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USD 68.09 | EUR 73.24 | GBP 85.17 | JPY 0.60

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
20055	41950	**78.56**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20900	43718	**81.87**

International Futures Price

NY ICE USD Cents/lb (March 2017)	74.63
ZCE Cotton: Yuan/MT (January 2017)	15,250
ZCE Cotton: USD Cents/lb	**85.89**
Cotlook A Index – Physical	**82.45**

Cotton & currency guide: Cotton price advanced on Monday's trading session both at spot market in India and in the US ICE futures contract. The spot price of cotton surged to Rs. 42,400 ex-gin per candy advanced by Rs. 150 from the previous close its highest level since 11th October 2016. At the prevailing exchange rate the equivalent value is 79.40 US cents/lb

In the meanwhile ICE futures for near month future contract surged to 74.74 cents/lb while settled at 74.63 cents. The major reason for price rise can be attractive US cotton price and steady sales for US cotton to India

Also decline in the USD against major currencies may have supported USD denominated assets to trade higher.

From the price perspective the MCX cotton price for near month future contract ended the session at Rs. 20,570 up by Rs. 370 from the previous close. This morning ICE cotton is trading positive at 74.94 cents and believe the effect could be further seen on the futures market in India today.

The trading range for the day would be Rs. 20400 to Rs. 20750. The key resistance level is breached both at domestic and futures market so believe market may remain upbeat in the very near term and we recommend to exit all long positions

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

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INTERNATIONAL NEWS

US textile industry eager to work with President Trump

The US textile industry is eager to work with President Donald Trump to stimulate manufacturing, employment and trade. Congratulating President Trump on his inauguration as the 45th President of the US, the National Council of Textile Organizations (NCTO) said American textiles are of the highest quality and the most innovative in the world.

"NCTO congratulates President Trump on his inauguration. The US textile industry is eager to partner with him to stimulate American jobs, production, and exports," said NCTO president and CEO Auggie Tantillo.

"From fibres to finished fabrics, American companies make the highest quality and most innovative textiles in the world. Given a level playing field, US textile industry is primed for expansion," Tantillo added as he noted the sector's comeback from the 2008 financial crisis despite intense competition from Asian suppliers that often benefit from state subsidies and cents-on-the-hour wage rates. Since the end of the recession in mid-2009, US textile production has grown by 21 per cent.

Thanking outgoing President Barack Obama, Tantillo said, "US textile manufacturers are grateful for his administration's work to improve the industry's competitiveness."

Pointing out that President Obama created and funded a fibre and textile manufacturing innovation centre, the Advanced Functional Fabrics of America (AFFOA) and that his administration opened a direct and very sincere line of communication with NCTO on sensitive policy matters, Tantillo remarked, "The US textile sector had a legitimate and impactful seat at the policy table in recent years, a privilege greatly appreciated."

Source: fibre2fashion.com – Jan 23, 2017

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Vietnam textile, garment sector finds new way increase export turnover

The state-run Vietnam National Textile And Garment Group (Vinatex) General director Le Tien Tuong said that the group strives to push up production by 14 percent compared to last year. The group will make the effort to increase export turnover by 11 percent and import turnover by 9 percent. To complete the goal, Vinatex will focus on expanding its markets more especially key markets such as the US, EU, and Japan.

When it comes to 2017, VITAS said that the sector will still face difficulties because of fierce competition and strong competitors will continue attract more order than Vietnam thanks to its government's tariff and foreign exchange preferential policies and political unrest in some countries. Vinatex added that in 2017, Vietnamese textile and garment sector will not yet take full advantages of EVFTA and TPP which take effect in 2018.

With such prediction, the sector set target of 6.5-7 percent in 2017 or US$30 billion.

As per the Ministry of Industry and Trade, in 2017, in addition to opportunities, the integration will produce challenges for the sector especially for small and medium companies. Local small and medium enterprises can even lose its traditional commodity order which bigger companies especially FDI companies will grasp it. Subsequently, small and medium companies should have long broad and long-term strategies besides the government's support to overcome the rough time.

He petitioned that the government should have policies to encourage local enterprises in implementing of higher export processing methods, namely FOB, ODM and OBM.

Moreover, the government should have preferential credit policies to purchase Vietnamese materials and for investment of special equipment as well as organizing promotion fair to attract more customers.

The Vietnam's textile and garment sector's export turnover reached around US$28.5 billion in 2016, completing 92 percent of the goal.

The Vietnam Textile and Apparel Association (VITAS) said that there had been downturn in the world; therefore, all nations faced difficulties in expanding market even big countries like India, China whose export turnover reduced compared to 2015.

Minister of Industry and Trade Tran Tuan Anh highly lauded the sector because despite difficulties faced, its current market share in giant markets showed a growth; for instance, its market share in the US increased by 11 percent and also in Japan.

Vietnamese textile was in stiff competition with its strong Chinese, Indian, Pakistani and Bangladesh competitors which enjoy their governments' preferential policies.

Source: yarnsandfibers.com– Jan 23, 2017

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Vietnam: Foreign enterprises call for less frequent wage increases

Many foreign-invested companies in Vietnam proposed that the government reduce the frequency of minimum wage increases so they would have time to prepare themselves.

Nguyen Chi Thanh, chief financial officer of French company Scavi, said that the company has member companies in many provinces in Vietnam, including Dong Nai, Lam Dong, and Thua Thien Hue, with about 10,000 employees in total, so labour costs will increase remarkably after the new minimum wage comes into effect.

For example, at the plant in Bien Hoa in Dong Nai, as per the new regulation, the company will have to spend an additional VND200 million ($9,300) on its 1,000 employees' wages.

"So many increases in such a short period of time in recent years have caused difficulties for the company," Thanh said, adding that not only did wages increase, but the company's expenses on social and medical insurance of employees have also been increasing.

AkzoNobel and Bosch Vietnam, though not having as many employees as Scavi, said they also saw a big increase in labour costs.

Thanh said that in recent years, the Vietnamese economy has been growing at less than 10 per cent per annum and decelerating, yet the minimum wage has been rising at more than 10 per cent a year. He said that these tendencies are unreasonable and make it difficult for companies, especially small and medium-sized ones.

“Small and medium-sized companies make up most of the Vietnamese business environment. There should be more time between consecutive increases, giving enough time for companies to adjust,” Thanh said.

Thanh also noted that Scavi sent a document to Vietnam Textile & Apparel Association, which is gathering opinions from companies in the sector to make a proposal to the government about widening the gap between minimum wage increases.

“Textile and garment companies in Vietnam have to spend a bigger percentage of their earnings on insurance and other fees than in rival textile and garment producing countries. Without support, including widening the gap, Vietnamese textile and garment companies will find it hard to compete internationally,” he added.

A representative of the Japan Business Association in Vietnam commented that the annual minimum wage increase should also be based on the expected economic growth for that year, adding that too large an increase would restrict companies from hiring.

