The Southern India Mills' Association
Post Box No. 3783, 41 Race Course, Coimbatore - 641 018
Phone: 0422 4225333 | Fax: 0422 4225366
E-mail: info@simamills.org | Web: www.simamills.org

NEWS CLIPPINGS –23-10-2018

Cotton availability will be adequate, says ICF	Business Line https://timesofindia.indiatimes.com/business/india-business/cotton-availability-will-be-adequate-says-icf/articleshow/66322912.cms

Coimbatore: The availability of cotton in the country would be comfortable in the 2018-19 season (October-September), according to the Indian Cotton Federation (ICF).

The area under cotton has been pegged at 122.38 lakh hectares as against 122.53 lakh hectares reported during December 2017 as per the first advance estimates released by the Department of Agriculture, Cooperation and Farmers Welfare

"The area is expected to increase by few more lakh hectares and the country would have higher acreage under cotton than the previous year.

The favourable monsoon weather conditions and preventive action taken to control the pink boll worm and other pest attacks is expected to result in higher production and better quality of cotton," said J Thulasidharan, president, ICF.

"As per field information, the availability of cotton in terms of quantity and quality would be much better than 2017-18 (season) during the current season," he said. Cotton production for the 2017-18 season is estimated to be around 373 lakh bales (a bale is 170 kgs), an 8.11% growth compared to the previous season.

Cotton production had increased due to the rise in area under cultivation by almost 13% i.e. from about 108.5 lakh hectares around to 122.5 lakh hectares. Though in certain areas damages have been reported due to pink boll worm, the ICF president said that the impact would be much lower when compared to the last year. Certain states like Maharashtra had taken measures to control pink boll worm and advocated late sowing, he said. "Prices would further taper down once the arrival picks up," Thulasidharan stated. He however said that the arrival might be delayed due to late sowing. Taking advantage of 26% to 28% increase in the minimum support price announced by the union government for the 2018-19 season and favourable monsoon conditions, farmers have sown more cotton. Pointing out that the trade had projected very tight closing stock for the 2017-18 season, but in reality the industry had comfortable stock position, which helped cotton prices to decrease from Rs 48,500 to Rs 46,500 per bale during the end of the season, he said that textile mills should not panic over the stock situation.

A. Cotton		
Spot price (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
21704	45400	78.51
Domestic Futures (Ex-Gin) July		
Rs/Bale	Rs/Candy	USD Cent/lb
22780	47650	82.40
International Futures		
NY ICE USD Cents/lb. (Dec 2018)		80.02
ZCE Cotton: Yuan/MT (Jan 2019)		15280
ZCE Cotton: USD Cents/lb.		84.80
Cotlook A Index - Physical		---
B. Currency		
USD/INR	Close	Previous Close
Spot	73.756	73.564

Cotton Guide:

The market is almost in the verge of moving out from the past five weeks of consolidation band. On Monday it has attempted to trade higher. Cotton futures had the biggest one day gains in 15 weeks and prices for December future settled at the highest levels in 5 weeks. Dec settled at 8002, up 210 points. The other months settled from 90 to 209 points higher.

The price move was supported by heavy trading volume at ICDE. The Monday's trading volume was almost 2 and half to three times more than the average daily volume. For reference, Monday volume was 40,573 contracts. Cleared Friday were 21,599 contracts. The aggregate open interests have stayed steady near 261000 contracts however it has rebounded from the recent low of 247000 contracts. The price, volume and open interest rising together means there is enough amplitude in the trend so we expect going forward once the market clears the intermittent resistance of 80.40 it will start flourishing towards 82+ cents in the very near term.

Coming to market fundamentals there has been no major change except that market is anticipating major crop loss after Hurricane Michael hit the US cotton growing region. Further Hurricane Willa coming from Mexico's Pacific Coast could bring rains into Texas, the Delta and Southeast. On Oct. 6, USDA data showed 35% of the crop was in good or excellent condition, down from 42% a week earlier in the week ended Oct, 16, hedge funds increased bullish cotton bets for the first time in five weeks, government figures showed on Oct. 19

Basically major movement in the cotton price was during the US session while earlier in China and India the cotton market was mostly quiet. There was no major development then. China's ZCE cotton futures ended barely above unchanged and their volume was light.

On the technical front market has moved out from the consolidation band and has tested 50-day moving average, a sign of positive trend. Any convincing break above 80.40 which is also part of Fibonacci retracement level would be cleared to make cotton price higher towards 82+ cents. Likewise, on the lower side the support can be seen at 77 cents.

Coming to domestic market the spot price for S6 trade steady near Rs. 46600 to Rs. 46700 per candy ex-gin amid steady arrivals of 55000-60000 bales however, the future price advanced sharply. The rise in the future price was mainly driven by ICE future trend and most of part of the gains have become during the early US session. We think there is slight disconnect between MCX and Indian spot cotton price. For the day Indian cotton future for October that closed at Rs. 23150 up by Rs. 370 points from previous close might move in the range of Rs. 23000 to Rs. 23270 per bale.

