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IBTEX No. 48 of 2017 Mar 07, 2017

USD 66.64 | EUR 70.54 | GBP 81.56 | JPY 0.59

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20509	42900	**82.15**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
21520	45015	**86.20**

International Futures Price

NY ICE USD Cents/lb (March 2017)	78.39
ZCE Cotton: Yuan/MT (May 2017)	16,645
ZCE Cotton: USD Cents/lb	**91.47**
Cotlook A Index – Physical	**87.10**

Cotton & currency guide:

Predominantly diverged direction and behaviour in the cotton price at the global markets meaning the domestic cotton is struggling to move higher amid expectation of higher arrivals. While, the globally traded cotton price at ICE is incessantly moving higher. This morning ICE cotton for May future is trading near 79.30 cents per pound and the major reasons cited in our weekly report are the funds based buying with hefty long positions as per the latest CFTC report. The on call sales and higher export sale from the US is supporting the cotton price to trade firm. We believe the 80 mark is now inevitable to test at the futures market and likely that cotton price may remain firm.

Coming again to domestic market on Monday the spot price of S-6 variety corrected a tad by Rs. 150 to quote at Rs. 43,150 per candy. We believe Indian cotton price at such juncture where in market is trying to take cues from the domestic scenario while also dragging the move with the global cotton price. Nationwide, daily seed cotton arrivals are estimated at almost 180,000 lint equivalent bales (170 kgs), including 45,000 from Gujarat and 67,000 from Maharashtra.

We believe as such cotton price in the global frontier to remain upbeat. Further on the futures front ICE estimated volume at 29,200 contracts, higher than Friday's 23,023. Monday was the eighth notice day for the March '17 contract and an additional six notices were issued, bringing the total to 250.

The March '17 contract will see its last trading day on Thursday, March 9. In the meanwhile, mill demand has slowed somewhat with the recent upturn in New York cotton futures prices. Further on the auction side from China Monday was the first day for the Chinese state reserve auction in 2017 and all cotton offered was sold 30,169 tonnes

Overall we expect cotton price to remain positive. The trading range for the day would be 78.70 to 80 cents per pound for May future at ICE. Likewise, at the domestic front the March is expected to trade in the range of Rs. 21350 to Rs. 21730 per bale.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Cotton Textile Market Weekly Forecast

China:

China's manufacturing sector expanded for the seventh month in a row, adding evidence that the world's second largest economy is stabilizing amid uncertain global outlook. Official manufacturing purchasing managers' index (PMI) came in at 51.6 percent in February, 0.3 percentage points higher than that recorded in January, according to data released by the National Bureau of Statistics (NBS). The Caixin Manufacturing Purchasing Managers' Index (PMI) rebounded to 51.7, up 0.7 percentage points than January, and hitting the second high in the fourth years.

International:

Feb CCI in US was 114.8, higher than the anticipated 111.0, and the revised value in Jan was at 111.6. Feb ISM manufacturing industry index hit expectation, rising 1.7 to 57.7, keeping moving up for consecutive 6 months. Generally, economy in US sees more optimistic outlook, which is expected to stimulate economic activities in US. In Europe, final value of Feb Markit PMI for manufacturing industry was 55.4, kicking the highest level since Apr 2011, but lower than the anticipated value and earlier data both at 55.5. This year, companies hold the most optimistic view toward economic growth in Europe since debt crisis. Companies reported that domestic and overseas demand is growing as depreciating EURO favors sales.

II. Cotton textile feedstock and yarn prices

Cotton & cotton yarn

1. Transactions of reserved cotton are good on the first day of auction and the situation is predicted to continue this week, supporting new cotton prices.
2. ICE cotton futures market steps up in correction last week as ICAC revises lower global ending stocks and U.S. cotton export sales are favorable.

3. Demand for cotton yarn was sound last week and supply was tight in some plants. Most cotton yarn plants held optimistic view toward market trend. Price of cotton yarn is expected to remain stable to firm in short run.
4. Inventory of spot imported cotton yarn in traders slips and price of Chinese domestic cotton yarn is firm. Price of spot imported cotton yarn may be firm too in short term.

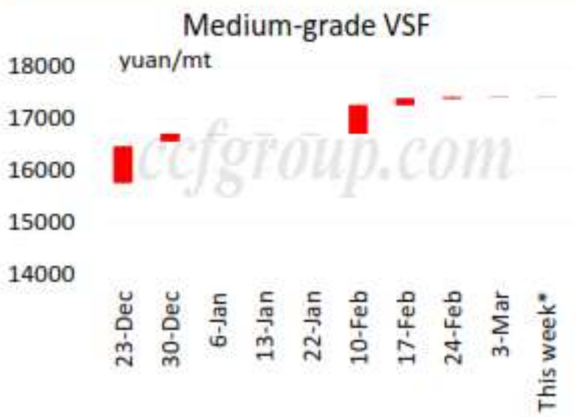
Chart

CCFGroup

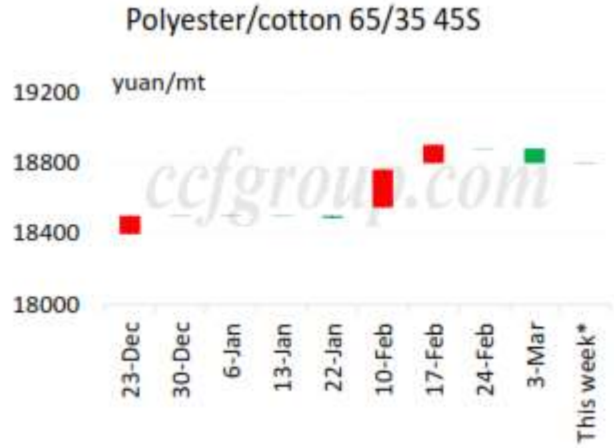
VSF & rayon yarn

Price of VSF is expected to in stagnation in short run, and price of rayon yarn may be fragile with dull demand. Eyes are suggested to the influence of cotton auction to the viscose industrial chain.