Thanh said that the Vietnamese textile and garment industry saw growth in the past years but has been constantly underachieving expectations.

“Growth used to be 14-15 per cent a year, but now it is only one third of that,” Thanh said. “In this context, companies need more support to increase competitiveness. There should be careful consideration before each minimum wage increase.”

Source: vietnamnet.vn – Jan 23, 2017

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Trump Withdraws U.S. from Trans-Pacific Partnership

President Trump reportedly signed Jan. 23 a presidential memorandum fulfilling a campaign pledge to withdraw the United States from the Trans-Pacific Partnership. Trump's action appears to ensure that the TPP, which was signed nearly a year ago, will not take effect because U.S. participation was essential to its implementation. However, press reports indicate that Trump has signaled his openness to negotiating individual free trade agreements with TPP members and other countries.

Several key lawmakers opposed the withdrawal. Sen. John McCain, R-Ariz., called the withdrawal "a serious mistake" that will "forfeit the opportunity to ... open new markets" and "create an opening for China to rewrite the economic rules of the road."

House Ways and Means Committee Chairman Kevin Brady, R-Texas, acknowledged that TPP "fell short" in some ways but called on the Trump administration to "identify what should be improved and quickly act on a strategy that creates more economic opportunities for America in [the Asia-Pacific] region." Reps. Jim Himes, D-Conn., Rick Larsen, D-Wash., and Gregory Meeks, D-N.Y., leaders of the New Democrat Coalition, said that "hastily withdrawing from agreements like TPP cedes American leadership not only economically, but also geopolitically" and that without such leadership "we will not see strong labor and environmental standards, protection for intellectual property and restrictions on state-owned enterprises."

Senate Finance Ranking Member Ron Wyden, D-Ore., added that it was a "bad sign" that the presidential memo was not immediately made public, which he said contravened the requirements in the Trade Facilitation and Trade Enforcement Act for the president to "consult closely and on a timely basis with Congress and keep members fully apprised of trade negotiations."

Others supported the withdrawal and expressed optimism that it could herald similar efforts in the future. Sen. Sherrod Brown, D-Ohio, said "throwing out TPP is the first necessary step in overhauling our trade policy" and called on Trump to make good on his pledge to renegotiate NAFTA as well.

Ways and Means Ranking Member Richard Neal, D-Mass., said the TPP withdrawal "must be a first step" toward "new rules and better enforcement to make trade a two-way street, particularly in the Asia-Pacific region."

However, Lori Wallach, director of Public Citizen's Global Trade Watch, pointed out that Trump's memo "did not end talks to establish the Transatlantic Trade and Investment partnership, the Trade in Services Agreement and the U.S.-China Bilateral Investment Treaty, all of which would replicate and expand the TPP/NAFTA model Trump says he is ending."

She added that "many people Trump has named to senior positions passionately support the very agreements Trump opposes." A policy statement on the White House website indicates that Trump is not opposed to negotiating new trade agreements but states that they must be "in the interests of American workers."

Source: strtrade.com– Jan 24, 2017

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Bangladesh: Germany to help develop textiles education

Germany is willing to establish a strong collaboration with Bangladesh to develop the country's textiles and higher education sectors, said a UGC press release.

A three-member German delegation expressed the interest at a meeting with University Grants Commission (UGC) Chairman Professor Abdul Mannan at his office on Monday.

The meeting was also attended, among others, by UGC members Professor Dr. Mohammad Yousuf Ali Mollah, Professor Dr. Dil Afroza Begum, Professor Dr. Md. Akhtar Hossain and Professor Dr. M. Shah Nowaz Ali, UGC secretary Dr. Md. Khaled, and Ministry of Education additional secretary Abdullah Al Hasan Chowdhury and deputy chief Rafique Ahmed Siddique.

Led by Programme Coordinator of German-Bangladesh Higher Education Network on Sustainable Textiles Christian von Mitzlaff, the German team told the meeting that their government, through GIZ, is interested in working with Bangladesh in areas of textiles and higher education to enhance the skill of local workforce.

Mr. Mitzlaff said Bangladesh needs high-quality skilled manpower for its socio- economic development, where Germany is willing to cooperate, especially in textiles and higher education sectors.

He said GIZ is also willing to train the faculty members of the textiles universities here to enhance the quality of teaching, learning and research at tertiary level.

They also stressed the need for establishing academic and research collaboration among the higher educational institutions of Bangladesh and Germany.

Professor Abdul Mannan said UGC always welcomes assistance and cooperation from the donor countries for enhancement and internationalization of the country's higher education.

He said teaching and learning system of textile education needs to be modernized to meet the country's need for skilled manpower.

Source: thefinancialexpress-bd.com – Jan 23, 2017

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Pakistan: Trade foray into Sri Lanka

Muhammed Jahangir holds up bold, coloured textiles with intricate traditional needlework. He explains them to the Sri Lankan customers at his trade stall — how the needlework is done and how painstaking it is. Entirely handmade by women employed in his factory in south Punjab, some of these traditional forms of stitching date back to the Mughal period, he tells two Lankan women while giving them a brief account of the relevant history.

They pick up three sets of the material. Jahangir provides a discount without them asking for it.

He also tells them that if they know of people in the traditional stitching business in Sri Lanka, he will get the authorities' help in Pakistan in arranging a small-scale Sri Lankan textile trade fair. The two Sinhalese women depart conversing about the "amazing" manner in which Pakistanis conduct business.

Such good-natured trading was a common feature at the second Pakistan trade and food fair held in Colombo from Jan 13 to 15, with the participation of 156 Pakistani companies. Organised by the High Commission of Pakistan in Sri Lanka, with the collaboration of the Trade Development Authority of Pakistan (TDAP), the single-country trade fair featured leading Pakistani manufacturers, including those dealing in engineering and agricultural products, textiles, and handicrafts.

The Pakistan food fair held at the Galadari Hotel in Colombo ran parallel to the trade fair and was carried out under the supervision of Pakistani celebrity chef Mehboob Khan, featuring a striking array of vegetarian food alongside non-vegetarian dishes — breaking the stereotype that Pakistani food is monopolised by meat-based dishes.

Meanwhile, the interactions within the trade stalls constituted a sociological study on how business can also be a cultural exchange. Shazad Nasim from Karachi was busy in his shop selling onyx stone ornaments whilst explaining where the stone is found in Pakistan.

"The onyx stones are found in Balochistan, sir, a very beautiful place," explained Nasim to a keen buyer who asked if he could buy onyx Buddha statues. "This time, no, sir," responded Nasim.

"My father is from Punjab and my mother from Sindh. Our family has been in the onyx business for the past 40 years," Dawn was told by Nasim, who exports his products to key western markets including the United States, Canada, and Europe.

Like most of those who set up stalls at the trade fair, this was Nasim's second experience exhibiting and selling his products in Sri Lanka. "The pioneering 2016 exhibition drew a record number of visitors," he reminisced.