Fx Guide:

Indian rupee has opened weaker by 0.25% to trade near 73.76 levels against the US dollar. Rupee depreciated on weaker risk sentiment amid weakness in equity market. Asian equity markets trade lower today after losses in US market yesterday on disappointing corporate earnings results. China's promise to take measures to support the economy also failed to revive risk appetite. Also weighing on market sentiment is US-Saudi tensions, impact of trade war, higher interest rates, Brexit impasse and Italy budget crisis. The US dollar is also supported by Fed's support to raise interest rate beyond the neutral rate. However, supporting rupee is weakness in crude oil price. Brent crude continues to trade below $80 per barrel on expectations of another increase in US crude oil stocks and Saudi's willingness to raise output further. Rupee may remain under pressure unless we see significant improvement in risk sentiment. USDINR may trade in a range of 73.55-74 and bias may be on the upside

Govt. extends GSTR-3B return filing deadline to October 25	**The Hindu** https://www.thehindu.com/todays-paper/tp-business/govt-extends-gstr-3b-return-filing-deadline-to-october-25/article25282121.ece

To address concerns on input tax credit; 'but move comes after deadline lapsed'

The government on Sunday extended the deadline for the filing of GST form 3B returns for September from October 20 to October 25.

"It has been brought to notice that there have been apprehensions by trade and industry relating to the last date for availment of ITC [input tax credit] for the period July 2017 to March 2018," the government said in a statement. "In order to remove doubts, it was clarified that as per the law, the last date for availing ITC in relation to the period from July 2017 to March 2018 is the last date for the filing of return in the form GSTR-3B for the month of September

2018."

"In view of the said apprehensions and with a view to give some more time to the trade and industry, the last date for furnishing return in the form GSTR-3B for the month of September 2018 is being extended up to October 25, 2018," it added.

'Too late'

However, tax experts say that the deadline extension has come too late as it was announced a day after the original deadline elapsed.

"While the businesses, who could not file the return by the 20th, can avail the extension, this doesn't really help most large firms who would have already filed their return by working overtime," Pratik Jain, partner and leader, indirect tax, PwC India, said.

"Since there is no facility for amendment of the return, these firms cannot claim the credit which they might have missed," he noted. "To provide relief to industry, the government should at least extend the due date till November 20, so that credit can be claimed in October return," Mr. Jain added.

10 exporters face Turkish duty on synthetic yarn export	**Lankabd.com** http://lankabd.com/dse/stock-market/news/10-exporters-face-Turkish-duty-on-synthetic-yarn-export?storyId=64501

Ten local exporters may face anti-circumvention duty on export of synthetic yarn to Turkey as the companies did not respond to an investigation initiated by the country in this connection. Turkish ministry of trade has recently issued the final notification report on circumvention investigation into alleged export of China-made synthetic yarn from Bangladesh and Nepal.

According to the report, 10 companies which are resident in Bangladesh or associated with the investigation did not respond to the investigation questionnaire in a duly and timely manner.

Only Well Mart Ltd provided necessary information and documents, and made cooperation, the report said. Bangladesh Textile Mills Association leaders, however, said that the companies under investigation were not genuine spinners in the country. Turkey a few years back imposed anti-dumping duty on synthetic yarns and artificial staple fibre originated from China and some other countries.

In December 2017, the country initiated the anti-circumvention investigation against some traders of Bangladesh and Nepal who exported allegedly Chinese synthetic yarn and fibre using Bangladesh and Nepal as country of origin to avoid anti-dumping duty on the Chinese product imposed by Turkey.

In the investigation into the allegation, Turkey found that export of the product from Bangladesh increased to 3,510 tonnes in 2017 from 1,150 tonnes in 2015. The investigation team in an on–the-spot verification in July 9-10 this year found the information provided by the Well Mart Ltd authentic and did not perform any act to invalidate the measure. On the other hand, the remaining companies did not cooperate in the investigation and did not provide any information stating that they performed manufacturing, the report said.

The investigation team forwarded the report to the Board of Evaluation of Unfair Competition in Importation of Turkey to take final decision on the issue.

Members and officials of the Bangladesh Textile Mills Association said that Turkish authorities did not provide the names of the companies to the association. They said that they had information that some four to five China and Hong Kong-based companies having business in Bangladesh were doing such fraudulence. They don't have spinning mills in Bangladesh but are exporting the product to Turkey after importing it from China, they said. No one of them is member of BTMA, they said. BTMA director, also managing director of Little Star Spinning Mills Ltd, Mohd Khorshed Alam told New Age that genuine Bangladeshi exporters were conducting export activities after taking endorsement from Turkey embassy in Dhaka, Bangladesh commerce and foreign ministries. So, the Turkish move will not hamper business of any guanine spinners in Bangladesh, he said.