Chart



Polyester/cotton yarn

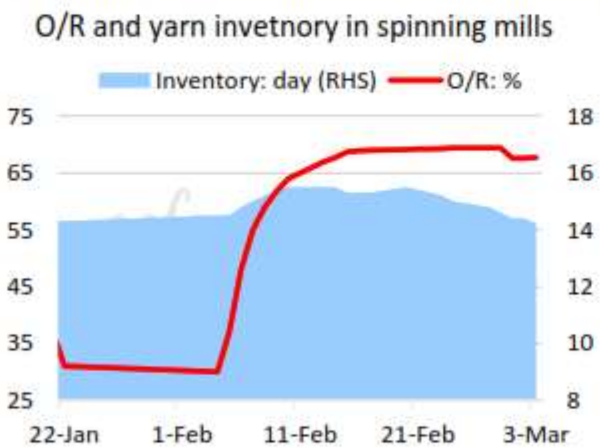


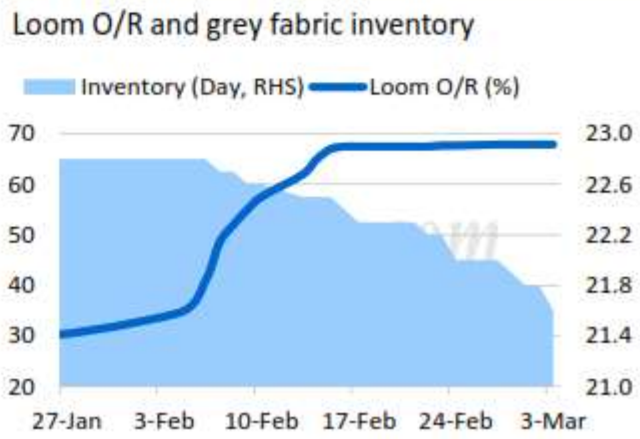
Price of polyester/cotton yarn is anticipated to be stable in short term with mixed feedstock market but modest downstream demand.

III. Yarn and grey fabric operating rate and inventory

Operating rate in spinning mills and weaving plants is steady recently and inventory decreases due to smooth sales.

Chart





IV. Downstream demand

Turnover in China Textile City continues to increase.

Chart

Source: ccfgroup.com– Mar 06, 2017

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Proposed FTA: Pakistan, Turkey still struggle to reach deal

Pakistan is reportedly unconvinced with the offer of Turkey to include items of Pakistan interest in the proposed Free Trade Agreement (FTA), well-informed sources told Business Recorder.

Both countries have discussed the proposed FTA at the level of their Prime Ministers to Commerce Ministers and technical teams but the pact is not yet finalised due to difference on offers.

The 5th round of talks on FTA was held in Ankara on December 21-23, 2016. Both sides presented initial offers for reduction of duties.

Keeping in view the aim of the FTA to enhance bilateral trade and better integrate each other's economy, the offer received from Turkey was on the conservative side in terms of coverage of products of Pakistan export strength; Turkish offer included tariff lines accounting for only 28 percent ($ 68 million) of Pakistan's exports to Turkey.

According to sources, the initial offer made by Pakistan is relatively more liberal and covers tariff lines accounting for 66 percent ($ 149 million) of Turkey's current exports to Pakistan.

The offer includes concessions on sectors of Turkey's export strength including machinery, chemicals, iron / steel and textiles. On the directions of Additional Secretary, Foreign Trade, the Ministry of Commerce is looking to make even more concessions on products of Turkey's export interest including in the auto sector.

The sources said, Pakistan would like Turkey to favourably accommodate products of its export strength including cotton fabrics especially denim, cotton yarn, garments (key knitted and non knitted varieties), ethanol, PET, articles of leather, rice and carpets. Pakistan is facing higher tariffs on these products compared to Turkey's other FTA partners including Egypt, Jordan and South Korea.

Pakistan's exports to Turkey are also facing increased pressure due to imposition of high safeguard measures by Turkey. Almost 40 percent ($ 96 million) of Pakistan exports to Turkey are facing safeguard measures.

The main sectors include cotton fabrics, made up garments, articles of leather, carpets and footwear. Pakistan sensitised the Turkish counterparts on this issue to which the Turkish side raised its concern on the Regulatory Duty being imposed by Pakistan, the sources added.

Pakistan is willing to reduce the Regulatory Duty for the first time for any partner country. Although certain sectors showed reluctance, consensus on the decision to reduce Regulatory Duty was developed among stakeholders keeping in view the close relationship with Turkey and the overarching aim of the FTA to better integrate the economies of the two countries. Pakistan would like Turkey to reciprocate with the reduction in additional duties, sources added.

Turkey's preferential trade continues to be influenced by the EU and the provisions of its customs union with the EU, as Turkey negotiates and concludes FTAs in parallel with the EU. Many of Turkey's FTA partners are relatively small trade partners of Turkey. New FTAs concluded and entered into force are with Chile, Jordan, the Republic of Korea, Malaysia, and Mauritius.

Turkey's FTAs notified to the WTO only cover trade in goods, and not services or investment. However, the FTA with the Republic of Korea is broader in scope, as it includes commitments on investment and services, and Turkey has started to include deeper commitments and disciplines on TBT, SPS, intellectual property, competition, dispute settlement, and trade remedies as part of its FTA negotiations.