Held at the Bandaranaike Memorial International Conference Hall in Colombo, the largest exhibition venue in the country's capital, the trade fair was patronised by all Sri Lankan communities but also — significantly — the minority Muslim population that makes up around 10 per cent of the country's population.

"I came for the cutwork shawls," said one Muslim woman who had travelled from the district of Puttalam in the north-western province. Another said that she had come to see the rugs and carpets Pakistan is well known for.

For traders from Pakistan, while the fair was a good opportunity to showcase their products, it was also a matter of battling difficulties like customs' duties, which they feel should be reduced. But despite the challenges of selling enough to make a profit, even small-scale artisan-focused businesses like that of Kausar Ahmed were optimistic.

"I used this opportunity to display the jewellery of Swat," said Ahmed. "These items are expensive in Sri Lankan currency but we did sell enough to motivate us to exhibit next year as well," she explained, pointing towards the exquisite metal artwork-based purses and jewellery.

Meanwhile, at the Galadari hotel in Colombo, chef Mehboob Khan was busy supervising diverse traditional Pakistani dishes that included a wide range of vegetarian dishes in reduced amounts of oil. "Many vegetable-based dishes are cooked in diverse ways by different villages in Pakistan," he said. "I have in my 30-year career as chef travelled throughout Pakistan to learn about the difference between the urban and rural diet.

Contrary to the general impression, the majority of Pakistanis in rural areas consume a largely vegetable-based diet and I make it a point to include these recipes in many of the international food fairs." He added that he is exploring the possibility of encouraging a Pakistani street food festival in Colombo next year, along the model of the Lahore food street.

According to the Pakistan high commission in Colombo, plans are already afoot to organise the 2018 trade and food festival.

Source: dawn.com- Jan 24, 2017

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Bangladesh's trade, investment conference begins in Cambodia today

The Bangladesh embassy in Bangkok will hold the first ever trade and investment conference of Bangladesh in Cambodia today at capital Phnom Penh's Sokha Hotel.

The commerce ministry of Cambodia is jointly organising the event with the Bangladesh embassy.

Cambodia's Secretary of State for Commerce Ministry Chuuon Dara and Bangladesh's Senior Commerce Secretary Hedayetullah Al Mamoon and Executive Chairman of Bangladesh Investment Development Authority Kazi M Aminul Islam will inaugurate the conference.

Bangladeshi manufacturers and companies covering a range of sectors, including cotton yarn and knit and crocheted fabrics, pharmaceuticals, bone china, ceramic ware, leather ware, polymer and plastic products, tea, jute bags and jute products, beverages, steel and steel products, will showcase their products at the conference.

“We are determined to increase our two-way trade with Cambodia,” said Bangladesh Ambassador to Thailand Saida Muna Tasneem.

Presidents of two apex chambers of Bangladesh and Cambodia along with the presidents of foreign chambers in Cambodia and nearly 200 businesses of the country are expected attend the conference to learn about trade and investment opportunities in Bangladesh.

Experts from Bangladesh and Cambodia will take part at the event to share their thoughts on ways to enhance trade and investment between the two countries.

Business-to-business matchmaking and networking sessions are also scheduled to take place between Cambodia and Bangladeshi businessmen, according to the press statement.

The Bangladesh economy is expected to grow strongly at more than 7 percent this year from last year's 6 percent, Mamoon said to media in Dhaka before leaving for Cambodia yesterday.

"We are doing our best to find new markets and comparative advantages with other developing countries such as Cambodia," the senior secretary said.

"This is a historic moment for Bangladesh-Cambodia bilateral trade and economic relations," said Tasneem.

The event is also important for Bangladesh-Cambodia diplomatic history as the embassy is organising such an event for the first time in Cambodia, a country in which Bangladesh has no resident embassy, she said.

From Bangladesh, Square Pharma, Beximco Pharma, Globe Pharma, One pharma, Shinepukur Ceramics, BGMEA, BTMA, BKMEA, Bengal Polymar, Kazi and Kazi Tea, BSRM Ltd, Bangladesh Jute Development Centre, CK Frozen Fish and other leading companies are joining the event.

Source: thedailystar.net - Jan 24, 2017

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Protests in Bangladesh shake a global workshop for apparel

At first, the police knocked. Then they tried to kick the door down.

Protests over low wages had erupted at dozens of garment factories in Bangladesh, one of the top suppliers of clothing for global brands like H&M and Gap, and the officers had come to question Jahangir Alam, the president of a local trade union in Ashulia, a suburb of the capital, Dhaka. They told his wife that he would be back within a few hours.

That was a month ago.

Instead, his wife said, Alam has sat in a jail cell so dark he could not see his own hands. She said they had spoken briefly when she finally tracked him down to a Dhaka court.

Alam is one of at least 14 labour activists and workers who have been detained since the unrest began in December, according to arrest records. The demonstrations disrupted work at factories that supply clothing to global fashion companies like Inditex of Spain, owner of the Zara brand,

and PVH, which owns the Tommy Hilfiger brand. The police say the unrest has led to the suspension or firing of roughly 1,500 workers, many of whom took part in the protests.

The police have accused the activists of inciting vandalism and other crimes, and several factories have pressed charges against many of their workers.

But labour rights groups say the government is trying to scare workers into silence by detaining innocent people. They say the detentions, and the looming risk of more arrests, are the biggest setback for workers since the collapse of Rana Plaza, a building that housed garment factories, where more than 1,100 people died in 2013.

Workers leaving a Ha-Meem Group factory for a lunch break. Bangladesh is the second-largest ready-made garment exporter in the world after China.

That tragedy, one of the worst industrial disasters in history, exposed major safety hazards at factories in Bangladesh, which churns out a steady stream of low-cost goods. And it prompted some of the world's biggest brands to push for better conditions for the workers who make their clothes.

By some measures, conditions have improved. But the brands now say the arrests and firings could undermine the progress they have made.

In letters to Bangladesh's Prime Minister, Sheikh Hasina, and other officials, retailers urged the government to take action to protect workers, including addressing wage issues that had led to the protests. The minimum wage in Bangladesh is 32 cents an hour.

They stopped short, though, of threatening further action.

"Such situations damage the industry's reputation and confidence levels, which we, together with the government and social partners, are all working so hard to bolster," wrote Rob Wayss, the executive director of the Accord on Fire and Building Safety in Bangladesh. The accord, a coalition of retailers, is dedicated to improving safety for the country's garment workers.

Gap, in a separate letter, said it was troubled by the recent events, and urged officials to ensure that no one was targeted “solely because of any association with a trade union or other group.” The Al-Hamra Garments factory, right, has an exterior staircase. The 2013 collapse of the Rana Plaza building, in which about 1,100 people died, prompted retailers to press for better working conditions.