RBI likely to stay on hold for rest of FY'19: Report	**Money Control** https://www.moneycontrol.com/news/business/economy/rbi-likely-to-stay-on-hold-for-rest-of-fy19-report-3070841.html

According to the report by Kotak Economic Research, the focus of the Monetary Policy Committee (MPC) remains purely on inflation print, which is expected to remain benign (3-4.4 percent) in the second half of 2018-19.

The Reserve Bank of India is expected to keep key policy rates unchanged in the remaining 2018-19 fiscal as inflation may stay 'benign' in the range of 3 to 4.4 percent, says a report.

According to the report by Kotak Economic Research, the focus of the Monetary Policy Committee (MPC) remains purely on inflation print, which is expected to remain benign (3-4.4 percent) in the second half of 2018-19.

"We thus see limited scope for rate hikes in the rest of 2018-19," the report added.

In the policy review meet earlier this month, majority of RBI's six-member MPC, including Governor Urjit R Patel, favoured to keep the key repo rate unchanged as part of "calibrated tightening" to keep retail inflation at 4 percent.

The minutes reaffirmed our view post the October policy and the September CPI inflation print, that the RBI will possibly stay on hold for the rest of 2018-19," the report said.

It however added that upside risks to inflation still exist owing to pass-through of MSPs, elevated crude oil prices, volatility in global financial markets, hardening of input prices amid rupee weakness and staggered impact of HRA increases by states and its second-round impact.

"However, the seemingly structurally benign food inflation along with softening growth should help in capping the upside pressures, thereby providing RBI the comfort of staying on pause mode in the foreseeable future," it said. During its October monetary policy review, RBI kept the key repo rate unchanged at 6.50 percent.

Number of taxpayers disclosing income over ₹1 cr rises 60% in 3 years: CBDT	Business Line https://www.thehindubusinessline.com/economy/number-of-taxpayers-disclosing-income-over-1-cr-rises-60-in-3-years-cbdt/article25289616.ece

Less than 100 tax payers — all companies — made for more than one fifth of the income tax paid during the assessment year 2017-18 i.e. fiscal year 2016-17. Meanwhile, the number of crorepati assessees has gone up by 60 per cent since the assessment year 2014-15, for which experts attribute demonetisation as one of the reasons.

Income tax returns data was made public by the Central Board of Direct Taxes on Monday from e-filed returns (digitally signed, e-verified or where ITRV has been received) and paper returns captured in the system up to August 31, 2018. The department adopts consistency rules to filter data to be used for analysis. Accordingly, over 4.98 crore returns for assessment year 2017-18 and 4.94 crore for assessment year 2016-17 were used for statistical analysis.

According to the data, just 94 tax payers with income of over ₹500 crore paid total of ₹1.64 lakh crore during fiscal year 2016-17, which was the year of demonetisation. Just a year before, total number of such assessees was 86 and sum of tax payable was over ₹1.46 lakh crore. It means the total number of such big assessees went up by 8 while tax paid went up by over ₹18,000crore. During the period under review, total number of returns filed (considered for analysis) went up to 4.98 lakh crore from 4.94 lakh crore while sum of tax payable increased to over ₹7.17 lakh crore from over ₹6.23 lakh crore.

Interestingly, just one individual showed income of over ₹500 crore (₹919 crore to precise) during the year of demonetisation while this number was four a year before with total income of ₹2,730 crore.

Crorepati assessees

The number of taxpayers earning above ₹1 crore per annum rose to over 1.40 lakh during the last four years, a growth of about 60 per cent. Among this, number of individual taxpayers earning over ₹1 crore annually had seen a growth of about 68 per cent. While 88,649 taxpayers had disclosed income above ₹1 crore in assessment year 2014-15, the figure was 1,40,139 for assessment year 2017-18, which is a growth of about 60 per cent. Similarly, the number of individual taxpayers disclosing income above ₹1 crore had increased during the same period from 48,416 to 81,344, which translated into a growth of 68 per cent.

Overall growth

During a three-year period (Assessment Year 2014-15 to 2017-18), the number of salaried taxpayers increased from 1.70 crore (Assessment Year 2014-15) to 2.33 crore (Assessment Year 2017-18). This is a rise of 37 per cent. Also, the average income declared by the salaried taxpayers went up by 19 per cent from ₹5.76 lakh to ₹6.84 lakh. During the same period, there has also been a growth of 19 per cent in the number of non-salaried individual taxpayers from

1.95 crore to 2.33 crore and the average non-salary income declared has increased by 27 per cent from ₹4.11 lakh in Assessment Year 2014-15 to ₹5.23 lakh in Assessment Year 2017-18.

Talking about the corporate taxpayers, CBDT, said the average tax paid by this category of assessees has increased from ₹32.28 lakh in Assessment Year 2014-15 to ₹49.95 lakh in Assessment Year 2017-18, a growth of 55 per cent. There is also an increase of 26 per cent in the average tax paid by individual taxpayers from ₹46,377 in Assessment Year 2014-15 to ₹58,576 in Assessment Year 2017-18.

