inappropriate for an open economy. Somehow, from the days of Joan Robinson, whose work on imperfect competition is the basis of such market interventions, lesser prices are taken to mean better consumer welfare in our socialistic mindset.

Indian telecom market, which has expanded solely based on cheap and cheaper prices, is an example of how non-remunerative prices can destroy consumer welfare and lead to shoddy services—you cannot even say ‘I love you’ to your beloved on cellphones these days without 3-4 call drops in between! As it stands today, India is a considerably more ‘open economy’ and particularly more so since ASEAN FTA, trade agreements with South Korea and Japan from where virtually most goods are available at zero duty at cheaper import parity prices, and from China despite duties.

Most manufactured goods can be freely imported—so how can anyone (or in collusion) control or manipulate prices and fix them beyond import parity prices? Conversely, if the Indian prices are lower despite nil-duty imports, it only signifies domestic industry being competitive—so what’s the grouse anyway? Indian firms would be exporting in such cases. In an open economy, the comparative competitive landscape is not just Indian firms, but includes other relevant supplying regions, say China, ASEAN, Japan, Korea and some others, over which CCI has no control.

Controlling only the domestic subset leads to loss of competitiveness. Bangladesh and Vietnam have taken a huge part of our share in textile trade (the prime reason for a bleak domestic employment scenario is textiles, potentially our largest employer) due to scale economies: average firm sizes in Bangladesh and Vietnam are 10-20 times that of India’s. In some cases, a single machine or unit in China manufactures what the entire Indian industry manufactures or consumes. Scale is an essential component of efficiency and competitiveness and restrictions on them are self-destructive.

Indian regulators have often gotten into the morals of pricing—the very antithesis of free markets. Indian agricultural produce markets are the most ‘perfect’ competitive—many tiny producer-sellers and many individuals buying: the ideal of any Robinsonian economist. Yet from time to time, tomato and onion prices fluctuate like an ECG graph whose needle has come unhinged—much more violently than tractor prices, airline prices, white goods and electricals. Should CCI get into controlling onion and tomato prices and underlying market practices? These have more impact on the daily lives of more people on the brink than many manufactured goods.

Does collusion work in India? Price is the main driver for most consumer decisions. It’s not unusual to find a Mercedes buyer bargain for a free key chain. In markets where demand curves have high elasticity, there is limited scope of manipulating prices by firms: small hikes in prices will drive away lots of customers to alternative products. Competition legislations are relevant more for elastic demands.

Collusive price hikes would lead to reduction in sales in price-sensitive markets. But who would volunteer to take these cuts, like Saudi Arabia does for OPEC? If demand is weak, most players would want to jostle with others and gain market share. If demand is inelastic and hefty price increases are possible with small cuts in production (few such examples in India: can washing machine manufacturers cut production by, say, 5% and achieve 25% price jumps?), will any player cut his volume and watch others make money at his expense? Preposterous.

As economist William Baumol concluded over half a century ago, firms are more guided by sales maximisation and other such proxies than profit maximising in their behaviour. Collusion requires cooperation. Where sly and open evasion of every rule or tax laws are the norm, gentlemen agreements or voluntary self-controls in India are unthinkable. We are terribly competitive in our behaviour: otherwise you won’t see such uncouth queue-jumping or impatient driving or ‘one for each day in year’ number of national-level political parties. Giving up for greater good is just not in our bloodstream.

The right focus

Why be concerned with B2B transactions when both parties are informed, experienced and likely to behave rationally and not psychologically pressurised? Far more collusive behaviour is witnessed in B2C transactions, say, between a doctor (prescribing tests upon irrelevant tests, refusing an operation unless you pass the ‘show me the money’ tests), drug firms and diagnostic labs, or between lawyers, a legal system completely under their thumb, and hapless clients. To focus on such B2C transactions would be far more welfare additive. CCI should focus more on beefing up enforcement and delivery of consumer protection laws.

Competition laws should definitely be concerned where products or services are priced below their variable costs. A society not paying variable costs is wasting resources. Such cases in telecom, power and petroleum pose huge systemic risks to the financial system. In any case, why would an Ola or Uber recover less than variable costs unless it is to drive away competition and start exploiting when others have folded up. Such practices are a matter of larger concern, but don’t seem to merit the attention of our CCI.

Competition laws should not be concerned with products that can be imported at zero duties or are being imported in large quantities despite duties or products of discretionary expenditure. Why be concerned with scale or prices of consumer electronics, white goods or cars, except to ensure that contractual obligations are adhered to and people are not ‘cheated’? Let the consumer choose to stay away.