The prime minister’s office did not respond to repeated requests for comment. Bangladesh exports billions of dollars’ worth of clothes each year, making it the world’s second-largest exporter of ready-made garments after China. But its factories are efficient for some of the same reasons that they have been deadly: overcrowded buildings, limited oversight and a government that has historically repressed workers’ efforts to organise and fight for better conditions.

In the wake of the Rana Plaza collapse, retailers formed two coalitions dedicated to improving the lives of workers: the accord, led by H&M, and the Alliance for Bangladesh Worker Safety, which includes Gap and Walmart. Both groups have created safety standards and mechanisms to enforce them, although the accord, with a legally binding arbitration provision, is largely seen as the stronger of the two. The alliance has no such clause, but it can impose financial penalties and expel members that violate its terms.

Both groups point to progress, like the installation of fire doors and regular safety inspections. But as international attention has waned in the years since Rana Plaza, worker rights groups have expressed concern that the gains could be lost.

“Now the spotlight is off Bangladesh,” said Richard Appelbaum, a labor and worker rights expert at the University of California, Santa Barbara. “The government is responding more typically as it would have responded several years ago, if it could have.”

Protesters at a rally this month in Dhaka, Bangladesh. Garment workers have been demonstrating since December to protest low wages. Credit Maher Sattar for The New York Times. The police came for Mr. Alam at night, said his wife, Jhorna Begum. When he did not return after several days, Ms. Begum scraped together about $12 to pay a lawyer who helped track him down to a local jail.

The couple saw each other briefly when Mr. Alam appeared in court, just long enough for them to shout at each other across a crowded room.

With two children at home, Ms. Begum said she could not afford to fight his case. She recently returned to work as a machine operator for the Palmal Group, another garment maker. “We live hand to mouth, waiting for the paycheck at the end of the month,” Ms. Begum said, tears in her eyes. “I don’t know when he’ll get out — how am I supposed to run my family without him?”

While Ms. Begum was willing to give her name to a reporter, many garment industry workers are afraid to speak out for fear of reprisals by the government. Labor rights workers suspect that agents of the government or factory owners ransacked a number of union offices after the protests. And the death of Aminul Islam, a labor activist who was found tortured and killed in 2012, is still fresh in many minds.

The complaints against the 14 people who have been arrested also include charges that could cover more than 1,000 possible suspects — a tool that can help the police arrest people in the future, according to labor lawyers.

Some of the people who were arrested, for example, had been named in an unrelated political violence case that has been open since 2015.”When they find someone they want to put in jail, they enter that person’s name into the case,” said Jyotirmoy Barua, a lawyer based in Dhaka, who is representing protesters who have been charged with conspiring to harm the state. “The cases are creating unrest, fear.”

This month, protesters gathered in Dhaka, chanting and holding up signs as a plainclothes officer took notes nearby.Abul Hossain, the president of the Dhaka chapter of the Workers’ Party of Bangladesh, said workers were frustrated by stagnant wages in a country whose cost of living had risen over the past few years. Wages have risen only twice in the past decade, even as inflation has risen as much as 10 percent a year, according to the Bangladesh Bureau of Statistics.

Ms. Begum holding photos of her husband, now in detention. With two children at home, she said she could not afford to fight his case, and had returned to work at a garment factory. Credit Salahuddin Ahmed for The New York Times.

Workers expected their pay to be reviewed last year by a government wage board that can meet every three years. When that did not happen, they started protesting. Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association, a trade association that represents factory owners, said factories, too, had come under pressure: Costs have risen 17.5 percent annually for the last two years, he said, even as global clothing prices have decreased.

Mr. Rahman added that while global retail brands had called on Bangladeshi factories to improve safety standards and wages, they had resisted paying higher prices to help compensate for the increased costs. He also said that fewer than 1,500 employees had been fired, and that some had returned to work.

Both Gap and H&M said that they supported a regular wage review mechanism to ensure stability in the future, and that they were monitoring the situation closely. Labor advocates, though, say the global companies should be doing more, since billion-dollar brands like H&M have a lot of leverage with local factories and the government.

A spokesman for H&M, Patrick Shaner, said in an email that the company had no plans to change its sourcing arrangements. Other companies that buy clothes from the factories that are currently pressing charges, including Abercrombie & Fitch, PVH and American Eagle Outfitters, did not respond to requests for comment.

“At a certain point in time you have to wonder just how much the brands and retailers will tolerate,” said Scott Nova, the executive director of the Worker Rights Consortium, a labor rights group based in Washington that is among the most active nonprofits working in Bangladesh’s garment industry. “They can tell the factories to drop these charges.”

Source: business-standard.com - Jan 24, 2017

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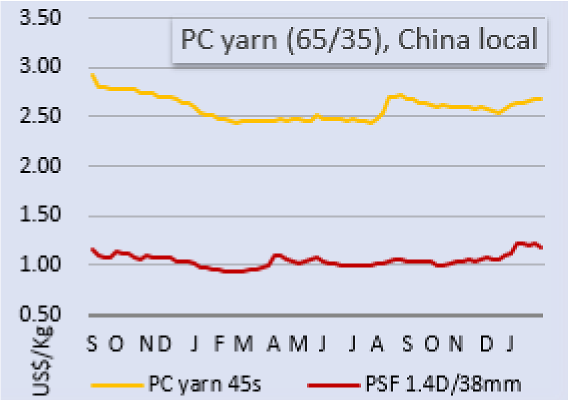
NATIONAL NEWS

Blended yarn price inches up in India

In Qianqing, PC (65/35) 32s yarn prices rolled over in the second week of January while 45s PC combed yarn prices were stable on the week, however, both were down US cent 1-2 a kg due to weak US$.



Blended yarn prices were unchanged in China, with demand actually very weak ahead of lunar year holidays. Inventories were relatively large in the textile industry, as spinners are again trapped with higher cotton prices than on foreign markets.

In India, spinners reported fall in yarn production although poly-cotton prices remained unchanged.

From a year earlier, PC yarn has gained 19%. 30s (65/35) PV warp yarns prices inched up INR1 a kg (up US cent 1) in Indore market while PC 30s (52/48) prices in Ludhiana were also up INR1 a kg (up US cent 1) on the week.

In Pakistan, large sales PV yarns were reported from the Faisalabad yarn market.

Price offers for fine count rose 2-3% in a week while coarser counts were under being pressure of excessive supplies after export sales fell in the past month.

Source: yarnsandfibers.com- Jan 23, 2017

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Demonetisation rips apart textiles from farm to loom, leaves 25 million tottered

Dilapidated, dirty and depressed, a town that was once called the Manchester of Asia smells of textile starch, thinners, garbage and sewage. Since the turn of the century, Bhiwandi, 30 km north of Mumbai, has wilted against competition from Bangladesh and Vietnam. Bhiwandi holds more than a sixth of India's 6.5 million power looms—machines that manufacture fabric from yarn—according to this April 2016 Economic & Political Weekly report. A congested city of about 1.5 million, it was once a key link in India's cotton economy, which employs 25 million workers alone, the second-largest employer after agriculture, according to this 2015 government report.