SP Singh, Partner at Deloitte India, feels there may be four reasons for an increase in the number of tax returns. These include effect of demonetisation, increase in the use of information being collected digitally and being used by the Tax Department, movement towards digital assessment and decrease in the number of cases being picked up for scrutiny and ease of getting refund, majorly by small and medium taxpayers. “The last two have reduced fear of the tax department among these sections of taxpayers,” he said.

'Input tax credit refund available for zero rated export of exempted items'	**Business Standard** https://www.business-standard.com/article/sme/input-tax-credit-refund-available-for-zero-rated-export-of-exempted-items-118102201106_1.html

Rule 89 of the CGST Rules, 2017 allows either the recipient or supplier of such supplies to claim refund of tax paid thereon

Q. We are a “hospital service provider” registered under GST. We wish to procure capital goods, both imported and indigenous, under EPCG authorisations, as we have sufficient foreign exchange earnings to fulfill the export obligation. For indigenous procurement of capital goods, we are paying CGST/SGST/IGST, as applicable. Can we get refund of the same?

Yes. You may get the EPCG authorisation invalidated for import of items you want to source domestically and get invalidation letter or ARO. Supplies against EPCG authorisation are deemed exports as per notification 48/2017-CT dated October 18, 2017. Rule 89 of the CGST Rules, 2017 allows either the recipient or supplier of such supplies to claim refund of tax paid thereon. Notification 49/2017-CT dated October 18, 2017 prescribes the evidence required for claiming refund on such deemed exports.

Q. We manufacture and export 99 per cent of reusable sanitary pads (HS Code 96190090). Earlier the product attracted 12 per cent GST, so we were able to claim refund of input credit of raw materials. Now the government has exempted sanitary pads from payment of GST, because of which we are not able to get refunds of GST paid on the new materials. On account of this the cost of the product has gone up by seven per cent, and we fear we may lose the export market as Chinese products are already available quite cheap. How can we recover the input tax paid on the raw material used?

As per section 16(2) of the IGST Act, 2017 credit of input tax may be availed for making zero- rated supplies, notwithstanding that such supply is an exempt supply. Also, as per section 2(47) of the CGST Act, exempt supply includes non-taxable supply. Further, as per section 16(3) of the IGST Act, a registered person making zero-rated supply shall be eligible to claim refund when he either makes supply of goods or services, or both, under bond or letter of undertaking (LUT), or makes such supply on payment of integrated tax. So, you would be eligible for refund of unutilised input tax credit in such cases in accordance with Rule 89 of the CGST Rules, 2017.

Q. We imported certain machinery on duty payment, which we found defective. The supplier has agreed to give a replacement. Please advise us on the procedure to re-export for replacement, so that upon import of machinery by way of replacement, we do not have to pay import duty.

You can re-export the imported goods under claim of drawback under Section 74 of the Customs Act, 1962 read with the provisions of Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995. There is no exemption notification for replacement goods.

Q. Can we effect some export shipment without IGST **payment under LUT and some shipments on payment of IGST under refund claim? If answer is in the affirmative, please advise relative provision of GST law.**

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.

Thiruvananthapuram to take the silk route for rich dividends	**New Indian Express** http://www.newindianexpress.com/cities/thiruvananthapuram/2018/oct/22/thiruvananthapuram-to-take-the-silk-route-for-rich-dividends-1888284.html

Despite being a fairly profitable venture, sericulture is yet to pick up in the state. Barring Palakkad, Wayanad and Idukki districts, which carry out sericulture in a modest manner, no other district has shown interest in taking up the venture. But a change is on the cards as Thiruvananthapuram is set to become a new entrant in silkworm rearing.

According to the Commissionerate of Rural Development, the farmers in the eastern part of the district will be inspired to take up sericulture on an experimental basis.“The discussion is on to promote sericulture in various blocks of Thiruvananthapuram district. In our initial assessment, it has been found that the district had several favourable factors for taking up sericulture. If executed well it could become a steady source of livelihood,” said an officer with the Commissionerate of Rural Development.

Earlier in a meeting of Block Development Officers (BDO) in the district, it has been informed that sericulture is best suited in those areas in the district were crop-raids were mostly reported. The meeting which directs the respective BDOs to promote sericulture in their respective areas also asks them to conduct half-day awareness classes for local body members. It is learnt that a specific direction has already been given by the Commissionerate to the respective BDOs to identify at least 25 beneficiaries in this year itself.

Despite being a fairly profitable venture, sericulture is yet to pick up in the state. Barring Palakkad, Wayanad and Idukki districts, which carry out sericulture in a modest manner, no other district has shown interest in taking up the venture. But a change is on the cards as Thiruvananthapuram is set to become a new entrant in silkworm rearing.

According to the Commissionerate of Rural Development, the farmers in the eastern part of the district will be inspired to take up sericulture on an experimental basis.“The discussion is on to promote sericulture in various blocks of Thiruvananthapuram district. In our initial assessment, it has been found that the district had several favourable factors for taking up sericulture. If executed well it could become a steady source of livelihood,” said an officer with the Commissionerate of Rural Development.