Turkey has aligned its unilateral preference regime with that of the EU as well, and with few exceptions, offers GSP, GSP+, and Everything-But-Arms (EBA) arrangements to certain developing and least developed countries.

Source: aaj.com– Mar 06, 2017

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USA: Industry Advisors Offer Recommendations for NAFTA Changes

The Commercial Customs Operations Advisory Committee approved March 1 a number of recommendations to U.S. Customs and Border Protection on improvements to NAFTA. The U.S., Canada, and Mexico are expected to launch negotiations on updating the agreement within the next few months.

Advances from other FTAs. CBP should work with the Office of the U.S. Trade Representative and the private sector to review the text of more recent trade agreements to adopt modernized provisions, particularly in the areas of simplified rules of origin, importer self-certification, trade facilitation, enforcement, supply chain security, and non-tariff trade barriers.

Continuity in trade preferences. CBP should work with USTR and the private sector to ensure there is a continuity of trade preferences that provide a significant economic impact to U.S. workers and the long-term investments of U.S. companies, that tariffs and non-tariff barriers remain minimal, and that positive U.S. trade and investment persists with Canada and Mexico.

Consistency in implementation. To improve the consistency of NAFTA treatment to the same goods within the NAFTA region, CBP should work with Canada and Mexico to establish standardized processes in NAFTA trade preference qualification, consistent enforcement, and other applicable areas.

North American Single Window. CBP should work with Canada and Mexico to collaborate on cross-border data sharing and data harmonization and remove or modernize unnecessary regulatory barriers within North America through the use of a single window.

Regulatory cooperation. For products that are subject to partner government agency regulations, CBP should work with PGAs in the U.S., Canada, and Mexico to streamline and harmonize those regulations to create alignment in regards to documentation and data requirements, inspections, and enforcement.

E-commerce. CBP should work with USTR and the private sector to ensure that NAFTA reflects the need for modernized regulations affecting e-commerce, including in the areas of admissibility, targeting, and PGA regulations.

Small business. The U.S. has a *de minimis* value (i.e., the value at which companies pay no duties or tariffs) while Canada's is $20 and Mexico's is $50. CBP should work with Canada and Mexico to achieve a commercially significant *de minimis* level that reflects inflation and the modern reality of e-commerce.

Express delivery services. CBP should work with USTR to ensure that NAFTA includes modern provisions that specifically focus on the facilitation of EDS shipments and break down the barriers for all businesses, particularly small and medium-sized companies.

Trade facilitation. CBP should work with Canada and Mexico to utilize prior FTAs' trade facilitation chapters as a baseline to create a high standard in trade facilitation, including stronger language for commitments to reach a commercially significant standard and deliverables for how modern borders should operate in the NAFTA region.

Source: strtrade.com– Mar 07, 2017

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Calm before the US-China trade storm

Many Japanese might be reminded of their own thorny trade relations with the U.S. as they watch the current trade dispute between Washington and Beijing. But the tensions between the U.S. and China are in a different league because of their geopolitical rivalry.

The Trump administration has not been shy about insisting that trade is a zero-sum game and one of several tools with which the U.S. can use to weaken its main global competitor. Interestingly, early expectations that the trade conflict could intensify have receded for the moment, but are liable to erupt at any time.

Back in the mid-1990s, the administration of U.S. President Bill Clinton launched a verbal assault on what it saw as unfair Japanese trade practices and its large external surplus. It considered a long list of sanctions to pressure Japan into opening its market to U.S. cars and auto parts. In 1995, Washington threatened a 100% tariff on 13 Japanese luxury cars. But in the end, U.S.-Japan trade relations never became an existential or mutually destructive issue, even if trade spats have sometimes waxed and waned periodically since then.

In the case of China, though, the administration of President Donald Trump will be a totally different proposition to that of Bill Clinton and his successors. It is true that Trump's earlier campaign rhetoric threatening to impose 45% across-the-board tariffs on Chinese products and charging Beijing with currency manipulation, triggering possible sanctions, has gone rather quiet.

It is also increasingly clear that those holding top posts in the Trump administration make up a patchwork of competing ideologues and pragmatists, who are struggling for preeminence when it comes to foreign, economic and trade policy. On China trade, the pragmatists may be calling the shots for the moment.

The U.S. trade policy agenda recently became the subject of just such a standoff between the two factions. It focused on the World Trade Organization, although China was never very far from the epicenter of the debate. In its original version, the U.S. trade policy document , sourced to the Office of the U.S. Trade Representative, defined the Trump administration's four major goals as defending U.S. sovereignty in trade matters, enforcing U.S. trade laws strictly, using all sources of leverage to get other nations to accept U.S. exports and protect U.S. intellectual property rights, and negotiating better trade deals.

American dominance

It was highly critical of the WTO's dispute settlement procedures and outcomes, and insisted that one of America's basic principles has always been the preeminence of U.S. law and "not rulings made by foreign governments or international bodies."

This phrase was subsequently abandoned in a slightly softer, final version that now appears on the USTR website.

Referring to unfair and distortionary trade practices such as government subsidies, theft of intellectual property, restricted market access, currency manipulation, state-owned enterprises and technical and regulatory barriers that curb competition, the original document stated that: "The status quo is unsustainable -- for too long Americans have lost business to other countries." That phrase was also dropped in the final version.

The milder language of the final version was almost certainly the result of the influence of people like Gary Cohn, the president's chief economic adviser, and Treasury Secretary Stephen Mnuchin, compared with the more strident views of Robert Lighthizer, the USTR, Peter Navarro, the head of the National Trade Commission, Commerce Secretary Wilbur Ross and the president's own strategists and advisers.