Bhiwandi has now been further crippled by the aftermath of the November 8, 2016, scrapping of 86% of bank notes, by value. The Indian textile industry is already challenged by falling exports, low productivity and rising prices, IndiaSpend reported in July 2016.

"Notebandi ne humko paanch saal peeche fek diya (demonetisation threw us five years behind)," said Asad Farooqi, 65, a labour contractor who has been running more than 100 power looms for about 30 years.

In this industry where son tends to follow father, Asad's son, Aftab, 34, remembered how they lived in prosperity in his childhood, and that earning Rs 20,000 for a consignment was very normal.

"Last month, we earned Rs 17,000 from all our looms business," Aftab said, with a wry smile. The Rs 20,000 of 1996-97 would translate to about Rs 70,000 today, after factoring in an average inflation of 6.5%.

The textile industry, of which decentralised power looms and knitting are the largest components, contributes to 2% of India's gross domestic product.

Maharashtra, with more than 1.1 million power looms, is one of India's largest power loom hubs, providing direct employment to a million people in Bhiwandi, Malegaon, Dhule, Sangli and Sholapur.

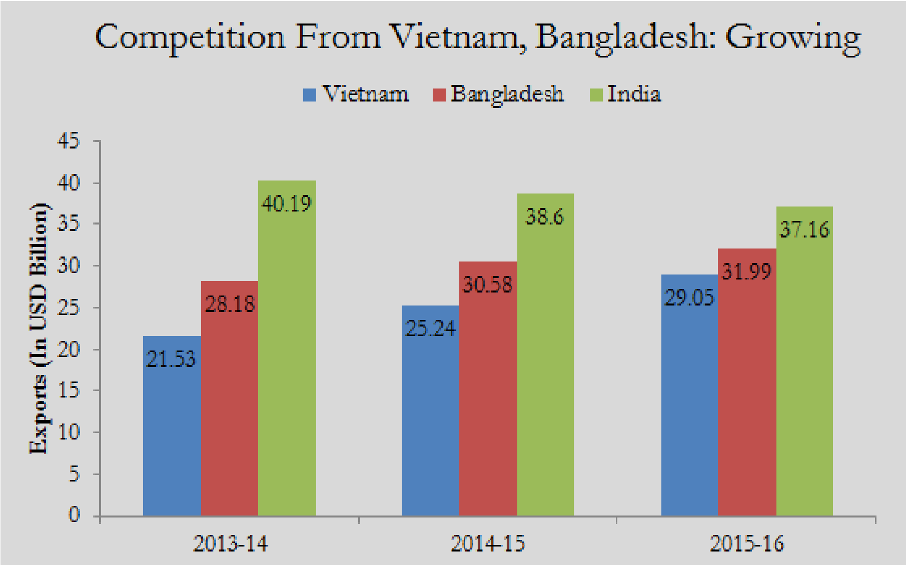
"Only 20% of these (Bhiwandi's looms) are running today," said Mannan Siddiqui, president of Bhiwandi Textile Mills Association, who has spearheaded the attempt to revive Bhiwandi's looms over more than 20 years.

Malegaon, 270 km to Mumbai's northeast, is similarly struggling to keep looms running, IndiaSpend reported in December 2016.

Bhiwandi is one of the key links in India's textile supply chain–from farm to loom–that IndiaSpend visited to investigate the effects of notebandi. Although there are no consolidated data, we found production cuts, job losses and revenue declines in an already struggling sector.

Cash rules critical parts of this supply chain: from farmer to yarn factory to yarn trader to power loom cloth manufacturer to wholesaler to retailer to consumer. Dyers, zip-and-button fixers and daily workers who lift bales are some of the poorest in this chain and they appear to be the worst hit. We found some increased use of debit cards (among consumers) and export deals are largely made through bank transfers, but these were exceptions.

The textiles sector has been instrumental in creating mass employment, particularly for women, and has lifted millions out of poverty, as they moved out of farm jobs in many countries, including Bangladesh, Indonesia, Mauritius, Cambodia and Pakistan.



Textiles were the largest creator of Indian formal-sector jobs, with 499,000 added over the last three years, IndiaSpend reported in July 2016. There is strong international evidence that exports help create additional jobs and push up wage and income growth.
Source: International Trade Centre

THE MARKETS: Demand falls, marketing stalls

In Mangaldas market, the biggest textile market in Mumbai—a city once known for its textile mills and labour unions, both now relics of history—N Chandrakant said business was 20% less than normal for the winter-and-wedding-shopping season, which runs from November to February. There was no business in the first week of notebandi.

“Customers are buying simple, plain shirt material, and demand for luxury items has reduced,” said Chandrakant. “People are being economical.”
Kripesh Bhayani, a cloth-and-apparel retailer in the same market, is also a garment maker who runs 17 imported fabric-weaving machines in a Mumbai suburb. He said manufacturing was unaffected, but finishing of garments–such as fixing buttons and zips–had suffered. Bhayani outsources these jobs to household industries, which work on cash.

While the demand for garments has dropped 30%, wholesale demand has dropped 50%, merchants told us.

Mukesh Panchamatiya, a premium cloth retailer, was one of the few without complaints. “Apart from the immediate contraction in demand, we are more or less on track now,” he said. “Debit-card transactions now account for half of my sale.” Others were not as sanguine.

“Our market remains crowded the entire day during the November-to-February season,” said Bharat Thakkar, secretary of Mangaldas Market Cloth Merchants Association. “Sellers struggle to attend the flurry of customers. The relatively empty shops today tell you everything.”

The lack of Rs 500 notes was also a big problem, said Thakkar.

At Ahmedabad’s New Cloth Market, trade had fallen by 80%, according Rajesh Agarwal, secretary of the market association. He explained why 60 of his 80 embroidery workers had returned to their villages after notebandi: When sales dropped, his cash dried up–except exports, the revenues of which he received through a bank account–so he could not pay salaries. Workers, said Agarwal, preferred to go temporarily jobless than endure the hassle of opening accounts in already stressed banks.

India's Textile Supply Chain

Broad Category	Stage	Product	Place	Sector	Affected
Pre-manufacture	Cotton farming	Cotton	Farm, field	Agriculture	Farmers, farm labourers
	Cotton sale	Cotton	Agricultural market, Ginning factory	Agricultural marketing	Farmers, Traders
	Ginning	Pure cotton	Ginning factory	Cotton processing	Factory owners and workers
	Spinning	Yarn	Spinning factory	Spinning factory	Factory owners and workers
Manufacture	Fabric manufacturing	Gray fabric	Power loom, Cotton textile mill	Textile manufacturing	Loom owners, labour contractors, workers
	Post processing, Dyeing, Printing	Designed fabric	Post processing industry	Textile manufacturing	Processing factory owners and workers
Processing factory owners and workers	Wholesale and Retail	Ready fabric	Wholesale and Retail Market	Marketing	Traders, workers, packers and movers
	Garment Manufacture	Shirt, Punjabi Suit, Towel, etc.	Shops	Retail	Shop owners, workers, consumers

Source: Discussions with industry representatives

"Slowing consumer spending has resulted in a slowdown in domestic demand for apparel and other end-products of textile industry in the immediate term as a fallout of demonetisation," The Financial Express reported on December 3, 2016.

