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USD 64.28 | EUR 70.03 | GBP 83.25 | JPY 0.58

Cotton Market (28-04-2017)

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
19959	41750	**82.92**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
20860	43634	**86.66**

International Futures Price

NY ICE USD Cents/lb (May 2017)	79.32
ZCE Cotton: Yuan/MT (July 2017)	16,105
ZCE Cotton: USD Cents/lb	**85.62**
Cotlook A Index – Physical	**88.8**

Cotton guide:

We have been emphasizing this entire week having fresh trigger in the market which can move cotton price either direction while it was trading near the key levels of 80 cents. Finally the export sales figure came last evening from the US shook the market. The weekly export sales data showed a sharp decline.

The export sales figure as of 20th April fell to 180.80 almost half of last week's data. The repercussion was felt clearly on the price. The ICE July that was hovering close to 80 cents fell below 78 and closed the session at 77.96 cents per pound. We believe market may remain sideways to lower on today's trading session.

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The effect was also felt on the domestic cotton future. The most active May contract ended the session lower at Rs. 20,860 down by Rs. 260 from the previous close.

To know more on today's likely movement and possible trend of cotton in the short term Log in through Kotak Commodities Research Reports.

In the meanwhile, USDINR which moved strong close to 63.90 has lowered this morning to 64.20. The effect of Indian rupee movement may also have impact on the cotton price.

For more details please contract Kotak Commodities Research Desk.

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

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INTERNATIONAL NEWS

Sino-American Trade: What Comes Next

Now that U.S. President Donald Trump has settled into office and has opened lines of communication with China, anxious observers are still awaiting grand gestures in U.S.-China economic relations. Although he has been restrained in this arena so far, we can expect his administration to take more significant action for several reasons. Not only did Trump promise during the campaign to challenge Chinese trade practices by levying punitive tariffs and labeling Beijing a currency manipulator, but his election arguably signaled that a critical mass of both workers and businessmen favor recasting Sino-American ties.

Indeed, the longstanding, positive consensus on U.S.-China business relations has been supplanted by a far less forgiving outlook on the American side. China was granted permanent normal trade relations status (PNTR) and acceded to WTO membership in 2000-2001, and in the ensuing years its economy has grown at a remarkable annual pace of between 6.5 percent and 14 percent.

Meanwhile, American manufacturing has shed five million jobs and the trade deficit has skyrocketed. In 2016, China accounted for more than 21 percent of U.S. imports and only 8 percent of its exports, reflecting a $347 billion merchandise trade deficit, just below 2015's record-high $367 billion deficit. And while there is no consensus on the number of American jobs lost due to U.S.-China trade since 2000 — estimates range from zero to 3.4 million — several mainstream economists now agree that this trade has spurred significant job losses in some industries.

In recent years, critics from across the political spectrum have accused China of a host of protectionist sins: steel dumping, currency manipulation, cyber espionage, weak enforcement of intellectual property agreements, and overregulation of foreign enterprises. These charges are exacerbated by China's unique status among trading states. Although it wields tremendous economic power as the world's second-largest economy, it is a WTO-classified "developing nation" with hundreds of millions living in poverty and a per capita GDP far below those of the developed economies. WTO rules allow developing nations to levy higher tariffs; meanwhile, the U.S. has some of the world's lowest tariffs and no value-added tax (VAT).

Trump's Actions So Far

Trump began his presidency with a flourish by withdrawing the United States from the Trans-Pacific Partnership (TPP) and stating that he would negotiate superior bilateral trade agreements. Beyond this initial gesture, however, his early decisions have been relatively cautious. In March, he initiated studies of the trade deficit, promising that "we are going to get these bad trade deals straightened out." More recently he has tasked the Commerce Department with investigating the national security implications of steel and aluminum imports.

Meanwhile, executive branch agencies continue to act on issues that predated Trump's presidency. Early in March, for example, the Commerce Department announced that a Chinese telecommunications equipment company would pay a $1.19 billion fine for shipping equipment to Iran and North Korea — the largest civil penalty ever levied in an export control case.

And as trade law expert Bill Perry has been documenting at the U.S.-China Trade War blog, American companies continue to file anti-dumping and countervailing duty cases against Chinese producers of many industrial products. "With a sympathetic Trump Administration and a very sympathetic Wilbur Ross as the new Secretary of Commerce," notes Perry, "more cases are going to be filed against China and numerous other countries."