Source: nikkei.com - Mar 06, 2017

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China sales help cotton to 3-year top. Dry Plains lift wheat

Chinese demand, or US dryness, proved strong cards for agricultural commodity bulls to start the week.

Without the support of one or the other factor, well, the prevailing trend for prices was downwards, little helped by strength in the **dollar**, which gained 0.3% against a basket of currencies to recoup some of its losses of the last session.

(A firmer dollar cuts the competitiveness of dollar-denominated assets, such as many agricultural commodities.)

Chinese auctions

Still, hopes for demand for US **cotton** remain alive, after a promising start to China's season of auctions of the fibre from its huge state stockpiles.

All 30,200 tonnes of cotton offered at the event were sold, underlining the strong demand by China's mills for the lots – which, given they are thought to be of low quality, will typically require blending with better quality supplies from the likes of the US.

Furthermore, the sales price, at 15,476 yuan a tonne, was decent, equivalent to a little over 100 cents a pound.

Cotton futures on China's own Zhengzhou found support in the auctions, helping New York futures rise too, with the May contract there rising by 1.4% to 79.11 cents a pound – the best finish for a nearest-but-one contract in nearly three years.

'Strong sales should continue'

The risk is, of course, that US cotton begins to get priced out of the market nonetheless.

Still, Jack Scoville at Price Futures offered some reassurance, reminded of the strong results from the latest weekly data, which showed the US selling 481,400 running bales of upland cotton for 2016-17 - the biggest week for current-year sales since January 2015 – plus 62,900 running bales for next season on top.

"US export demand remains solid as the strongest weekly sales report of the marketing year was posted last week," Mr Scoville said.

"There is no reason for the strong sales not to continue as the US has cotton and is willing to sell.

"Other big competitors such as India remain mostly out of the market."

Source: agrimoney.com– Mar 06, 2017

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Pakistan: Budgetary proposals of Pak textile ministry cleared

The budgetary proposals of the Pakistan ministry of textiles for fiscal 2017-18 were cleared by the National Assembly Standing Committee on Textile Industry.

The committee lauded the efforts of the ministry to encourage cotton growth using modern techniques. They however, also recommended that awareness among farmers of these techniques should be done.

"The committee also suggested that the government should discourage setting up of sugar mills, particularly in cotton growing areas, to ensure that cotton farming was not impacted," Pakistani media reports informed.

It also recommended providing incentives to cotton farmers to encourage growth of cotton among farmers

Source: fibre2fashion.com– Mar 07, 2017

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Brazil: Smaller 2016 output boosts Brazilian cotton prices

Boosted by low domestic supply, due to the smaller output in 2016 and large export volumes, cotton prices rose in the Brazilian markets in the last one month, while they increased in global markets, influenced by high demand and the slight decrease in final stocks.

Brazilian cotton processors have been importing cotton to meet demand in the previous month.

Global cotton quotes expanded in late February; however, cotton sales were more attractive in the Brazilian market.

The monthly price averages in January and February in Brazil were almost 5 per cent higher than Cotlook A and when considering export parity, domestic prices were 21 per cent higher.

In February, the CEPEA/ESALQ Index, 8-day payment terms, for cotton type 41-4, delivered in São Paulo, dropped 1.59 per cent, closing at BRL 2.7134 or $0.8724 per pound on February 24, while the average in February, at BRL 2.7412 per pound, is 1.05 per cent lower than in January.

Source: fibre2fashion.com– Mar 07, 2017

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Pakistan misses cotton production target by around 25 percent for 2016-17

Pakistan cotton production has been recorded at 10.5 million bales against the set target of 14.1 million bales for 2016-17, missing the cotton production target by around 25 percent.

Official sources revealed on Saturday that 10.5 million bales of cotton have been recorded so far and the number may reach 10.6 million bales by end-March (closing time); however, the number surpassed the cotton production of 9.7 million bales recorded during the same period of the last year (2015-16).

The country had missed the crop production target by around 30 percent in 2015-16 and it remained around 10 million bales which, according to the finance minister, had caused 0.5 per cent to GDP growth. The officials said that the crop prospects are not very good in the current season as well and may negatively affect the growth rate again.

The government downward revised the cotton production target as well as cotton cultivation area and fixed it at 14.1 million bales from 7.4 million acres of land for 2016-17 against 15.49 million bales from 7.7 million acres of land estimated for 2015-16.

According to the officials, lower prices in last year and less return from competing crops led to reduction in overall cotton sowing. This decrease in area is proportionately depicted in the production as well. The cotton sowing has decreased by 21 percent in Punjab but it increased by 2 percent in Sindh, with overall decrease of 15 percent than the last year.

Punjab was expected to produce 9.5 million cotton bales from 5.9 million acres, Sindh had to cover 1.6 million acres and was estimated to produce 4.5 million cotton bales, Balochistan had to grow cotton on 0.12 million acres and was targeted to produce 0.04 million cotton bales and Khyber Pakhtunkhwa was targeted to cover about 74,000 acres and produce 0.0015 million cotton bales.

However, Cotton Crop Assessment Committee (CCAC) revised downward cotton production estimates three times in the outgoing season. Punjab is now estimated to produce 6.903 million bales against the initial estimates of 9.5 million bales, Sindh, 3.6 million bales against 4.5 million bales, Balochistan, 0.038 million bales against initial estimate of 0.098 million bales, and Khyber Pakhtunkhwa is now estimated to produce 0.001 million bales against 0.0015 million bales.

Source: yarnsandfibers.com– Mar 06, 2017

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Pakistan: Proposal to allow cotton hedge trading to facilitate smooth flow

The Pakistan government need to allow cotton hedge trading through Karachi Cotton Association (KCA) as it will help economy by providing a cover against the risk of fluctuations in price, thereby facilitating smooth flow of national and international trading in cotton, said KCA Senior Member Ghulam Rabbani on Sunday.