As a result, retailers cancelled their cloth orders from wholesale traders.

Wholesaler Sudhir Parekh explained how a boom at the start of November–when Diwali shopping season gives way to the winter-and-wedding-shopping season–collapsed after November 8.

A lot of inventory that would have been sold by now is stockpiled at my shop," said Parekh, who works from Mumbai's Mulji Jetha wholesale cloth market. “My working capital is blocked—no retailer or garment maker is buying from me. My cloth, which is my working capital, is lying here, and there is no way I can purchase more from the textile mills. I am stuck.”

This part of the textile supply chain is all cash: Consumers pay cash to retailers, who pay cash to wholesalers because it is convenient. Wholesalers, who place large orders with textile mills and pay through cheques or bank transfers, are not presently doing that because of the shortage of cash, driven by the drying up of retail spending.

Further, using cash allows many retailers and wholesalers avoid a variety of taxes: With many transactions off the books, the volume of trade is hard to discern.

Parekh said he was ready to go cashless, but his ability to do so depended on retailers and customers to do so.

Cashless transactions, however, dominate the large-volume purchases of cloth that traders make from textile mills in Bhiwandi, Surat and Ahmedabad in Gujarat and Tirupur and Coimbatore in Tamil Nadu.

THE WORKERS: With business down, work is hard to find

In Bhiwandi, Suleiman Rahil and Syed Nasar Ali, both in their 40s, were doing nothing when we met them.

Both are loom workers who run five to six power looms, in whichever factory needs them. Both are from Pratapgarh district in Uttar Pradesh, and have five children each.

Rahil and Ali each earned Rs 15,000 a month before notebandi, they said. Their incomes are down by a third to about Rs 5,000 each, there is no work most days, and they spend their day looking for odd jobs, including in farms and other markets.

“Pehle jeb mein 400-500 rupaye hote the. Aaj chai paani mushkil ho gaya hai (We used to have Rs 500 in our pockets, but today, we think twice before having tea),” said Ali.

“How can a family with six children sustain itself on Rs 5,000 a month?” he asked.

Bhiwandi labour contractor Ashok Ahuja–who also owns about 60 struggling power looms–explained how half his workers, from various rural districts of Uttar Pradesh, Bihar, Jharkhand and West Bengal, left for their villages when work dried up.

Some have started returning. Ahuja restarted his looms in Bhiwandi on January 2, 2017, two months after he shut them down, right after wholesalers cancelled orders after demonetisation.

THE POWER LOOM OWNERS: Varying prices before notebandi, now made worse

In Bhiwandi, Siddiqui argued that China, Pakistan and Bangladesh's policies have benefited their textile industry, while India's have enfeebled power loom owners like him, who must deal with not just low demand but daily price variations of yarn–the chief raw material for power looms–over the last four years.

The cost of yarn–which he buys from Mumbai–varies intra-day, "like the stock market", said Siddiqui, as yarn traders increase or reduce the price according to daily demand.

"On December 20, 2016, after recovering from the demonetisation impact, when we were thinking of starting some of our operations, the yarn was selling at Rs 156 per kg," said labour contractor Ahuja. "On January 4, 2016, when we were hopeful (of restarting), the rate had shot up to Rs 178." When Siddiqui finally bought his yarn that day, it was Rs 200 per kg.

"About 10 kg of yarn is enough to produce 100 metres of gray fabric (the unprocessed fabric manufactured on a power loom), which typically sells at Rs 30 per metre," said Siddiqui.

A 100-metre swathe of cloth fetched him Rs 3,000, of which Rs 2,000 went into buying yarn the day we visited. With the Rs 1,000 left, Siddiqui had to pay for workers, electricity and machine maintenance.

The fabric that Siddiqui sells at Rs 30 per metre, when dyed, painted and processed–outsourced–by processing factories, is valued at between Rs 150 and Rs 200 per metre at retail shops.

"So, who makes money?" he asked.

His business had been going through a critical "hand-to-mouth" situation even before notebandi. "Now," he said, "notebandi has broken our spine."

THE YARN MAKER: Exports save yarn industry–to some extent

The manufacture of yarn, the chief raw material in making cotton fabric, is perhaps the only stage in the textile supply chain least hit by demonetisation, because 33% of it is exported to other textile-making countries, such as China and Bangladesh. These deals are done through bank transfers.

Yarn companies supply their finished product only to traders, who sell the yarn to domestic cloth makers. These transactions involve intermediate traders who buy bulk both in cash and cheque, and sell it to retailers in cash. Companies from Ahmedabad, Gujarat, and Coimbatore, Tamil Nadu, said that there had been no major impact on sales since they sell to diverse buyers, including those abroad.

"After demonetisation, the overall demand has reduced, but our business is fairly undisturbed," K Krishnamurthy, manager at Super spinning mills, Coimbatore, said over telephone. "In the textile supply chain, the first point, the farmer selling his produce to the ginning mill, and the last point, the retailer selling the garment to customer, happens solely in cash."

"Along with farmers, businesses in the supply chain that work on a very small or household-scale have suffered the most due to the cash crunch," said Krishnamurthy. "All the big orders have been affected only in volume, which will recover in the coming months."

At the Pashupati spinning and ginning mill in Kadi, 50 km west of Ahmedabad, Gujarat, spindles weaving the string required for yarn did not take a break when we visited, producing 13,000 kg yarn every day, running 24 hours.

"All the yarn we produce is exported, and notebandi has not affected us at all," said A P Patel, managing director of the spinning division.

Yet, the ginning facility of the same mill–where cleaned, seed-free cotton is obtained from raw, impure cotton–was working at half its capacity. The slowdown between November and January was because cotton farmers were not accepting cashless payments.

"About 30 vehicles with cotton come to our mill every day," said Mukesh Patel, who runs the ginning facility at Pashupati Mills. "On January 6, we had only five vehicles coming to sell cotton. The highest number we have seen after demonetisation is 15."

"Farmers accept only cash as they have to pay their farm labour in cash," said Patel. "Cashless does not work there."

"The announcement of demonetisation on November 8 has delayed cotton arrivals in the market due to the widespread prevalence of cash payments to farmers," said this December 2016 report by ICRA, a research agency.