President Trump and President Xi Jinping did not ink any major agreements when they met in Mar-a-Lago, far from the prying eyes of the beltway elite, but they did establish a working relationship. This was no small feat, as Trump had earlier tweeted that the meeting with Xi would be "a very difficult one." The two sides agreed to establish a new comprehensive dialogue for bilateral negotiations, which by all appearances will supplant the Obama-era Strategic and Economic Dialogue (S&ED).

They also agreed on a surprisingly short "100-day" framework for trade talks with the general objective of increasing U.S. exports and reducing the bilateral trade deficit.

The Chinese side was open to this initiative because of the effects of the trade balance on China's money supply.

Trump has since walked back his persistent claim against China's monetary policies. As recently as February, he called the Chinese "grand champions at manipulation of currency," but shortly after the summit he stated that his administration would not label China a currency manipulator. This turnabout may have grown in part from Trump's desire to seek Beijing's cooperation on North Korea, but it is also true that market forces in recent months have made it harder to defend the charge of currency manipulation.

Although China did devalue the RMB for many years in order to encourage exports and protect its workers, slowing growth has made the RMB less attractive on the currency markets, and China's central bank has been propping it up in response to capital outflows.

The U.S. Treasury Department's latest biannual report on foreign exchange policies says as much, noting that China "engag[ed] in one-way, large-scale intervention to resist appreciation of the RMB for a decade" but has more recently "sought to prevent a rapid RMB depreciation that would have negative consequences for the United States, China, and the global economy."

Trump has not yet taken a stand on the U.S.-China Bilateral Investment Treaty (BIT), which has been under negotiation since 2008. Proponents worry that the BIT will be yet another casualty to the anti-globalization trend, but Trump may very well support its completion and ratification in the interest of job growth. If ratified, the treaty could significantly enhance Chinese investment in the US while also removing some of the barriers now facing American investors and businesses in China.

Chinese companies put a record $45 billion into the United States in 2016, while American businesses put $75 billion in foreign direct investment (FDI) into China in 2015. We can assume that these numbers would increase with BIT ratification, though if the Trump administration takes a tough posture toward China in other areas, the remaining BIT negotiations will surely be far more difficult.

At present, the administration is prioritizing the trade deficit, but the BIT could become a part of Trump's long-term dealings with China, especially if they can come to terms on market access for American companies.

Policy Options

The Trump administration is most likely to act in those industries most adversely affected by globalization and China's trade practices, such as steel, textiles, and clothing. The American textile industry has lost 366,000 jobs since 2000, while primary metals have lost 265,000 jobs in the last two decades — 62 percent and 42 percent of their respective workforces. U.S. aluminum production has dropped 77 percent since 2000, while in the same period China's share of the world aluminum market has risen from around 11 percent to just over 50 percent.

The administration has many reasons to address this imbalance, including national security: only one North American aluminum smelter can now produce the kind of high-purity aluminum needed for major defense platforms like the F-35 stealth fighter. China's overproduction and exporting of state-subsidized steel has already fueled a minor trade war in which the United States, European Union, Japan, South Korea, and China have levied tit-for-tat tariffs for the past year or so. It is worth noting that some of Trump's trade advisers and lawyers have experience in U.S.-China steel cases, which is one more reason to expect continued U.S. action in this sector.

The administration may also seek adjustments in the automobile trade, where the deck is clearly stacked in Chinese manufacturers' favor. China levies a 25 percent tariff on cars and requires foreign automakers to grant at least 50 percent ownership of their China ventures to Chinese entities. By contrast, America's auto tariff is only 2.5 percent, and foreign car companies face no such ownership requirements.

Because of these and other factors, one-quarter of cars sold in America are imported compared with only 5 percent of those sold in China. The U.S. government does protect the domestic truck industry through a 25 percent tariff, but even without this heavy tax Chinese producers like Great Wall, Kawei, and Higer would have a hard time competing with long-established American and Japanese brands. The Ford F-Series truck has been the top-selling vehicle in America for 35 years, and American truck consumers demonstrate a remarkably high level of brand loyalty.

It is now clear that Trump's campaign promise of a 45 percent tariff on Chinese goods was essentially a headline-generating statement of principle. Nevertheless, some protectionist measures are possible. Although Congress passes most tariffs, the president can also do so if he invokes the vague statutory powers granted in a time of war or a national emergency.

