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USD 66.69 | EUR 70.48 | GBP 82.90 | JPY 0.59

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
20366	42600	**81.46**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
21210	44366	**84.84**

International Futures Price

NY ICE USD Cents/lb (March 2017)	75.42
ZCE Cotton: Yuan/MT (May 2017)	16,075
ZCE Cotton: USD Cents/lb	**88.19**
Cotlook A Index – Physical	**84.60**

Cotton & currency guide:

Cotton price traded massively positive in the week gone by to test Rs.43, 000+ per candy at the spot market. The Indian cotton price advanced over Rs. 1000 per candy in one week amid tight supply scenario and steady demand. The average daily arrivals were slightly lower than the same period last year. According to the Cotton Corporation, cumulative new crop arrivals by February 22 were estimated at 20,254,800 lint equivalent bales, including over 4.74 million from Gujarat and over 5.6 million from Maharashtra.

The volume of arrivals by the same date in 2016 was 20,897,300 bales, representing a deficit in the current season of roughly 640,000, marginally more than the 630,000 witnessed one week earlier.

The lag in Telangana, where protracted disruptions have interrupted supply, stands at over 1.8 million bales, representing a decrease from the previous season of almost 44 percent.

The effect was clearly visible on the spot price across major trading centers. Therefore, the effect was visible on the futures market. The most active March future ended the session higher at Rs. 21,210 per bale up by Rs. 680 from the previous week's close. Primarily the gains were predominant in the domestic market.

From the global market post the March the activity has shifted to May contract. During the past week May contract advanced to 76.57 cents per pound up by almost 100 points from the previous week's close. The same contract this morning is seen trading higher at 77 cents up by half per cent. The roll over positions and continuous longs by the speculators has pushed the May contract higher.

More on the futures front, turnover was estimated at 19,300 contracts, up from the 15,909 that traded previous day. An additional 35 notices of delivery were issued against the expiring March '17 contract, raising the total to 148. Open interest rose by 522 contracts to 261,393. Decreases of 113 and 454 contracts were reported in the March '17 and July '17 deliveries, respectively, while increases occurred in May '17 of 353 and December '17 of 707 contracts.

We believe with the rise in cotton price in ICE platform and Chinese cotton trading higher by 1.60% at 15735 Yuan/MT may push the domestic cotton price higher. The trading range for the day would be Rs. 21100 to Rs. 21400 per bale.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Rights violations in Vietnam put EU trade deal at risk, lawmaker says

It will be "extremely hard" for the European Union to implement its planned free trade agreement with Vietnam without improvement in the country‘s human rights record, the chair of European Parliament‘s human rights subcommittee said Thursday in Hanoi.

Repression of free speech, lack of legal system transparency and restrictions on political participation all put the EU-Vietnam Free Trade Agreement, which has not yet been ratified, at risk, Pier Antonio Panzeri said.

"We very much want to approve the free trade agreement, but we need progress in human rights and social rights," Panzeri said at a press conference during an official visit to the Vietnamese capital.

"At this time, the progress has not been made and we have communicated to the authorities that it would be extremely hard to approve it [the trade deal] under these circumstances," Panzeri added.

The EU was Vietnam‘s third largest foreign investment partner in 2015, committing 1.3 billion dollars in foreign direct investment, according to the European Commission.

Vietnam‘s key exports to EU countries include telephones, electronic products, footwear, textiles and clothing, coffee, rice, seafood and furniture.

Negotiations over the EU-Vietnam Free Trade Agreement, which includes the elimination of nearly all tariffs, concluded in December 2015.

Political and human rights remain a contentious issue in Vietnam‘s relations with the EU, as the ruling Communist Party of Vietnam has used controversial articles in its penal code to prosecute local political dissidents, social activists and human rights defenders.

Hanoi maintains that only lawbreakers are imprisoned and denies holding any political prisoners.

Source: europeonline-magazine.eu – Feb 25, 2017

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Pakistan: Textile, clothing exports decline

Pakistan's textile and clothing exports fell 1.30 per cent to $1.064 billion in January on a year-on-year basis, the Pakistan Bureau of Statistics (PBS) reported on Thursday.

The fall in exports was mainly driven by value-added products.

Last year, the government announced a textile policy that gave a 4pc rebate on the exports of readymade garments on a 10pc incremental increase over the preceding year. The rebate was 2pc and 1pc on the incremental increase in the exports of home textiles and fabric, respectively. No support was announced on raw material or yarn exports.

Under this policy, the government paid Rs2.5bn to exporters in the last fiscal year. Jan 15, 2017 onwards, the government not only increased the rebate to 7pc for readymade garments, but also allowed cash support of 4pc on yarn and grey cloth under the Rs180bn package announced by the prime minister.

Product-wise details show that the exports of readymade garments fell 3.60pc while those of knitwear dropped 3.44pc in January. Exports of bedwear went up 2.17pc, but those of towels fell 1.36pc.