Source: hindustantimes.com – Jan 23, 2017

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Manmade fiber industry seeks cut in excise rate in next Budget

The Indian textile industry has been demanding a level-playing field with respect to cotton for a long time now and some rationalization is expected from budget 2017-18. The textile industry wants the next Union Budget to reduce the excise duty on manmade fibers and bring it on par with that of cotton.

The argument is that garments produced through manmade fibers are primarily used by the economically weaker sections of society.

The manmade fiber requirement of the Indian textile industry is expected to jump by at least five times by 2025 from what it is now.

Yarns made of polyester and synthetics are in good demand. Fibers like nylon and polyester have an excise duty of 12.5 per cent while for other yarns like cotton the excise duty is negligible.

The industry also wants a 20 percent excise duty subsidy on handicrafts and handloom sector goods destined for export to the US and East Europe.

A long term plan to boost textile exports from India would enable India to pull ahead of China by 2020. GST will also come into the picture soon.

Source: yarnsandfibers.com- Jan 23, 2017

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Textile sector is set for robust growth, if it takes competition seriously

India is now a fast emerging market inching to reach half a billion middle income population by 2030. All these factors are good for the Indian textile industry in a long run.

Even though the global economic crisis seems to be worsening day-by-day, as long as economies are emerging and growing as those in South and South East Asia, textile industry is here to grow provided it takes competition and innovation seriously.

The Indian textiles industry, currently estimated at around $ 108 billion, is expected to reach $ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly.

The Indian textile industry contributes approximately 5 per cent to India's Gross Domestic Product (GDP), and 14 per cent to overall Index of Industrial Production (IIP).

Due to demonetisation, there was a considerable slowdown in consumer demand for apparel in December. However, there was no demonetisation impact on textile exports. There have been cash flow issues for various textile producers but we feel the situation will improve soon.

The industry is facing challenges such as the current bull run of cotton prices, the possible devaluation of the US Dollar called for by President Trump, strength of the export demand and global economic conditions.

On the other hand, new textile markets and innovation (fueled by the developments in textile chemicals & auxiliary segment) are providing new opportunities to the companies in this sector.

Budget expectations

This budget is going to be the most widely watched budget in a long time due to factors such as change in the day of the presentation to the 1st day of February, merger of the railways budget into the union budget, expected tax sops after demonetisation, etc.

From the textile and allied industries point of view, the government needs to boost domestic demand and reduction in income taxes would definitely help.

Indian textile exports is facing increasing competition from Bangladesh and Vietnam, which have robust government policies supporting the local textile industry.

The government also needs to give much better incentives to the textiles industry especially for machinery upgradation and preferential industrial power rates.

Source: business-standard.com– Jan 23, 2017

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Union Budget 2017: Start-up India hopes for tax cut, fresh funds and foreign investments

Union Budget 2017 is due on February 1. This will be the third budget to be presented by the Prime Minister Narendra Modi's government and it won't be easy.

The budget 2017 will not only be unique for its preponement from the usual month of March and clubbing with Railway budget, but will also have unprecedented expectations resulting from demonetisation.

Industry, market and common people, all have high hopes from this budget as they demand PM Modi to fulfil promises he made in the November 8 speech and since then, wherein he asked India to bear with him as he realises the dreams of 'Achhe Din'.

In the run-up to the Union Budget 2017, we spoke to start-ups across India to understand what they hope to hear from the Finance Minister Arun Jaitley come February 1.

'Tax cut from 30% to 25% to give start-ups in India a push' - Gobind Ram Chaudhary, Managing Director, Anmol Bakers Pvt Ltd

With Union Budget 2017-18 to be presented just few days away, we expect the Government to provision deduction in existing corporate tax of 30 per cent to approximately 25 percent in order to improve the business environment and give strong push to growth. This year the growth prospect looks better than the last year for all sectors.

For maintaining the momentum we urge the Government to do not impose any further increase in service tax. However the tax on banking services should be reduced by 2% instead of 10% or 11%. Further, we urge the government to remove the numerous taxes on services as it would encourage the MSME Industry to grow on a larger scale.

'Demonetisation has raised our expectation for better foreign investment' -Abhishek Rawal, Co-Founder Indian Threads

After the bold and historic decision of demonetisation, the expectation from the forthcoming budget has gone up. In the upcoming budget of 2017, Government has been moving steadily on improving the fashion industry and the budget will have a lot of announcements to make.

One important thing which has happened in the recent past is very clear, the large global manufacturers have indicated that the procurement from India will increase in the current fiscal and budget 17 will help in improving. That is extremely important for Indian textile exporters and Indian textile industry.

'GST might add to wedding market jitters' - Director Kunal Khanna, White Frog Production

3-So it's time again, we sit back and be in a quandary about what the union FM will put on the table for the people. This Budget, the wedding industry is in anticipation of a few jitters in the market.

With stocks being invariably dismaying, markets have been struggling to hold its ground amidst much volatile foreign markets. Considering this, it's only palpable that the Wedding Industry too will be hit by the falling stocks and surging prices. GST could contribute to the disruptive markets too.

Sticking to the implications on the Wedding markets, there is a possibility the soaring prices of goods and services due to the cash outflow will lead to a lower demand. This diminished demand might incur vendors heavy losses. If the government does not push growth, it'll be a challenge for them to check fiscal deficit.

The wedding industry, from a catering vendor to a photographer/videographer is anticipating introduction of GST, with reduced tax rates, for increased demands in services. It'll be better for all and sundry from the wedding fraternity that the Budget contains something positive for the consumer sector.

'Start-ups in India need incubators and fresh pump of funds' - Varun Bansal, Co-Founder, Airlines Technology

We expect Government to set up start-up incubators who can fund good amount of money to some selected start-ups who are doing good work in innovation. Funds can come on milestone basis in way of grants with equal contribution from start-up itself. This practice is very common in Australia and Singapore as it helps in job creation and improving innovation.

Source: newsnation.in- Jan 23, 2017

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India's Oct-Dec cotton supplies drop 15.9 pct y/y - trade body

Cotton supplies in Indian spot markets fell 15.9 percent from a year earlier to 10.8 million bales between October and December as government's move to scrap high-value currency notes disrupted trading, a leading trade body said on Monday.

In November, Prime Minister Narendra Modi scrapped 500 rupee and 1,000 rupee bills to crackdown on tax dodgers and counterfeiters.

The world's biggest cotton producer is likely to harvest 34.1 million bales of cotton in the 2016/17 season, that started on Oct. 1, down 1.1 percent from an earlier estimate, the Cotton Association of India said in a statement.

India had harvested 33.8 million bales in 2015/16.

(1 Indian bale = 170 kg)

Source: reuters.com- Jan 24, 2017

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2016 cotton production up by 1%; CAI

The Cotton Association of India (CAI) has put its December estimate of cotton production for 2016-17 at 341 lakh bales, which is higher by 1% than the previous year.

However, the trade body expects lower arrivals, claiming that farmers are holding the crop.