Hedge trading is a special segment of trade. The utility of hedge trading in cotton has been re-affirmed by three Cotton Hedge Enquiry Committees set up by the government in 1953, 1965 and 1971.

Cotton and allied cotton products account for about 67 percent of the country's export earnings, he added.

The Karachi Cotton Exchange (KCE) used to perform this since 1934, but trading was stopped in 1976 by Zulfikar Ali Bhutto.

The Shariat Court in Islamabad on petitions by All Pakistan Textile Mills Association (APTMA) and Pakistan Cotton Ginners Association (PCGA), on May 27, 2010 granted six months to stakeholders for comments whether hedge trading should be started at Karachi Cotton Exchange (KCE) and is not against the Islamic laws.

KCE is the member of the International Cotton Association that is the world's leading international cotton trade association and arbitral body. In case of resumption of hedge trading in cotton, it could only be resumed on the floor of KCE.

The APTMA and PCGA have always been opposing the opening of cotton hedge trading from any other forum except on KCE floor, as no one in the country is recognized and capable of doing this job.

According to Shakeel Ahmad, chief of Sindh Agriculture Forum, country has been facing production shortfall for the last many years and crop season 2016, March-end 2017 would witness around 3.5 million drop in production to around 10 million bales of cotton.

Source: yarnsandfibers.com– Mar 06, 2017

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Chinese villagers become millionaires selling yarn online

People in a rural village in northern China have hit the jackpot after they gave up farming to sell woollen yarn online, according to Chinese media reports.

Donggaozhuang, about 3½ hours' drive from Xingtai in Hebei province, has produced dozens of millionaires after its villagers took to selling the thread on the online shopping platform Taobao, the *Beijing Youth Daily* reported.

Taobao, the country's biggest online marketplace, is owned by the Alibaba Group. It also owns the *South China Morning Post*.

Donggaozhuang is home to at least 400 e-shops that only sell yarn online, according to the article. Villagers buy the wool and turn it into thread.

One village leader was quoted as saying that the village with a population of slightly more than 2,000 now boasts a few dozen millionaires since their yarn businesses gained popularity online.

It all started with a young villager who set up an online store and made 20,000 yuan (US$2,900) in just three months.

His fellow villagers, whose main livelihood was from growing wheat and corn, were amazed, the article said.

Village leaders then asked the man to teach others how to start their own businesses. More villagers followed suit, selling or leasing their farmland to focus on producing yarn.

Many village children have quit high school to help manage their families' businesses, the report said.

Source: thestreet.com– Mar 06, 2017

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Bangladesh: Experts suggest 'indigenisation' recipe to replace foreign workers

Experts suggested devising an 'indigenisation' programme in various sectors for gradual replacement of foreign workers with local manpower, as they take out a substantial sum of money.

"Such 'indigenisation programme' has earlier been quite successful in Africa where the foreign workers have progressively been replaced by local ones," said former Adviser of the Caretaker Government A B Mirza Azizul Islam.

His views came while speaking Monday at the monthly Luncheon Meeting of the American Chamber of Commerce (AmCham) at a hotel in Dhaka.

The former adviser also lamented a lack of data regarding the actual number of foreign workers working in various core sectors, including readymade garments, and the actual amount they send out in remittance.

"Nobody knows how many foreign workers are working illegally in the country and how much money is going out through them," he told the business meet. In this context, the former bureaucrat also called for a greater role of Bangladesh Investment Development Authority (BIDA) to monitor various business entities harbouring illegal foreign workers.

"BIDA needs to monitor how many foreign workers are working illegally in which organisations and they also need to get into discussion with those entities accordingly," he said. Speakers at the meeting also said Bangladesh should adopt the strategy of gaining duty-free, quota-free market access from the United States in exchange for increasing its cotton imports from the US.

"It is notable that we import a substantial amount of cotton every year to feed our readymade garment industry, a certain amount of which comes from US," said Ambassador Farooq Sobhan, a former diplomat who is also founder of Bangladesh Enterprise Institute, a leading think-tank.

"What if we increase our cotton import from the United States and get US to agree to provide duty-free, quota-free access for RMGs made of US cotton," said Sobhan, also a former Foreign Secretary of the government.

Ambassador Sobhan also emphasized effective lobbying by the government as well as the relevant trade bodies like BGMEA and BKMEA to implement his suggested strategy. "We need to reach out to Congress, we need to reach out to think tanks in Washington, DC. For example, the Heritage Foundation is quite currently influential within the US politics," he said in his suggestion about dealing with the staggering market-access issue.

Speakers at the meeting also called for greater US investment in the exploration of gas and oil in Bangladesh in the context of declining gas reserves in the country.

"One of the main reasons the gas reserve is depleting in Bangladesh is that there has been no major gas exploration in the last 17 years," Mr Sobhan said, "although earlier estimates suggested the potential reserves to be somewhat in the range of 15 TCF." He noted that the present US Secretary of State, Rex Tillerson, is also an energy executive who was formally Chairman of Exxon Mobil.

"In this context, we need to persuade the US authorities and investors to invest in the exploration of potential reserves of gas and oil in Bangladesh," the diplomat told his business audience.

Speakers at the meeting also observed that Bangladesh needs to continue to offer larger volume of readymade garments at a lower a price to hold its competitive edge on the global apparel market.

Former Foreign Secretary Muhammad Zamir said China can act as an effective strategic partner to turn Bangladesh into the gateway to Southeast Asia.