He also has the power to levy short-term tariffs across all imports, or he can target a specific industry via the terms of Section 232 of the Trade Expansion Act of 1962 if such imports may threaten national security. Judging from the administration's actions so far, Trump may very well implement Section 232 to reduce imports of aluminum and steel from China and elsewhere. Trump can also borrow ideas from his predecessor, as the former administration of U.S. President Barack Obama took many actions against China in the WTO and elsewhere.

It remains to be seen whether tougher American trade measures will amount to an aggregate domestic economic gain or whether they will help only a small number of workers in specific industries. When Obama backed 25-35 percent safeguard tariffs on Chinese tires in 2009, the results were mixed. In the short term, Chinese imports decreased and American tire companies expanded their production. But tire imports from other nations also increased, and China quickly retaliated against U.S. auto parts and chicken.

Free trade proponents see such protectionist ideas as reckless and, ultimately, most painful for low-income consumers. They further point out that automation has hurt more American workers than have trade policies, as evidenced by the five-fold increase in labor productivity that has accompanied the steel industry's downsizing since the early 1980s. Moreover, some goods are particularly inappropriate for tariffs.

Clothing imports are so popular among American consumers that tariffs are less politically viable than other kinds of trade restrictions. And if China-made clothing is restricted, then producers from Vietnam and Bangladesh will surely step into the breach.

The administration will likely get better results if they stress reciprocity in response to discriminatory economic policies, such as China's market access restrictions on foreign companies.

If the Trump administration seeks to even the playing field in certain industries, then they must accept that Beijing will retaliate against punitive actions. Chinese state media have been working overtime to emphasize the joint benefits of Sino-American trade, and they have promised to fight any harsh American measures.

The Beijing-based Global Times warned that China will respond in kind to such actions, including canceling orders for Boeing airplanes, iPhones, and agricultural products, and even cutting the number of Chinese students in the United States.

This last point is no minor issue. The more than 300,000 Chinese students now enrolled in American universities contribute 10 billion dollars to the United States economy annually, and they are a significant boon to cash-strapped universities seeking full-tuition-paying foreign students. Beijing has proved willing to wield its economic power against other trading partners, most recently South Korea. It is not too difficult to imagine them doing much the same to the United States.

A full-scale trade war now seems less likely than it did when Trump was elected, though it is still possible. Such a conflict would have far-reaching ramifications, not least because Sino-American economic ties are so extensive and have helped solidify trans-Pacific peace and stability for the last quarter century.

The inevitable rise in consumer goods prices could contribute to a global economic downturn. Even if one side could weather a trade war better than the other, both would be hurt. Chinese Foreign Minister Wang Yi was not far off the mark when he suggested, “Any sober-minded politician clearly recognize[s] that there cannot be conflict between China and the United States because both will lose.”

Source: thediplomat.com- Apr 29, 2017

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Pakistan: Hard times for textile

Pakistan is the world's fourth largest cotton producer, but it is far behind Bangladesh on the list of textile-exporting countries. It should be noted that Bangladesh doesn't produce cotton.

However, it still earned $8.041billion through textile export in the previous fiscal year. On the other, Pakistan was only able to earn $1.365billion – only 17 percent of Bangladesh's export. China, Bangladesh, India, Vietnam and Pakistan collectively exported $46.5bn to the EU.

Pakistan's share was only 2.8 percent. This reflects the poor performance of the country's textile sector. Last year, the prime minister took the notice of decline of $377 million in the textile sector.

The PM announced an incentive package of Rs180 billion. However, this year's performance was also unsatisfactory. This calls for an in-depth analysis to ascertain the reason for the decline in exports. The fact that Bangladesh is ahead of Pakistan should be an eye-opener for textile manufacturers. If the current situation does not improve, the country may lose the benefits of GSP plus.

According to some media reports, industries are exempted from loadshedding. The Ministry of Commerce should take serious notice of this issue and determine the reasons for the huge decline.

The country must develop a focused approach to boost textile exports as they significantly contribute to the country's GDP.

The grey areas, if any, must be addressed to further enhance exports. All shareholders must put in their best to boost textile exports for the economic survival of Pakistan.

Source: thenews.com.pk - Apr 29, 2017

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US retail operating growth to be 1.5-2.5% in 2017: Moody's

The forecast for operating income growth in the US over the next 12 to 18 months has been lowered by Moody's, primarily as a result of underperformance in five key subsectors.