CAI, which mainly represents cotton traders, has released its December estimate of the cotton crop for the 2016-17 season beginning from 1st October 2016.

The CAI has placed the cotton crop for the 2016-17 season at 341 lakh bales of 170 kgs. each.

The current production estimate of CAI is slightly higher that the last year's estimate of 337 lakh bales.

"The projected Balance Sheet drawn by the CAI estimated total cotton supply for the cotton season 2016-17 at 404.00 lakh bales while the domestic consumption is estimated at 290.00 lakh bales thus leaving an available surplus of 114.00 lakh bales," stated a release of the trade body.

Source: economictimes.com- Jan 24, 2017

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CAI forecast for 2016-17 cotton crop marginally higher than previous year

The Cotton Association of India (CAI) has placed the cotton crop for 2016-17 season at 341 lakh bales of 170 kg each, higher by 1% than the previous year. The projected balance sheet drawn by the CAI estimated total cotton supply for the cotton season 2016-17 at 404 lakh bales while the domestic consumption is estimated at 290 lakh bales thus leaving an available surplus of 114 lakh bales.

According to Nayan Mirani, president, CAI, the arrivals of cotton during the ongoing 2016-17 crop year are estimated to be lower than those up to the same period last year due to holding back of seed cotton by farmers mainly on liquidity issues.

The Cotton Association of India (CAI) has released its December estimate of the cotton crop for the 2016-17 season beginning from 1st October 2016.

This should, however, rectify in a few days once arrivals improve, he said. Kapas prices touched R5,700 per quintal last week.

According to Mirani, the crop by itself is higher than the previous year at 341 lakh bales. “Since the arrivals have not picked up yet, farmers are in a position to demand higher rates. Once arrivals improve, prices should decline,” he felt.

The current production estimate of CAI is slightly higher that the last year’s estimate of 337 lakh bales.

Mirani, who has taken over as the new president of the association, said he would strive to address trader issues and work towards uniform trade practices across the country.

According to industry experts, the methods of trading have changed over the years especially after trade has moved upcountry in hinterlands from metros.

Experts pointed out that when trade was conducted from metros, a certain code or uniform practices were implemented across the trade which changed once trade shifted to non-metros. Meanwhile, the production of cotton in the country which had reached a record high of over 400 lakh bales during the 2013-14 crop year fell to about 386 lakh bales in 2014-15, Dhiren Seth, former president, CAI had said earlier.

The production declined further during the 2015-16 crop year to around 338 lakh bales, the lowest during the last five years. This drastic reduction in the crop during 2015-16 was mainly due to the white-fly attack especially in the northern region.

Productivity of cotton continues to remain well below the world average productivity mark. Cotton prices also sought lower levels almost during the entire 2015-16 cotton season, resulting in lower realisation of prices by farmers for their produce.

This has led to a reduction of over 10% in the acreage under cotton during 2016-17. According to market reports, prices have firmed up on slower arrivals impacted by demonetisation and fears of supply shortage despite estimate of increased cotton production by CAI.

Source: financialexpress.com - Jan 24, 2017

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Scotland explores avenues in textile design

A collaborative training programme in garment design between India and Scotland is opening up new vistas in contemporary fashion design.

The programme, a joint project of the All India Council for Technical Education and the U.K. India Education Research Initiative (UKERI), has been taken up at the Government Polytechnic College for Women and Glasgow Kelvin College, Scotland.

A team of faculty members and business development executives from the Glasgow Kelvin College are here to explore the possibilities of a continuation of the training programme and new business development proposals.

Principal of the college and coordinator of the community college B. Nagamani said the team would review the curriculum of the course and also explore the possibility of continuation of this partnership. On Tuesday, the team would meet Principal Secretary, Technical Education.

"This training programme is a celebration of Paisley pattern, which had originated in Kashmir in the 11th century and has been developed by U.K. weaves in Paisley, a town in Scotland. We are keen on improving our skills in textile designing and traditional surface enrichment from this college in India," said Director of Business Development, Glasgow Kelvin College, Alastiar McGhee.

The training programme woven around Paisley pattern was taken up in partnership with Renfrewshire Council and the Paisley City of Culture 2021 Bid Team. An event, Textile Reflections, held in Paisley in January 2016, celebrated the outcomes of this unique Indian/Scottish programme.

It all began in the summer of 2015, when staff from the Fashion Design and Manufacture programme at Glasgow Kelvin College visited the Government Polytechnic for Women in Guntur as part of a UKIERI – AICTE funded project promoting learning co-operation and skills exchange between the two colleges in fashion and garment design.

The entire project has been themed along the iconic design that originated in India and was subsequently manufactured by the weavers of Paisley, a Scottish town close to Glasgow Kelvin College, in the 19th century.

The design became known worldwide as the Paisley Pattern and the town of Paisley is now one of the project partners.

Source: thehindu.com - Jan 24, 2017

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India opposes EU, Canada's proposal on investment pact

India and a few other countries have rejected an informal proposal made by the EU and Canada to work towards a multilateral pact on investments at the World Trade Organisation that will have an Investor-State Dispute Settlement (ISDS) mechanism built into it.

"The EU and Canada have got into an investment agreement in which they have weaved in the much contentious ISDS which allows corporates to take sovereign governments to international arbitration.

They now want it to be the template for a multilateral agreement. We have rejected the informal proposal completely and also insisted that it should not be considered as initiation of talks on the issue," said Commerce & Industry Minister Nirmala Sitharaman at a press briefing on Monday.

The proposal for a global investment pact, made at an informal breakfast meeting of Trade Ministers of select countries in Davos last week, was also rejected by Brazil, Japan and Argentina.

"It is only after all options for settling disputes between a sovereign government and a corporate have been exhausted in domestic courts do we want to allow the issue to be taken up in international courts. It should be part of a bilateral agreement and not a multilateral agreement," Sitharaman said.

The issue of investment pacts is also set to lead to an indefinite delay in the proposed India-EU free trade agreement as the 28-member bloc is insisting that it wants a bilateral investment treaty (BIT) between the two partners to be negotiated first as the existing ones with individual members would all lapse by April this year.

"I went to ask the EU Trade Commissioner when the free trade talks could start. She said that they were at the moment keen to get the investment agreement negotiated," she said.

This means that till the Department of Economic Affairs and the EU does not negotiate a new BIT, which could take months as the EU is unhappy with the draft model BIT, talks on FTA will be stalled.

Last year, New Delhi had asked all countries with which India has investment protection agreements, including the EU, to renegotiate those pacts on the basis of the new draft text of BIT.

The key issue

The most contentious issue in the model BIT is the proposed ISDS mechanism as it allows companies to seek international arbitration only when all domestic legal options have been exhausted.

The removal of taxation from the purview of BITs has also come in for criticism from foreign partners.

Source: thehindubusinessline.com - Jan 24, 2017

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