Noting that the flow of foreign investment into Bangladesh is still inadequate compared to most of its neighbours, speakers emphasized advertising the success of Export Processing Zones for attracting more investment in to the proposed Special Economic Zones of the country.

"To achieve the goal of becoming a middle-income country by 2021 and a developed country by 2041, we need US$ 10 billion in foreign investment each year," said Ambassador Sobhan.

"Just like government's present stance on zero tolerance towards terrorism, we need to adopt zero tolerance towards corruption." he added.

Source: thefinancialexpress-bd.com– Mar 07, 2017

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NATIONAL NEWS

Will RCEP make or break industry?

The gap's showing ($ billion)

India's trade deficit with RCEP countries

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Asean	-3.9	-7.2	-7.3	-6.1	-6.7	-5.8	-10.4	-4.4	-13.2	-15.1
China	-7.8	-15.1	-21.5	-20.2	-23.8	-38.8	-39.4	-35.2	-44.8	-52.0
Australia*	-6.6	-8.2	-10.6	-10.4	-11.3	-10.3	-8.5	-7.3	-6.2	-15.1
South Korea	-2.6	-3.0	-4.6	-4.5	-6.3	-7.8	-9.6	-7.9	-8.6	-9.5
Japan	-1.9	-2.6	-4.2	-3.5	-3.5	-5.6	-5.9	-3.2	-4.2	-5.1
New Zealand*	0.2	-0.2	-0.3	-0.2	-0.5	-0.5	-0.5	-0.3	-0.3	-0.2
Total	**-22.6**	**-36.2**	**-48.4**	**-44.8**	**-52.0**	**-68.8**	**-74.3**	**-58.4**	**-77.2**	**-97.0**

*Negotiations are on with Australia/NZ; Highlights show the years in which the FTAs were signed by India Source: Data derived from UN Comtrade; writer's calculation

However, given the precedence in executing trade agreements, India needs to introspect as to what it can get from negotiating the proposed RCEP that it has not already obtained from prevailing trade agreements with Asean as a bloc or with Japan, South Korea, Singapore.

While the RCEP has chapters on intellectual property, investment, goods, services, telecommunications and e-commerce, the one on goods and services are the most crucial.

A poorly negotiated agreement will usher in grave consequences for Indian business and its people. Some of the RCEP members have already refused to agree to India's three-tier approach to tariff reduction over a period of time. RCEP should not convert India into a dump yard for cheap imports from the Asia-Pacific, particularly China.

Under the ambit of RCEP, countries like China, South Korea and Japan are manufacturing powerhouses, and Australia and New Zealand have strengths in processed foods, wine, and dairy products, while Asean has comparative advantages in plantations, electronics and auto-components.

While consumers would benefit from FTAs, the Indian manufacturing sector which remains relatively uncompetitive vis-à-vis some of the RCEP negotiating partners would be at a disadvantage.

Sectors such as plantations, automobiles, textiles, pharmaceuticals, and engineering goods would be impacted negatively. A poorly negotiated RCEP could spell the death knell for India's global manufacturing dream.

The non-tariff barriers in RCEP countries should be negotiated transparently before negotiating market access.

Among all the non-tariff measures imposed on Indian exports, sanitary and phytosanitary issues and technical barriers to trade measures are the most frequently used. These deal with product quality and standards.

Services advantage

Though a trade agreement in services preceding merchandise may seem utopian, India should seek to change this custom through RCEP. Asean has already expressed its reservations pertaining to the same, but India should up the ante.

India has achieved significant success in services, and hence should seek greater liberalisation of trade in services, including aggressively pushing for greater access for its professionals in these markets.

In fact, India should use services like the 'pound of flesh', and use it as a good bargain for giving access to the huge domestic goods market.

It must be noted that RCEP has the East Asian economies as partners, who have thrived on export-led growth model, unlike India whose domestic economy is its strength. India while choosing its trade partners needs to see the complementary nature of the relationship.

Source: thehindubusinessline.com– Mar 07, 2017

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Textile industry urges CM to withdraw VAT increase

Southern India Mills Association (SIMA) today urged Tamil Nadu Chief minister K Palaniswami to withdraw the increase of VAT on petrol and diesel, which it said has a cascading effect on textile value chain.

In a representation to Palanisamy, SIMA chairman M Senthilkumar said it was affecting the textile industry, which was already paying five per cent VAT on cotton and cone yarn, as against two per cent CST and zero per cent tax in other states,rendering the industry in the state lesser competitive.

Moreoever, frequent use of diesel-run generators during power cuts and maintenance period was adding to their woes as there would be an additional burden, with diesel price increasing by Rs 1.76, he said.

In view of GST being implemented from July 1, the VAT increase should be withdrawn to save the industry, he said.

Source: dnaindia.com- Mar 07, 2017

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Govt reviewing Scheme for Integrated Textile Parks

The Indian government is reviewing the Scheme for Integrated Textile Parks (SITP) after a recent report commissioned by the ministry of textiles found that the scheme has failed to achieve its objectives. The primary objective of the SITP is to provide the industry with worldclass state-of-the-art infrastructure facilities for setting up new textile units.

The report by Wazir Advisors to the ministry has cited various reasons for the scheme failing to attain its objectives. The reasons include high rentals in some parks, changes in other government schemes or regulations, lack of marketing efforts, no special benefits available for investors in parks, poor accessibility and challenges for units in SEZ parks.

“We are reviewing the SITP as many special purpose vehicles (SPVs) were found violating its norms as non-textiles units were operating from inside the parks,” a senior textiles ministry official told a news agency.

The report on review of the SITP has suggested a new scheme – Mega Textile Parks – to be launched with parks having minimum land size of 1,000 acres, and infrastructure support in the form of readymade factory sheds, warehouse, incubation centres and testing labs, with express connectivity to seaports and airports.