Earlier in a meeting of Block Development Officers (BDO) in the district, it has been informed that sericulture is best suited in those areas in the district were crop-raids were mostly reported. The meeting which directs the respective BDOs to promote sericulture in their respective areas also asks them to conduct half-day awareness classes for local body members. It is learnt that a specific direction has already been given by the Commissionerate to the respective BDOs to identify at least 25 beneficiaries in this year itself.

Who's gaining from the global trade war?	Business Line https://www.thehindubusinessline.com/opinion/whos-gaining-from-the-global-trade-war/article25289521.ece

It's creating a new impetus for closer EU-Asia economic ties. Ironically, the primary loser will be American consumers

The modern era of multilateral trade negotiation was ushered in by the General Agreement on Tariffs and Trade (GATT) in 1947. It was based on the insight that unilateral tariff reductions, such as the repeal of the Corn Laws, are unstable.

In 1995, GATT became the WTO and almost every country now belongs to it. Tariffs are cut by negotiation and agreed rates applied to all trade partners; a dispute-settlement system authorises retaliation against miscreants.

It is a fact that the WTO has not succeeded in stopping China, which joined in 2001, from flouting the spirit, if not always the letter, of its rules by shaking down foreign investors for technologies it fancies and giving subsidy to its own industries.

There is a reasonable case for penalising China for flouting multilateral trade rules, such as through overproduction, dumping overseas and the nation's excessive restrictions on market access. But a policy of reversing the globalisation of supply chains really does ignore the foundational economic lessons of Adam Smith about the benefits of the division of labour, and of David Ricardo on the merits of a nation recognising its comparative advantage.

The primary loser from Trump's trade war will of course be the American consumer. The hypothetical benefits of more manufacturing jobs will be more than cancelled out by higher prices, the consumer has to pay.

As the Apple boss Tim Cook notes, there are iPhone components manufactured in the US which are exported to the China so it can be assembled.

What if China imposes tariffs on those in response to Trump's tariffs? That will likely push up US iPhone retail prices even if there are no direct tariffs imposed by Trump. Deliberately clog the arteries of trade and the economic damage will inevitably show up somewhere, perhaps where it's not expected.

Europe has also hit back on steel import duties with charges on Harley Davidson motorcycles and Florida orange juice.

Unjust war

It is commonly known that China gives vast and opaque subsidies to its state-owned firms. The world's consumers benefit from the artificially cheap imports that result. But trade of this sort is unsustainable, politically and economically.

The US is right to demand that China play fair. However, the US wants to eliminate its trade deficit with China, which the US mistakenly sees as a transfer of wealth. The US has broadcast its desire to force manufacturing supply-chains back to America and the administration has identified China as a strategic competitor.

The White House may argue that China's abuse of the rules, the trade deficit and the decline of American industry are one and the same. They may not be. Even without subsidies, China, like most other emerging markets, would enjoy a substantial cost advantage over the US.

The trade deficit, meanwhile, is tied to the difference between domestic savings and investment. Tariffs might cut the bilateral deficit with China, but the US would find it nearly impossible to shrink its overall deficit without engineering a domestic recession.

The trade war has accelerated several trends that had been under way for some time. Consider the following: In 2017, exports from EU to Asia was bigger than that to the US. While Asia's exports to the EU in 2017 were still slightly lower than that to the US, they are faster growing, making the EU increasingly more important to Asia, according to the IMF.

From a simple perspective of market size, Asia today is far more important to the EU than the US, and the EU will soon be more important to Asia than the US.

Measured by estimates of private consumer expenditure, Asia today is just about as big as the US. The big difference is, however, that private consumer expenditure in Asia is growing at twice the speed compared with the US.

Even more striking is China where private consumer expenditure has been growing at an average of 13.8 per cent a year in the last decade, over four times faster than in the US, according to the World Bank WDI database and Eurostat.

Not surprisingly, China is now the largest market for an expanding list of countries, which includes Australia, Brazil, Russia, South Africa, South Korea and Indonesia, among others. Indeed, if the current growth rates of imports in the US and China hold in the next few years, by 2021 China will surpass the US to become the largest market for imports in the world, according to the IMF. Against the backdrop of these powerful trends, Trump's trade war is creating new impetus for the EU and Asia to speed up the opening of their markets to forge closer economic ties. This may lead to even faster growth than in the last decade in trade between the EU and Asia, accompanied by rising investment. Virtually everywhere outside of the US, a new sense of urgency is now afoot as policy-makers seek to fast track regional free trade agreements (FTAs).

Implications for India

Our exports plus imports of goods and services constitute around 42 per cent of GDP and hence any trade war will have implications for us.

Several countries are taking their own protection measures. Products exported from Europe to the Balkans enjoy preferential treatment and hence are exempt from Customs duty whereas Indian companies are required to pay 15 per cent duty, when they export their products to countries like Serbia.