Notably, online sales will aid multiple subsectors as more companies harness this expanding channel. The report adds that the outlook for the US retail industry will remain stable.

Moody's has lowered its 2017 forecast for US retail operating income growth to 1.5-2.5 per cent from 4-5 per cent, and maintains its sales growth forecast for the year at 3-4 per cent.

The lower forecast was driven mainly by weakness in the subsectors such as specialty retailers, discounters and warehouse clubs and department stores among others.

"Consumer spending remains subdued, with gains in household wealth due to improved housing and equity markets a positive, although lower-income households are benefiting less than those with greater discretionary income," said Mickey Chadha, a Moody's vice president and senior credit officer.

Among subsectors, department stores will see the single biggest drop in operating profits this year, Chadha said in 'Lowering Operating Profit Growth Forecast as Some Key Sub-Sectors Weaken'. On the back of a 1 per cent decline in sales, Moody's forecasts a 7-8 per cent decrease in operating profits for the subsector, excluding Sears. Department store sales have been hard hit by changing shopping trends, lower mall traffic and competition from online and off-price retailers.

The largest subsector of the Moody's rated retail universe, discounters and warehouse clubs, will also see operating profits fall this year, in the range of 4-5 per cent.

Walmart, which accounts for about 75 per cent of the subsector's earnings, continues to see lower operating profits due to its heavy investment in employees and online growth.

The subsector's 2017 operating profit will be flat as a result. Specialty retailers will likewise report flat operating profit this year.

Source: fibre2fashion.com - Apr 29, 2017

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Apparel: Bangladesh faces threat from Myanmar

Recovering from an embargo, Myanmar has begun its comeback to the textile and apparel business as the country with the most potential to emerge as a formidable player among garment-producing nations, according to a study.

Myanmar has deep experience in the textile industry, but does not cover all parts of the value chain. However, foreign direct investment tripled in the last two years emphasising the high potential, according to the Kurt Salmon Global Sourcing Reference.

Kurt Salmon, a leading global strategy consulting company focused on the retail industry, conducted the survey based on the production cost indices (PCIs) of six garment-producing nations – Bangladesh, China, India, Morocco, Myanmar and Turkey.

Bangladesh is the most attractive destination of European retailers among the six nations due to its competence in the supply of quality products at competitive prices, according to the study.

The firm analysed the import data of apparel items from the six countries from 2005-15. Among them, China is in the second position because of higher costs of production and a dearth of skilled workers.

India is third, followed by Morocco, Myanmar and Turkey.

There is no back-up nation to Bangladesh for the global garment business at this moment, said Dhyana van der Pols, a sourcing consultant for a group of European garment buyers. “So, business will continue to grow in Bangladesh.”

However, Bangladesh needs to shift production to value-added items from basic garment goods, she said. “Although we are passing a dull season now, the future outlook is very positive,” said Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association.

Global comparsion

However, in the global comparison of Kurt Salmon, Bangladesh is the second most attractive destination after Cambodia.

Globally, Cambodia is ahead of Bangladesh only because it uses more technology in production, the study said. Production costs in China are almost reaching the level of Eastern Europe and Turkey and are even exceeding costs in Southern European rim locations such as Morocco.

As China no longer has transportation lead times, and as a consequence, considerably less sourcing flexibility, its competitive strength is eroding rapidly, it said. “China is no longer a low-cost production country.”

Wages have tripled in China over the last decade and productivity gains were unable to level out this effect on overall production costs. On the other end of the cost continuum, Myanmar and Bangladesh are showing the lowest PCI value.

Ongoing efforts to improve social and infrastructural conditions, such as the established minimum wages in Bangladesh and Myanmar, indicate further increases in sourcing costs for the future – but still on a very competitive PCI level. Bangladesh is gaining market share in sourcing for Europe and North America, the report said.

But the country is still mainly focused on less complex products. Bangladesh has the potential to further strengthen its relative position if production capabilities can evolve and quality can be improved while ensuring social and environmental compliance standards.

Denim apparel shows a clear move away from China, which lost 7 per cent in 2014, while most other markets have been able to strengthen their position.

Looking at the example of denim, Turkey, Tunisia and Poland have been able to expand their position, although cost structures are significantly higher than in the traditional low-cost Asian countries.