The new scheme should be implemented by entrepreneurs-led SPV, industry associations or state government either through their institutions or in PPP mode, the report said.

Source: fibre2fashion.com– Mar 06, 2017

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Expect Cotton futures to trade sideways to higher: Angel

According to Angel Commodities, We expect cotton and kapas futures to trade sideways to higher as the physical demand from mills and textile industry is on higher side as arrivals are still lower.

Angel Commodities' report on Cotton

Cotton prices on MCX closed little lower while NCDEX Kapas jumped higher last week on good demand for raw cotton as the arrivals have been steadied.

CAI estimated output at 341 lakh bales and revised its consumption higher at 295 lakh bales compared to 290 last year.

Meanwhile, CCI may have purchased close to 1 lakh bales from the physical market which might put pressure on prices later in season.

Outlook

We expect cotton and kapas futures to trade sideways to higher as the physical demand from mills and textile industry is on higher side as arrivals are still lower.

The exports have been good in last two months which is driving the prices higher. The procurement by CCI may support prices in near term but may pressurize it later in the season.

Source: moneycontrol.com– Mar 06, 2017

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Planet Textiles 2017 starts to take shape

The issue of water availability, water conservation in wet processing, and wastewater discharge in the textile supply chain will dominate this year's Planet Textiles Summit on sustainability on 24^{th} May at the JW Marriot Hotel in Bangalore, India.

As such, speakers at Planet Textiles 2017 will include Manoj Gulati, Executive Director, India, of the international NGO water.org, which was co-founded by actor Matt Damon and which has so far positively transformed more than five million lives around the world through access to safe water and sanitation.

The event which is being co-organised by MCL News & Media and the Sustainable Apparel Coalition will also feature a special breakout session hosted by the ZDHC Group.

At the event, the ZDHC will reveal results of pilot testing from studies at textile mills that have adopted its pioneering wastewater discharge guidelines.

The ZDHC hopes that brands and retailers will roll out these guidelines across their textile supply chains worldwide.

This year's event partner will be leading man-made cellulosic fibre supplier Lenzing, which will unveil its latest sustainability report to delegates in Bangalore. It will also flag up new ground-breaking developments such as the launch its 'Refiber' lyocell which is 20 per cent derived from recycled cotton waste.

Naturally, water use in cotton agriculture will feature heavily at the event given its location in India, which is the world's largest cotton producer and accounted for 5.7 million metric tonnes in 2015/16, according to figures from Cotton Inc. Shreyaskar Chaudhary, the CEO and owner of cotton textile conglomerate Pratibha Syntex will give an overview of how his company has undertaken a holistic approach to reduce water consumption at factory and the farm by tackling challenges existing in current textile products and manufacturing processes.

In 2005, Pratibha Syntex, which also has an extensive organic cotton programme, was awarded the GLASA (Global Leadership Award in Sustainable Apparel) by the Sustainable Fashion Academy based in Stockholm.

Brands and retailers

Leading retailers and brands and Indian government officials are also being lined up to speak at Planet Textiles 2017, where sessions will be held on water use, costs, efficiency and environmental solutions in textile dyeing and wastewater discharge; water use, disposal, and remediation in the denim industry; and the issues of MRSL and RSL in chemical management.

The event is also being sponsored by the independent textile standard Oeko-Tex and Covestro, which a leading supplier of high-tech polymers and raw materials for the textiles and footwear sector.

Other event partners include Messe Frankfurt and The Dyestuffs Manufacturers Association of India (DMAI), which will help to promote the event to the vast Indian textile sector.

“From 2017, Planet Textiles will focus more strongly on the implementation and practical side of ‘sustainability’ in the textile supply chain with real-world case studies and examples of best practise,” said John Mowbray, editor of *Ecotextile News* magazine and founding director of event co-organiser MCL News & Media.

“Over the past decade, a plethora of events have emerged on sustainability in the textile supply chain, but very few of them have dealt with practical solutions or examples of tangible change – yet this type of ‘hands on’ approach is needed now more than ever if we are affect real industry change.”

Planet Textiles takes place the day following the two-day annual Sustainable Apparel Coalition members meeting and includes an exhibition space for solutions providers.

At the 2016 event in Copenhagen, Planet Textiles was attended by over 440 leading international brands, retailers, NGO's and textile and apparel suppliers.

Source: ecotextile.com- Mar 06, 2017

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Agriculture ministry likely to maintain status quo on Bt cotton seed MSP

The agriculture ministry is likely to retain the current maximum sale price (MSP) for genetically modified Bt cotton seeds prices for the next kharif season.

Sources told FE that after a meeting of the committee constituted by agriculture ministry for recommending MSP for Bt cotton seeds was held on Monday, the government would be coming out with a formal notification within next few days.

Last year, MSP of genetically modified Bt cotton seeds was reduced to R800 per 450 gm packet from R830-1,000 in the previous year.

However, the sharpest cut was on royalty or trait fees which was reduced by 74%, from R163 per packet to R49.

In Monday's meeting, while one group of seed manufacturers urged for increase in seed price by R30-50 per packet, others demanded trait fee to be hiked to R100 from R49 per packet. "The government would perhaps maintain a status-quo to avoid any dispute," a source said.

After last year's cut in the fees to Mahyco Monsanto Biotech (MMBL), a joint venture between the US-based biotech major Monsanto and Maharashtra-based Mahyco, the trait value has been just 6% of the pan-India ceiling price of R800 per packet for the seed.

MMBL had moved the Delhi High Court against the reduction in trait value and the capping of the seed price, arguing that the December 2015 price control order was "illegal and unconstitutional". The court is yet to decide on the matter.