Recently, Turkey imposed 21 per cent Customs duty on products from India and there is a mandatory rule of local value addition of 51 per cent in case they want to sell their products in Turkey, which force Indian companies to create capacity in a sub-optimal manner by investing significantly in the local country.

Indian textile companies face trade barriers compared to other competing countries like Bangladesh, Vietnam and Pakistan. These barriers pose an obstacle to business with our most important markets. For India, the US and EU markets absorb about 60 per cent of our output in apparel.

Market access is another challenge. More developed countries like Korea have entered into FTAs with the EU to improve market access. India needs to similarly expedite an FTA with the EU. Trade treaties like the Trans-Pacific Partnership (TPP) and bilateral FTAs are fundamentally altering global trade flows in apparel, made-ups and textiles.

As trade growth slows, the adjustment that oil importers must make to higher oil prices becomes more severe. Falling rupee exacerbate the burden of dollar-denominated debt, while exporters are forced to pass on the benefit of rupee depreciation to customers for various reasons.

In recent years, companies in emerging economies including India embarked on a dollar borrowing spree, lured by low interest rates.

For companies that earn in their domestic currencies but owe in dollars, the depreciation mean a financial squeeze. Indebted corporate borrowers may curtail investment and hiring. One economic drag reinforces another.

Unfortunately, oil prices are rising just as global financial conditions are also becoming less forgiving. Rich-world central banks, on high alert for signs of accelerating inflation, are moving towards a tighter monetary stance. Higher interest rates, particularly in the US, are also not going to help capital inflows into our country.

For more than four decades, manufacturers, including in India, have designed their global production, investment and sourcing strategies around the assumption that the movement of goods across the world's borders would continue to grow ever freer. In the process, many have built complex, intricately linked and cost-efficient supply chains that span the globe.

The implications of trade war are enormous for any company that relies on raw materials, components and finished goods crossing international borders. Government initiatives in the form of FTAs with the EU and continuation of the present export benefits are required to sustain our exports.

The writer is President & Group CFO, TAFE. The views are personal.

Why incomes, jobs aren’t rising fast enough	Business Line https://www.thehindubusinessline.com/opinion/columns/why-incomes-jobs-arent-rising-fast-enough/article25279949.ece

The Indian economy doesn’t provide adequate opportunities for the masses with limited skills to earn and learn faster

Some economists are vigorously churning out statistics to prove that the Indian economy is generating enough jobs. Some of them are also challenging the thesis that inequalities are increasing. In fact, some even suggest that inequality does not matter. Their statistics-laden arguments remind one of the saying, “There are lies; there are damned lies; and then there are statistics”.

Much of the statistical confusion about whether the economy is generating enough jobs arises from definitional problems: What is a ‘job’, and what is a ‘good’ job? As Shakespeare said: ‘A rose by any other name would smell as sweet’. To the people it does not matter, whether it is a ‘job’, a ‘livelihood’, or an ‘enterprise’ so long as it provides a sustainable source of adequate incomes. What people need are opportunities to use their assets, which for millions at the bottom of the pyramid are only their labour and some traditional skills, to generate sustainable incomes.

Three stages

The Indian economy can be divided into three broad stages. In the middle is the economy of formal enterprises with formal jobs, where people are on an upward escalator, and can foresee careers, and can expect income security. Above the escalator is a fast elevator, available to those who have financial assets, which multiplies their money and increases their wealth much faster.

Below the escalator in the middle is the ‘snakes and ladders’ world of underemployed citizens and the informal economy in which over 90 per cent of Indians live. They scramble up rickety ladders to earn some income: and are pulled down whenever some disaster strikes — a medical emergency, floods or droughts, or demonetisation.

The Indian economy is missing the bottom stage of the up escalator. Therefore, people at the bottom are not able to move up faster. Inequalities are increasing because the wealth of those fortunate to be in the fast elevator are rising much faster than the incomes of the hundreds of millions struggling amongst snakes and ladders.

Economies grow, and per capita incomes increase, when productivity increases. And productivity increases when people acquire capabilities with which they can produce more and earn more. Growth is inclusive when people can earn adequate incomes to purchase the fruits of economic growth, and when they can also continuously learn to improve their capabilities. What is missing in the Indian economy are adequate opportunities for masses at the bottom with limited skills to earn and learn faster.

Understanding the system

The systems’ thinker Donella Meadows, co-author of the Club of Rome’s report ‘Limits of Growth’, provided the insight that, “Every system is perfectly designed to produce the results it is presently producing”. Therefore, to understand why the Indian economy is not creating good income generating opportunities for people at the bottom of the pyramid, we must examine the structures shaping the present economic system. These include the structures of policies, and the structures of thought (and ideologies) driving those policies. I will highlight three.

The first is the mindset towards ‘informality’. Informality is seen to be bad, and to be done away with. Therefore, formality is imposed on to it, even brutally (as with demonetisation). Whereas, there is a ‘form’ within what appears as informality: a set of structures that enable the informal to function. This form must be understood, and built upon to add strength, and not be destroyed by ill-conceived surgical interventions.