Competition laws should kick in only when firms reach one-half of ASEAN’s biggest capacity. It can be applicable for lifesaving drugs or non-discretionary products. Others can be followed up based on surveillance or based on grievance from end-users. There are several areas where there are no market structures or performance of existing ones is poor. The commission should work out structures in those areas (for example, market structures for electronic waste, scrapped automobiles, vehicle parking, rural finance and insurance, public distribution system, etc).

CCI, in our open economy context, seems more a status symbol pining to belong to economic fashion street. If Make-in-India refuses to get up, sub-scale will be one key reason and legislations like CCI will have a lot to answer for. India badly needs to consolidate and scale up for cost competitiveness.

Trade War: Textiles in the cross-hairs	**Home Textiles Today** http://www.hometextilestoday.com/article/554340-trade-war-textiles-cross-hairs/

China may be up in the air, but some U.S. textiles exports are now facing retaliatory tariffs from Canada and the European Union.

Last week, President Donald Trump announced that he was removing the exemptions from additional tariffs on steel and aluminum from EU member countries, Canada and Mexico. HFPA counsel Robert Leo reminded home textiles members in a June 1 letter that the EU has threatened additional tariffs on U.S. products including cotton bedlinen, various fabrics, cotton blankets and traveling rugs, and down or feather-filled bedding.

Canada has also issued a list of threatened retaliatory tariffs on U.S. exports to go into effect on July 1, added Leo, a principal at Meeks, Sheppard, Leo & Pillsbury. That list includes the follow home textiles items (with Canadian HS numbers):

Tablecloths and serviettes/napkins: 4818.30

Sleeping bags: 9404.30

Other bedding and similar articles: 9404.90

Regarding potential U.S. tariff s on Chinese imports, Leo noted: “Textiles and textile products were not on the earlier list, and there is no indication that they will be on this ‘final’ list. However, there have been plenty of surprises, so stay tuned.”

The U.S. government is scheduled to publish its list on Chinese imports that will be subject to tariffs on June 15.

Mexico announced it will also issue a list that includes several agricultural, steel and aluminum products, although there has been no mention of textile or home fashion products, wrote Leo.

Canada is also proposing to respond to the Trump administration's imposition of tariffs on Canadian products by targeting U.S. mattresses sent to Canada, according to a report from HTT sister publication Furniture Today.

In an alert, the International Sleep Products Assn. told its members Canada plans to retaliate by imposing its own countermeasures against imports of selected U.S. products equal to the value of Canadian goods affected by the U.S. tariffs. Included on the list of proposed retaliatory actions that Canada released is a 10% surtax on imports of U.S.-manufactured mattresses.

"We also have not seen mattresses mentioned in press reports concerning Mexico's planned response to the U.S. action," it added.

China boosts cotton quotas to mend US trade ties	**Business Live** https://www.businesslive.co.za/bd/world/asia/2018-06-04-china-boosts-cotton-quotas-to-mend-us-trade-ties/

Beijing — China is set to boost its imports of cotton by issuing additional import quotas to mills, said the China Cotton Association on Monday, a move seen by the market as another step towards meeting the demands of top exporter the US.

The association, which lobbies the government on behalf of cotton farmers and processors, said the soon-to-be-released additional quotas were one of the measures the government was taking to help ease recent market volatility.

China, once the world's top cotton importer, has seen imports shrink from more than 5-million tonnes in 2011-12 to about 1-million tonnes in 2017, due to efforts to reduce state stockpiles. After several years of auctions to lower state stocks and with demand recovering, the market has become concerned about supplies. China's domestic cotton futures have rallied nearly 18% since early April, fuelled in part by worries over crop damage from heavy rains, as well as by speculation.

American farm goods

Traders said China's move, however, was more likely related to pressure from the US for higher imports of American farm goods.

"It's definitely related to trade talks," said a China-based trader with an international firm.

The US and China have threatened tit-for-tat tariffs on goods worth up to $150bn each, as US President Donald Trump has pushed Beijing to open its economy further and address America's large trade deficit with China.

China has agreed to significantly increase purchases of US goods and services, though talks at the weekend yielded no public statement on agreements. The US is China's top overseas supplier. It shipped about 500,000t to China in 2017, making cotton the third-most valuable US farm export, after soybeans and hides and skins.

But China has restricted its imports since 2014, offering only the 894,000t in tariff-rate quotas it must allocate as part of its commitments to the World Trade Organisation.

Additional quotas with sliding tariff rates issued before 2014 were halted to get rid of huge state stocks. Total imports in 2017 were 1.16-million tonnes. It wasn't clear when the new quota would be released or how much would be offered, though the international firm's trader said he expected at least 500,000t.

That would help buyers bring in large consignments of US cotton sitting in China's bonded zones, he said, though it could also benefit purchases of fibre from growers such as India.