MMBL has sub-licensed Bt cotton seed technology since 2002 to various domestic seed companies.

About 83% of the country's cotton area of 10.2 million hectares (in the 2016-17 season) was under Bt variety.

The country's cotton production has risen manifold since the introduction of Bt seeds — from 13.6 million bales in 2002-03 to a projected 32.12 million bales in 2016-17.

After Bt cotton was introduced in India in 2003, it took no time for it to take the lion's share of the country's cotton area, but 2016-17 saw the first steep decline in its attraction to the domestic growers of the fibre.

Primarily because cotton farmers in Punjab and Haryana took to native varieties in last year's kharif season.

Farmers thought these might be less vulnerable to the deadly pest white fly than the genetically modified one, the share of Bt variety in total cotton area sown declined to 83% in 2016-17 from 91% in the previous season.

Source: financialexpress.com- Mar 07, 2017

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GST Council approves CGST and IGST bills

The Goods and Services Tax (GST) Council has approved the draft Central GST (CGST) bill and the draft Integrated GST (IGST) bill vetted by the Union law ministry at the recently held meeting chaired by finance minister Arun Jaitley. This clears the deck for the Centre to take these two bills to Parliament for their passage in the ongoing Budget Session.

According to the approved bills, a state-wise single registration will be introduced for a taxpayer for filing returns, paying taxes and to fulfil other compliance requirements. Most of the compliance requirements would be fulfilled online.

A taxpayer has to file one single return state-wise to report all his supplies, whether made within or outside the state or exported out of the country and pay applicable taxes on them.

A business entity with an annual turnover of up to Rs 20 lakh would not be required to take registration in the GST regime, unless it voluntarily chooses to do so to be a part of the input tax credit (ITC) chain.

The annual turnover threshold in the Special Category States for not taking registration is Rs 10 lakh. A business entity with turnover up to Rs 50 lakh can avail the benefit of a composition scheme under which it has to pay a much lower rate of tax and has to fulfil very minimal compliance requirements.

In order to prevent cascading of taxes, ITC would be admissible on all goods and services used in the course or furtherance of business, except on a few items listed in the law. The ITC entitlement arising out of taxes paid under the Central law can be cross-utilised for payment of taxes under the laws of the states or Union territories.

In the services sector, the existing mechanism of Input Service Distributor (ISD) under the service tax law has been retained to allow the flow of ITC in respect of input services within a legal entity. To prevent lock-in of capital of exporters, a provision has been made to refund, within 7 days of filing the application for refund by an exporter, 90 per cent of the claimed amount on a provisional basis.

In order to ensure a single administrative interface for taxpayers, a provision has been made to authorise officers of the tax administrations of the Centre and the states to exercise the powers conferred under all acts.

Detailed transitional provisions have also been provided to ensure migration of existing taxpayers and seamless transfer of unutilised ITC in the GST regime. An anti-profiteering provision has been incorporated in the bills to ensure that the reduction of tax incidence is passed on to the consumers. Commissioner has been empowered to allow payment of taxes in instalments to mitigate any financial hardship being suffered by a taxpayer.

The State GST (SGST) Bill and the Union territory GST (UTGST) Bill, which would be almost a replica of the CGST Act, would be taken-up for approval after their legal vetting in the next meeting scheduled on March 16.

Source: fibre2fashion.com- Mar 06, 2017

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'No drawback available if imported goods are used and re-exported'

We had imported a testing machine more than two years ago. It has not been functioning well. We had taken this up with the supplier, who gave us a free replacement. We have cleared the replacement goods on duty payment. Now, we want to send back the defective machine. Can we get drawback of the duty paid?

Since you have used the goods and are re-exporting the goods after 18 months from the date of import, you will not get any drawback, as per notification no. 19/65-Cus dated February 6, 1965, as amended from time to time.

We have received a show cause notice asking us to pay service tax **on penalty for late delivery of goods and non-delivery of goods as per contractual obligations. Is this correct?**

Apparently, the government relies on Section 66E (e) of Finance Act, 1994, which says that "agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act" shall constitute a declared service — i.e. any activity carried out by a person for another person for a consideration. It appears that penalty is being construed as a consideration for tolerating the act of late delivery or non-delivery. S.No. 57 of the notification 25/2012-ST dated June 20, 2012 exempts the tax on "services provided by Government or a local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Government or the local authority under such contract".

CBEC circular no. 192/02/2016-S.T., dated April 13, 2016, also clarifies this point. So, the official view seems to be that in contracts between parties other than government or local authority, service tax will be payable on liquidated damages or penalty for late delivery or non-delivery of goods or services. I think there is scope to contest that view on the grounds that penalty or liquidated damages comes into play when one party refuses to tolerate late delivery or non-delivery by the other party and thus, there is no service element and consequently, no question of tax.

We have opted to issue digitally signed invoices in accordance with Notification No. 18/2015-Central Excise (N.T.), dated July 6, 2015. Some of our customers want manually signed invoices as they do not have the requisite information technology infrastructure to accept or receive digitally signed invoices electronically. Can we issue manually signed invoices?

Yes. The CBEC Circular no. 1038/26/2016-CX, dated July 19, 2016, clarifies that a manufacturer or a service provider who opts to issue invoices authenticated by digital signature may print a copy of such invoice and sign them manually and forward the same to such customers who are unable to accept or receive the digitally signed invoices.

Such invoices in effect would be authenticated by two signatures, digital signature as well as manual signature and would be considered to be in conformity with Rule 11 of Central Excise Rules, 2002 or Rule 4A, 4B and 4C of the Service Tax Rules, 1994.

Source: business-standard.com- Mar 07, 2017

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