The second is a bias against the ‘small’. An economy with too many small enterprises is considered to be a weak economy. Whereas one should expect to find many more small enterprises in an inclusive and innovative economy. The practical problems small enterprises have is that they are unable to access resources (finance, markets, etc) as easily as large enterprises can, and that they also do not get the attention of policymakers who find it more attractive to engage with the big fellows. Small enterprises (which include even road-side pakora sellers) have to overcome many constraints because they are small. They could overcome them more effectively if they aggregate in clusters and associations. They will have more clout with the political system. They will get more attention from banks and international buyers. They will be able to provide themselves with shared facilities for training, quality, etc., which they cannot individually afford. The thrust of policies must be to encourage more formality in clusters and associations of small enterprises so that they can engage with the formal system, rather than imposing needless formality on the enterprises themselves.

The third fundamental change must be in the orientation towards employees. Humans are the only ‘appreciating assets’ an enterprise has: the value of other resources depreciates with time. Humans have the capacity to learn and to develop their capabilities if they are provided an environment to learn.

Humans can improve their own productivity and also improve the productivity of all other resources used in the enterprise — materials, energy, machines, etc. Very advanced AI systems are acquiring this ability too. However, they cost a lot whereas humans can be hired for very little in India.

Improving productivity

The key to improvement of the total factor productivity of an economy (and of an enterprise), and to simultaneously increase the incomes of citizens, is to engage people in activities, in small and large enterprises, whereby they develop their own capabilities as they earn and learn, and simultaneously improve the productivity of their enterprises. If all enterprises in a country were to improve their productivity (measured as total enterprise output divided by the numbers of people they employ) by, short-sightedly, reducing their numbers of employees, how will total employment increase in the economy?

Political capacity for reforms is always constrained in all societies. Therefore, it must be directed towards what is essential for improvement of the whole system. India needs labour reforms. There are too many laws and regulations, badly administered, and often contradictory, tying up enterprises into knots. The thrust of the reforms must be towards encouraging employers to 'retain and train' their employees, rather than making it easier to 'hire and fire' them.

Companies struggling for IGST refunds in hill states, especially J&K	**Business Standard** https://www.business-standard.com/article/economy-policy/companies-struggling-to-get-igst-refunds-in-j-k-other-hilly-areas-118102100697_1.html

Companies are struggling to get refunds under the goods and services tax (GST) system in hilly areas, more so in Jammu and Kashmir.

While they are getting only 29 per cent of the integrated GST (IGST) on inter-state movements of goods as refund, unlike 100 per cent of the excise tax in the pre-GST regime in hilly areas, the issue has become more contentious in Jammu and Kashmir because the units there were exempt from the service tax on inputs too.

Also, procedural issues are not letting them get even 29 per cent refunds in J&K and other hilly states, say those who have units there.

This will take a toll on employment generation in these states, they say.

A senior official at Jindal Drugs Ltd, which has units in J&K, said the state was tax-neutral in the pre-GST regime with no service tax and central excise duty. "The GST is now being used to take away the tax-neutral status with one stroke, rendering the businesses there unviable with the introduction of the service tax and reducing GST refund to only 29 per cent," he said.

A case in this respect is also pending in the J&K high court.

Abhishek Rastogi, counsel for petitioners, said Jammu and Kashmir had come up with its industrial policy in 2002, promising 100 per cent refund of the excise duty paid for 10 years to companies setting up manufacturing units in the state. This was reduced to 75 per cent, against which petitions were filed in courts. The case is separately pending in the Supreme Court. However, under the GST regime, refunds for inter-state movements of goods were reduced to 29 per cent of the IGST paid.

In fact, 29 per cent refunds are also not available in some cases owing to procedural issues.

The authorities are linking the issue with personal ledger accounts (PLA). In the earlier tax regime, companies gave the cash portion of the taxes through these. In the new regime, they have to pay through the TRANS form. Since there was a systemic problem in linking PLAs with the TRANS cash form, the companies are linking it to the TRANS credit form.

The state tax authorities have objected to this. They are asking companies to return the PLA balance and other cash benefits.

He said many units would become unviable if immediate relief was not granted. Rastogi said the GST Council had written to the state authorities that refunds should be granted but this was not taking place.

The J&K high court will hear the matter on November 22. The order will have its repercussions on other hilly states such as Himachal Pradesh, Uttarakhand and Sikkim as well as northeastern states, which did not have the central excise duty.

There is another issue under the GST regime for some companies. This relates to manufacturing outsourcing.

Mohan Nusetti, vice-president, indirect tax, Lupin Ltd, said exemption under the erstwhile excise regime applied to manufacturers who were liable to pay the duty. Under the GST, the obligation to discharge tax may not necessarily be with the manufacturer, say, in the case of loan licensee arrangements.

He said logically the exemption should extend to people who pay tax in the state and not restrict to manufacturers alone.