Source: nationmultimedia.com- Apr 29, 2017

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Regional mega trade deal may not be finalised this year

The impetus to conclude the Regional Comprehensive Economic Partnership (RCEP), a 16-nation, Asean-driven free trade agreement, came in January this year when another major trade deal of the Asia-Pacific region was killed by United States President Donald Trump.

The 12-nation Trans-Pacific Partnership (TPP), signed in February last year, was to have comprised 40 per cent of the world's gross domestic product (GDP), a market of more than 800 million people, and about a third of the world's trade.

It was to have set new standards for trade and investment. It overshadowed the RCEP, a deal proposed by Asean in 2011 to further integrate its economy with six of its trading partners with which it already has free trade agreements - China, Australia, New Zealand, India, Japan and South Korea.

But after Mr Trump signed an executive order to pull the US out of the TPP on his first day in office, the RCEP, as the other mega deal of the region, became the focus of attention, including of those countries linked with both pacts such as Japan, Australia and New Zealand.

This year being the 50th anniversary of Asean's founding, there is also strong incentive among the grouping's members to conclude the deal by the end of the year to cap a year of celebration.

If that happens, RCEP will be the world's largest trading bloc with 32 per cent of the world's GDP, a market of 3.4 billion people or nearly half the world's population, and about a third of the world's trade.

Apart from the usual trade and investment agreements, RCEP also aims to enhance transparency in trade and investment relations, help small and medium-sized firms to take part in regional and global supply chains, and

provide technical and capacity-building assistance to less-developed members of the deal.

Since negotiations began in 2013, however, the members have fallen behind the original plan for completion by the end of 2015, for various reasons.

Chief of these, according to Professor Shujiro Urata, who advises the Economic Research Institute for Asean and East Asia, is the lack of bilateral free trade agreements between some countries, such as China and India, China and Japan, and Japan and South Korea. This makes it hard for the countries to reach common ground.

Members also find it hard to agree on tariff reductions and services liberalisation. In particular, India is worried about tariff reductions leading to a flood of Chinese goods, given that it has a large trade deficit of more than US$50 billion (S$69.9 billion) with China.

India, which is strong in services, also wants negotiation on trade in goods and services to take place simultaneously, which could slow things down, analysts have said.

It has said that only about a quarter of the 15-chapter agreement has been finalised. Given the challenges, whether RCEP can be concluded by the end of this year is a tough question to answer. Some analysts are saying that a framework agreement, or the core of an agreement, can be completed this year, with the secondary parts to come later.

Source: straitstimes.com- Apr 28, 2017

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China's delay in approval of GM cotton could cost Australian oilseed farmers hundreds of millions of dollars

A lack of regulatory approval from China for cotton seed produced from the genetically modified (GM) Bollgard 3 suite of cotton varieties could cost the Australian oilseed exporting sector hundreds of millions of dollars if not resolved.

It is expected Australia will produce around one million tonnes of cotton seed this year, with around 90-95 per cent of plantings of Bollgard 3 varieties.

With subdued domestic demand for cotton seed, the industry was targeting the export market, in particular China as a home for the product.

The confusion over China's position on Bollgard 3 has caught the industry on the hop.

In its promotion of the Bollgard 3 technology, patent owners Monsanto stated the trait had received seed import approval in China.

However, all exporters are required to do their own due diligence on regulatory requirements for individual markets before committing to sales. The Australian Government is now in discussions with China over the issue.

The problem is damaging for the owners of the Bollgard 3 patent, Monsanto, who had been delighted with how Bollgard 3 had performed agronomically in its first season.

Source: geneticliteracyproject.org- Apr 28, 2017

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Pakistan: Raw cotton worth US$ 38.631 million exported in 9 months

Raw cotton export from the country during first three quarters of current financial year was recorded at US$ 38.631 million as compared the exports of the corresponding period of last year.

During the period from July-March, 2016-17 about 22,812 metric tons of raw cotton worth US$ 38.631 million were exported as compared the export of 48,513 metric tons valuing US$ 75.324 million of same period of last year.

According the data of Pakistan Bureau of Statistics, raw cotton export from the country during first 9 months of current financial year decreased by 48.71 percent.

However, exports of cotton carded or combed increased by 85.27 percent as during the period under review about 237 metric tons of the commodity worth US$ 239,000 exported as compared the exports of 135 metric tons worth of US$ 129,000 of same period of last year.