"There's not too much US cotton available right now, but I don't think senior officials consider this," he said.

Speculation

Despite the move to boost imports, the China Cotton Association said supplies were "basically sufficient", and that "abnormal fluctuations in the market are influenced by speculation and other factors".

China's cotton output in 2018 is expected to remain stable, with weather disasters about the same as in previous years, the association said.

Bad weather came "relatively early" as well, reducing any impact on yield, it said.

Its comments came after concerns about hailstorms and heavy rain in top producing region Xinjiang drove prices higher.

, even as some traders warned the weather would have a relatively small impact.

It also said commercial inventories were about 2.87-million tonnes at end-April, about 1-million tonnes higher than the same time last year.

And while cotton demand has been steadily rising this year, there is limited room for growth.

It also said the state sales could be extended to end-September if market supplies were insufficient, and it urged the government to strengthen supervision of the futures market and prevent speculation from impacting the sector.

The China National Cotton Reserves Corporation, which manages China's state cotton stockpiles, said earlier it would restrict purchasing at its daily auctions to textile manufacturers from Monday, according to a statement from the company.

Cotton Production Improves in Pakistan	**Cotton Grower** http://www.cottongrower.com/cotton-news/cotton-production-improves-in-pakistan/

Sustained growth in cotton production reached 10.685 million bales during the last fortnight (Dec 1-15), according to an article on Dawn.com. A 5.30 per cent increase has been witnessed over the corresponding period last year when production stood at 10.147m bales.

The latest cotton production figures issued by Pakistan Cotton Ginners Association on Monday showed higher growth in Sindh's cotton production at 4.136 million bales, an increase of 11.70pc over the same period last year when production stood at 3.703m bales. The province produced around 433,275 more cotton bales so far over last year.

Against this, cotton production in Punjab during the period under review recorded a modest increase at 6.549m bales or 1.63pc higher over the corresponding period last year when production was at 6.444m bales. Overall, the province produced 104,765 more bales over the last year.

China supplies one third of EU's apparel and textiles	**Knitting Industry** https://www.knittingindustry.com/china-supplies-one-third-of-eus-apparel-and-textiles/

Imports of apparel and textile products to the European Union member countries, with a population exceeding 510 million, reached EUR 110.9 billion in 2017. Of these, EUR 92.6 billion were apparel products and EUR 18.3 billion were imports of textile products.

The country where the EU imports from the most is China. Of the approximately EUR 110.9 billion imported in 2017, EUR 37 billion worth of products came from China, which is 33.3% of all of the EU's apparel and textile imports.

Import of clothing

According to the European Statistical Office (Eurostat), China's clothing exports to the European Union ranked first, at about 34%. The EU imported apparel worth EUR 31.4 billion from China in 2017. Bangladesh ranked second, with around EUR 15.8 billion (17%), Turkey ranked third, with EUR 10.8 billion (11.7%). India ranked fourth, with EUR 6.2 billion, while Pakistan came fifth, with EUR 4.4 billion.

The share of EU clothing imports made in 10 countries is 89%. There are three countries exporting over EUR 10 billion worth of products to the EU. These are China, Bangladesh, and Turkey. The share of these three countries in total clothing exports to the EU is 62.6%.

Import of textile products

The textile products, including yarn, fibre, fabric, and home textile, imported by the European Union countries from all over the world in 2017 increased by 3%, compared to the previous year, and amounted to EUR 18.3 billion. Over

EUR 1 billion worth of textiles were imported from four countries. The share of these four countries in imports constituted 61.3%.

The most important textiles supplier of the European Union is China. In 2017, it exported textile products worth EUR 5.5 billion, followed by Turkey. According to Eurostat, the EU's imports of textile products from Turkey last year increased by 0.7%, compared to the previous year, and were valued at EUR 3.3 billion.

The third largest textiles supplier of the EU is India. Approximately EUR 1.3 billion worth of textile products were imported in 2017. The fourth largest textiles supplier of the EU is South Korea, where textile imports of EUR 1 billion 58 million were imported in 2017.

China to issue more cotton import quotas amid U.S. trade talks	**Reuters** https://www.reuters.com/article/us-china-cotton-auction/china-cotton-group-says-no-shortage-more-import-quotas-on-way-idUSKCN1J00HC

China is set to boost its imports of cotton by issuing additional import quotas to mills, said the China Cotton Association on Monday, a move seen by the market as another step toward meeting the demands of top exporter the United States.

The association, which lobbies the government on behalf of cotton farmers and processors, said the soon-to-be-released additional quotas were one of the measures the government was taking to help to ease recent market volatility.