USDA Announces Pink Bollworm Eradication Significantly Saving Cotton Farmers in Yearly Control Costs	**Usda.gov.in** https://www.usda.gov/media/press-releases/2018/10/19/usda-announces-pink-bollworm-eradication-significantly-saving

U.S. Secretary of Agriculture Sonny Perdue announced today that U.S. cotton is free — after more than 100 years — of the devastating pink bollworm. This pest has cost U.S. producers tens of millions of dollars in yearly control costs and yield losses. Thanks to rigorous control and regulatory activities carried out by the U.S. Department of Agriculture (USDA), state departments of agriculture, the U.S. cotton industry, and growers, pink bollworm has been eliminated (PDF, 176 KB) from all cotton-producing areas in the continental United States. As a result, USDA is lifting the domestic quarantine for pink bollworm, relieving restrictions on the domestic and international movement of U.S. cotton.

"Removing pink bollworm regulations eases the movement of cotton to market both domestically and internationally because farmers will have fewer restrictions to deal with, like fumigation requirements. This welcome development comes just as cotton harvest is in full swing across the Southern United States," said Secretary Perdue. "Cotton growers were critical to this success, banding together to carry out a coordinated, multi-state program and shouldering 80 percent of the program's cost. The coordinated effort demonstrates the value of partnership, investment, and putting our research close to and beside the farmers we serve."

Pink bollworm was first detected in the United States in Hearne, Texas, in 1917. Extensive efforts by the Cooperative Extension Service in coordination with individual producers eliminated the infestation in Texas and an infestation found in Louisiana in 1919. In the 1930's, the pest re-invaded the Rio Grande Valley of Texas. By the mid-1950's, the pest had spread to surrounding states and eventually reached California in 1963.

In 1955, USDA's Animal and Plant Health Inspection Service (APHIS) established domestic pink bollworm regulations. At the height of the program, 10 states (Arizona, Arkansas, California, Louisiana, New Mexico, Oklahoma, Texas, Nevada, Mississippi, and Missouri) were quarantined for this pest. Many of these infestations were suppressed through cooperative federal, state and industry programs. By 2003, only Arizona, California, New Mexico, and Texas remained under regulation.

Eradication of pink bollworm took years of committed research by USDA's Agricultural Research Service (ARS) and included planting transgenic cotton, using insect pheromones to disrupt mating, releasing sterile insects to prevent reproduction, and extensive survey. Many of the research findings by ARS became management strategies used by APHIS and cotton growers in their battle against pink bollworm.

The United States is a world leader in cotton production and trade. According to industry estimates, the U.S. cotton industry accounts for nearly $27 billion in products and services annually, provides hundreds of thousands of jobs across many sectors, and supplies nearly one-third of the raw cotton that is traded globally.

Uzbekistan, Russia sign three co-op agreements in textile sector	**En.Trendz** https://en.trend.az/casia/uzbekistan/2968836.html

Uzbekistan and Russia have signed three cooperation agreements at the end of the textile forum held within the First Forum of Interregional Cooperation between the two countries.

In particular, the agreement of mutual understanding has been signed between the "Uztextileprom" Association and the Government of the Ivanovo Region related to the issues of expanding the cooperation between the enterprises of the textile, garment and hosiery branches of the industry.

The "Uztextileprom" Association and the All-Russian public organization "Business Russia" have concluded an agreement on establishing closer contacts between the business entities of the two countries in the field of textile, garment and hosiery industries.

The Agency for Advertising and Marketing of Textile Products under the "Uztextileprom" Association and "Samara Textile Company" LLC have signed an agreement that will facilitate the establishment of cooperation ties during the implementation of export deliveries and the attraction of investments.

As a result, the total amount of the investments attracted in export supplies will exceed $ 15 million.

Record cotton production to drive West Africa exports	**Fibre 2 Fashion** https://www.fibre2fashion.com/news/textile-news/record-cotton-production-to-drive-west-africa-exports-245265-newsdetails.htm

Cotton exports from West Africa for 2018-19 are projected to surpass last year's record, driven by record production, according to the US department of agriculture (USDA). West Africa comprises 12 cotton producing countries, namely

Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Ghana, Mali, Niger, Nigeria, Senegal, and Togo.

Of the 12 nations, Mali and Burkina Faso are the largest producers and are forecast to have record crops amid expanding area, the Foreign Agricultural Service of the USDA said in its monthly report 'Cotton: World Markets and Trade'.

West Africa accounts for more than three-fourths of Africa's cotton exports. Nearly all of West African cotton is exported, as mills are sparse within the region, signifying the pivotal role that foreign demand plays for West African producers and merchants, the report says.

South and Southeast Asia are the predominant destinations for West African cotton. It is due to the robust growth in consumption in these Asian regions. Bangladesh, the world's largest importer, has recently opted for greater supplies from West Africa over Central Asian origin.

"Record exports in the midst of record global use in 2018-19 will underscore the importance of cotton as a vital cash crop for farmers and a prominent source of foreign currency for West African countries," the report concludes.