On month on month basis, about 493 metric tons of raw cotton worth US$ 869,000 exported in month of March, 2017 as compared the exports of 619 metric tons valuing US$ 895,000 of same month last year.

Meanwhile, during first three quarters of current financial year exports of the towel from the country decreased by 3.18 percent as was recorded at 132,723 metric tons.

Towels worth of US$ 578.24 million were exported during the period under review as compared the exports of US$ 597.1 million of the corresponding period of last year.

On month on month basis towels exports grew by 15.78 percent during month of March, 2017 as compared the exports of same month last year.

About 15,325 metric tons of towels worth US$ 70.354 million exported in month of March as compared the exports of 13,551 metric tons valuing US$ 50.76 million of the same month of last year.

Same time, in last 9 months exports of bedwear grew by 5.11 percent and about 263,814 metric tons of the bedwear worth US$ 1.585 billion exported as compared the exports of 244,295 metric ton valuing of US$ 1.508 billion of same period of last year.

On month on month basis, exports of bedwear increased by 5.43 percent and was recorded at 29,259 metric tons valuing US$ 180 million as against the exports of 28,995 metric tons worth of US$ 171.182 million of same month of last year.

Source: dunyanews.tv- Apr 28, 2017

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NATIONAL NEWS

Fix 5% GST rate for textile goods: Textile bodies

Uniform levy of 5 per cent Goods and Services Tax (GST) on all textiles and clothing products should be considered to ensure smooth migration of the entire value chain to the new tax structure, said over 20 textile associations led by the Southern India Mills' Association (SIMA) in a joint memorandum submitted to Union textiles minister Smriti Irani.

The entire cotton textile value chain is currently enjoying the zero per cent Central Excise benefit under optional Cenvat from 2004. Under this scenario, a uniform levy of 5 per cent (lowest slab) GST on all textiles and clothing products would ensure smooth migration of entire textile value chain from the present tax structure to GST tax structure with full compliance, creating win-win strategy for all the stakeholders and would bring substantial revenue to the exchequer when compared to the existing revenue., said the associations in the joint memorandum.

The associations have requested that all the existing export benefits including AIR duty drawback rates, ROSL benefits, MEIS, IES, EPCG and other benefits announced under garment/ made-ups export package need to be continued for some time after the implementation of GST as the industry has just begun taking advantage of these schemes and grabbing global export opportunities.

All the existing export benefits could be continued till its expiry period in the case of apparel and made-ups package and for two years for all other export benefits, as the industry has no level playing field in the international market due to delay in concluding FTAs with various potential markets.

The textile associations have also asked Irani to persuade the ministry of commerce & industry and Prime Minister’s Office to conclude FTAs with all the potential importing countries especially EU, Britain, China, US, Canada, etc., to enable India to compete with countries like Vietnam, Bangladesh, Pakistan etc.

Irani has also been urged to bring back the Technology Mission on Cotton in a revised format (TMC II) with four Mini Missions to take necessary action so that the proposed anti-dumping duty on polyester staple fibre is dropped.

Another request is to expedite the announcement of processing package and also extend 25 per cent capital subsidy without cap on investments with effect from January 13, 2016 to make the investments that are in pipeline financially viable.

The associations led by SIMA have also asked to revise the NPA norms to sustain the smooth functioning of SMEs in the textile industry. They said that the hank yarn obligation could be reduced to 15 per cent immediately to facilitate ease of doing business and the Handloom Reservation Act should be revamped.

Source: fibre2fashion.com- Apr 28, 2017

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GST impels review of export incentives

With a national goods and services tax (GST) to take effect from July 1, the government has started a review of the Foreign Trade Policy (FTP), which could see some export incentives getting reduced in scope.

The Directorate General of Foreign Trade under the commerce ministry has been meeting legal and tax consultancy entities on the issue. Particularly on scrip-based incentives such as the Merchandise Exports from India Scheme (MEIS) and the Services Exports from India Scheme.

The ministry or its agencies issue a scrip to an exporter to be used for payment of central taxes such as Customs duty or excise duty and service tax on future procurement of goods and services. Such modes of payment would not be allowed after the GST regime begins.

Significant changes to these schemes are not expected, owing to their scale and the lack of alternative ones. “MEIS benefits are also given to exporters for the processing part, i.e any loss incurred due to inefficiencies in the government processing part of the export.