China, once the world's top cotton importer, has seen its imports shrink from more than 5 million tonnes in 2011/12 to around 1 million tonnes last year, due to its efforts to reduce state stockpiles of the fiber. Now, after several years of auctions to lower state stocks and with demand recovering, the market has become concerned about supplies.

China's domestic cotton futures have rallied nearly 18 percent since early April, fueled in part by worries over crop damage from heavy rains, as well as by heavy speculation.

Traders said China's move, however, was more likely related to pressure from the United States for higher imports of American farm goods.

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China has agreed to significantly increase its purchases of U.S. goods and services, although talks over the weekend yielded no public statement on new agreements.

The United States is the world's top cotton exporter and China's top overseas supplier. It shipped around 500,000 tonnes to China in 2017, making cotton the third most valuable U.S. farm export, behind soybeans and hides and skins.

But China has restricted its imports since 2014, offering only the 894,000 tonnes in tariff-rate quotas it must allocate as part of its commitments to the World Trade Organization.

Additional quotas with sliding tariff rates that were issued prior to 2014 were halted in order to get rid of the huge state stocks. Total imports in 2017 were 1.16 million tonnes.

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SUFFICIENT SUPPLIES

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Its comments came after concerns about hailstorms and heavy rain in top producing region Xinjiang drove prices higher, even as some traders warned the weather would have a relatively small impact.

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The China National Cotton Reserves Corporation, which manages China's state cotton stockpiles, said earlier it would restrict purchasing at its daily auctions to textile manufacturers from Monday, according to a statement from the company posted on industry website www.cottonchina.org.

Cotton Campaign makes case for Uzbek labour reform	**Eco Textile** https://www.ecotextile.com/2018060423518/social-compliance-csr-news/cotton-campaign-makes-case-for-uzbek-labour-reform.html

A delegation of representatives from Cotton Campaign have presented the findings of its research and recommendations on how to counteract forced labour in the cotton sector to Uzbek government officials.

The meeting took place in the Uzbek capital, Tashkent with a Cotton Campaign delegation which included individuals from organisations focused on human rights, labour rights, modern slavery, supply chain accountability and corruption.

Vietnamese garment firms expect to navigate Australia	**Vietnam Plus** https://en.vietnamplus.vn/vietnamese-garment-firms-expect-to-navigate-australia/132232.vnp

Vietnamese garment firms expect to navigate and increase garment exports to Australia once the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) takes effect, said director of the Yen Duong Ltd, Co. Thai Binh Duong.

Under the CPTPP, Australia will reduce import tax to 5 percent in the first three years after the CPTPP enters into force, and waive itfrom the fourth year.

Truong Van Cam, Vice President and General Secretary of the Vietnam Textile and Apparel Association, said Australia's apparel imports have grown stably over the past five years, 3-4 percent annually on average. Moreover, apparel retail prices in Australia aremuch higher the import ones, giving Vietnamese products an advantage.

However, Australia's garment imports from China have accounted for more than 60 percent in recent years. Apart from China, India is also working to enter the market.

More than half of participating exhibitors in an international exhibition of garment materials held in mid-November in Melbourne were from China and one fourth were from India. In recent years, several Vietnamese enterprises have just joined the event.

According to Cam, Australian businesses often place small orders at first to explore supply capacity and market popularity. If successful, contracts of higher value could be signed at better prices.

Deputy head of the Ministry of Industry and Trade's Department of Asia-Africa Markets Nguyen Phuc Nam said Australia is an important partner of Vietnam in Asia-Pacific. In 2017, Australia imported apparel worth nearly 9.32 billion USD, nearly 173 million USD of which was from Vietnam, roughly 1.9 percent of the total.

Australian companies are focusing more on Vietnam due to more competitive workforce costs than China's.

To access the demanding market, Cam stressed the need to study demand, improve product design and workers' skills, and invest in modern machinery.

Australia has a population of nearly 24 million people with a gross domestic product of nearly 1.39 trillion USD and average income per capita of about 50,000 USD each year, said the ministry.-

Cotton exports up 181.6% during Q2 of 2017-2018	**Egypt Today** https://www.egypttoday.com/Article/3/51520/Cotton-exports-up-181-6-during-Q2-of-2017-2018

The Central Agency for Public Mobilization and Statistics (CAPMAS) said that Egyptian cotton exports (from December 2017 to February 2018) increased by 181.6 percent to reach 379,700 tons against 134,800 tons during the same quarter of the previous year.

In its quarterly newsletter for the second quarter of the 2017-2018 agricultural year (lasting from December 2017 to February 2018), the agency said that total consumption rates of domestic cotton reached 47,200 metric kantars (one kantar is equal to 45.02 kilograms), compared to 127,600 metric kantars during the same period of the previous year, registering a decrease of 63 percent.