On that note, any major changes to the scheme will affect exporters significantly," says L Badri Narayan, taxation partner at law firm Lakshmikumaran & Sridharan.

While exports will remain zero-rated under GST, there is also confusion on schemes under the Customs department such as the Export Promotion of Capital Goods one and the Advance Authorisation Scheme.

While the mid-year review of the FTP was scheduled for September, the imminent introduction of GST has given rise to the debate over whether it should be advanced.

The five-year (2015-20) policy provides a framework for boosting of export of goods and services, besides creation of employment and increasing of value addition. It sets a target of export of goods and services to $900 billion by 2020; the figure in 2016-17 was $275 billion.

GST is aimed at reducing of existing duty exemptions, is one argument. "Proponents of this view say that as exports are anyway zero-rated (i.e. output is not taxed and input credits are allowed), the refund of input taxes would always be available.

However, this view does not consider the huge working capital issue that would be faced by exporting units under FTP schemes," says consultancy KPMG.

Also, states have to be on board, since benefits under the state GST would be routed through them.

"What will happen to the benefits being given in some backward areas?" asks Abhishek Rastogi, partner at legal firm Khaitan & Co.

Source: business-standard.com - Apr 29, 2017

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GST rollout: Commerce Ministry to modify portions of Foreign Trade Policy

The commerce ministry will modify certain portions of the foreign trade policy (FTP) to align it with the Goods and Services tax, which is to be rolled out from July 1.

The ministry also proposes to come out with the mid-year review of FTP, a few months ahead of the schedule, before the GST rollout.

The 5-year foreign trade policy (2015-20) provides a framework for boosting exports of goods and services besides creation of employment and increasing value addition.

The ministry was expected to complete the review by September but as the GST roll-out is scheduled from July 1, "we have to make changes in it and also prepone the completion of review", an official said.

In view of the GST, the ministry may have to make changes in chapters relating to incentives for exporters; duty exemption schemes; export promotion capital goods scheme and deemed exports.

As there is no provision of ab-initio exemption in the GST, exporters would have to pay the duties and then seek the refund.

"Due to these provision, the language of the policy requires certain changes," the official added.

FTP was announced in 2015 and it was stated that the ministry would conduct a mid-term review in September to see whether any tweaking is required in the policy to promote shipments.

The policy sets a target of taking India's exports of goods and services to $900 billion by 2020. In 2016-17, India's merchandise shipments aggregated at $275 billion.

Further, manufacturing exporters have raised certain concerns over refund of duties and according to the Federation of Indian Export Organisations (FIEO) a certain portion of working capital would be blocked in the process with the government for about three months.

As per estimates, over Rs 1.85 lakh crore working capital of exporters may get stuck annually with the government under the GST.

Blocking of this amount would push up the manufacturing cost of exporters as they have to borrow more from banks.

FIEO Director General Ajay Sahai said the government should prepare a software to ensure that refunds are granted quickly.

He added that the interest rates are about 12-15 per cent in India and borrowing at this rate would push up exporters' manufacturing cost.

The commerce ministry had earlier pressed the GST Council to keep exports out of the framework of the new indirect tax regime and levy lower taxes on labour-intensive sectors like leather, cement and plantation.

Refund of taxes takes about six to eight months and hence it is necessary to give an ab-intio exemption to exporters.

Currently, exporters are exempted from paying taxes. But under the GST regime, they have to pay the duties and then seek refunds.

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

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Need to raise merchandise exports: Arvind Panagariya

India has an opportunity to step up merchandise exports, the rising wave of protectionism notwithstanding, Niti Aayog vice chairman Arvind Panagariya said on Friday.

"India should not freeze because of the rising wave of protectionism. Instead, we should be pushing more aggressively to increase our share in merchandise exports irrespective of what happens to the overall global economic growth," Panagariya said at the annual session of the CII.

Countering the view that India should also adopt a protectionist approach when it comes to its trade pacts, Panagariya said India should continue to push exports, whether the global trade pie increase or decreases.

“Threatening countries of similar action can be a solution to prevent them from taking a protectionist stand towards India but that should not be India’s approach," he said.

Referring to the approach of the United States towards global trade under the Trump regime, Panagariya said, "I am cautiously optimistic that we will see some gradual turnaround in the US."

Speaking on the advent of technology and its impact on jobs, he said India has ample time before technology takes over jobs in India. "India has a lot of labour intensive sectors like textile, apparel, where good jobs exist.

We still have 15 years to put our house in order before technology takes over," he said, shrugging off any threats to jobs.

Source: economictimes.com- Apr 28, 2017

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India to top home textiles in coming years

India may be the world’s number one home textile supplier in the coming years. Right now China is the world’s largest home textile producer. India’s home textile industry is expected to grow at a CAGR of eight per cent to reach $5.29 billion by the end of 2018.

Curtains and upholstery, rugs and carpets will be some of the top growing home textile categories in the coming year, posting a CAGR of eight per cent and 9.4 per cent.

India is responsible for almost 21 per cent of towels in the global market and has a 19 per cent share in the global bed linen market. India is also one of the top suppliers for the world’s biggest home textile consuming market, the US.

Increasing efforts in quality improvement, innovations through R&D and value-added features have helped India’s home textile products become more popular in the global market.

The home textile sector in India is the second largest employer in the country's textile industry after the apparel sector.

The made-up sector includes products like towels, bed sheets, blankets, curtains, crochet laces, pillow covers, embroidery articles and other home textile products.

This sector gets production incentives and subsidies similar to what the garment sector gets.

Source: fashionatingworld.com - Apr 28, 2017

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India to seal pact with Russia-led grouping

Free trade agreement to open up market with potential of up to $62 billion

India is set to formalise a free trade agreement with the Eurasian Economic Union, clearing the decks for negotiations on deepening trade relations with the five former Soviet republics.

The joint statement on the FTA is likely to be issued during Prime Minister Narendra Modi's meeting with Russian President Vladimir Putin at St. Petersburg on June 1, Sunil Kumar, joint secretary, Ministry of Commerce and Industry, said here on Friday. Addressing a stakeholder consultation, he said the report of the Joint Feasibility Study Group had been accepted by both sides and the formal negotiations would begin by July.

The Eurasian Economic Union comprises Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan. The FTA is expected to open up a huge market with a trade potential of $37 to 62 billion.

Trade between India and the five Eurasian countries stands at about $11 billion. "The FTA with the Eurasian countries was dictated by India's need to diversify into new markets. We have a targeted trade of $30 billion with the five countries by 2025 and $15 billion annual investment," Mr. Kumar said.

At the meeting, experts highlighted the need for better understanding of the challenges in the new market like non-tariff barriers and quality standards before the negotiations take place.

Mr. Kumar said the Eurasian market could open up new export opportunities for Kerala in medical tourism, IT and IT-enabled services, besides traditional sectors like spices, marine products, coir and rubber. He stressed the need for safeguards in the pact to protect the state's interests.

Exporters and representatives of trade organisations called for steps to prevent dumping of goods and misuse of the rules of origin. They also highlighted the need for clarity on sanitary and phytosanitary measures, import licensing, quantitative restrictions and trade remedies.

Source: thehindu.com - Apr 29, 2017

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'Global standards will curb unsafe imports'

Local industry, consumers to benefit

A good standards regime will help in preventing flooding of domestic market with unsafe or sub-standard imports at the expense of the domestic industry as well as consumers, the Commerce Ministry said on Friday.

The days of differential standards — low for domestic market and high for exports — are over and if the Indian industry has to survive and thrive, it has to adopt global standards, the commerce ministry said in a statement.

The ministry, in collaboration with the industry body CII, Bureau of Indian Standards (BIS) and the National Accreditation Board for Certification Bodies (NABCB) and other knowledge partners, is organising a National Standards Conclave on May 1-2 in the national capital.

The Conclave would also aim at preparing an Indian National Strategy for Standardization (INSS) document to enable the development of a harmonised, dynamic, and mature standards ecosystem in India, according to the Ministry.

It will prepare industries, Central Government Ministries, State Governments, regulatory/standards setting and conformity assessment bodies on the growing importance of "Standards" in the changing scenario of global trade.

The Standards Conclave is being held in the backdrop of diminishing importance of tariffs and rising influence of standards and regulation both in goods and services trade, the ministry said.

The Ministries/regulators/state governments have to also realise that their initiatives and schemes have to be built around global standards if they have to succeed in their objectives, it said, adding that a good standards regime shall also help the "Make in India" campaign.

Source: thehindu.com - Apr 29, 2017

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