In primary commodities, exports of cotton yarn witnessed a year-on-year increase of 4.37pc while those of cotton cloth fell 3.10pc, cotton carded 100pc and yarn other than cotton yarn 35.15pc.

Exports of made-up articles, excluding towels, witnessed negative growth of 13.36pc while those of tents, canvas and tarpaulin grew 39.37pc.

Exports of raw cotton also recorded a year-on-year decline of 49.77pc. Art, silk and synthetic textile exports declined 14.11pc.

One reason for the fall in exports of value-added textile products is that Pakistan's preferential access to the European Union under the GSP-Plus scheme did not boost the country's exports owing to a slump in demand in the 28-nation bloc.

In the seven months to January, the value of exported textile and clothing products fell 1.54pc year-on-year to $7.224bn. One of the reasons cited for the textile package was the need for countering the rising cost of production. The package will be effective from January 2017 to June 2018.

Overall export proceeds in July-Jan fell 3.21pc to $11.685bn.

In April 2016, the Ministry of Commerce announced a Strategic Trade Policy Framework, which has yet to be implemented.

Source: dawn.com– Feb 24, 2017

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Worse for Wear: Indonesia's Textile Boom

The rise of fabric and textile manufacturing brought jobs to Indonesia's West Java province. It also brought abject pollution to the Citarum River.

With the first light, men in long boats are on the Upper Citarum River, filling their hulls with bottles, cans and bits of broken plastic — anything that can be recycled for a few rupiahs. Everything anyone might throw away is here.

Smashed Styrofoam coolers, broken toys, clothes, food containers, a deflated soccer ball, even car batteries and metal tools, buoyed by the bits of plastic below, float along on the current. At bends in the river, the detritus coalesces into mats of trash, tight and strong enough for a man to walk across. The water itself is as thick and dark as motor oil, coursing with sewage, agricultural runoff, and chemicals flushed into the river by the factories that line its banks.

It was not always this way on the Citarum — routinely named one of the world's most polluted waterways.

Old-timers tell of a healthy river full of fish until the late 1970s when Indonesia's manufacturing sector — animated in large part by textile producers and other companies fleeing rising labor costs and environmental regulations in West — began to grow and dump their effluent into the water. With the boom came a deluge of factory workers, which quickly overwhelmed municipal waste disposal systems, further stressing the river.

Today, Indonesia ranks among the top 10 textile and apparel producing countries in the world, with more than $12.7 billion in exports, including $3.96 billion to the United States in 2014, according to World Integrated Trade Solution, a trade database of the World Bank.

Three million people work in the garment and textile industries, according to Indonesia Investments, an investors' news service that covers the country's economy.

For residents of the West Java province near Bandung, this economic growth has come at a steep price with the ruin of the Upper Citarum River and the destruction of rice fields contaminated with heavy metals in industrial effluent.

Now, a recent Indonesian court ruling, if upheld, could give environmentalists a small victory in the fight to clean up the Citarum River — and at the same time, possibly imperil thousands of jobs. It is a story that has played out time and again around the world, from the Hazaribagh neighborhood of Dhaka, Bangladesh, to Gloversville, New York, as environmental regulations catch up with polluting industries.

In December 2015, two local community organizations, Pawapeling and WALHI (Indonesian Forum for the Environment), with the support of Greenpeace Southeast Asia Indonesia, sued the Sumedang Regency government and three factories permitted to dump into the Cikijing River, a tributary of the Citarum.

The named plaintiffs alleged that the government had not monitored the factories' discharge and had failed to conduct environmental impact studies before issuing the wastewater permits.

Greenpeace and Padjadjaran University's Institute of Ecology also released a report in April 2016, one month before the court ruling, in which they alleged that industrial wastewater used for irrigation had contaminated 2,300 acres of rice fields with heavy metals, and caused economic losses of about $866 million over two decades.

Source: undark.org– Feb 21, 2017

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Morocco FTA Rule of Origin Changes for Apparel Would Have Negligible Effect, ITC Finds

The International Trade Commission has determined that proposed modifications of the rules of origin in the U.S.-Morocco Free Trade Agreement for the following articles are likely to have a negligible effect (i.e., a trade or production value change of less than six percent) on U.S.

imports from Morocco, total U.S. trade, and U.S. industry. The ITC states that the proposed changes would allow the use of more non-originating fabrics in the production of certain women's or girls' apparel.

- dresses, skirts, blouses, and tops classified in HTSUS Chapter 62, of 100 percent viscose rayon woven fabric classified in HTSUS 5408.24

- women's or girls' cotton corduroy skirts and divided skirts classified in HTSUS 6204.52, of cotton corduroy fabrics classified in HTSUS 5801.22

- women's or girls' manmade fiber blouses, shirts, and shirt-blouses classified in HTSUS 6206.40, of polyester corduroy fabrics classified in HTSUS 5801.32

- women's pants classified in HTSUS 6204, of synthetic bi-stretch fabric of 45 to 52 percent by weight of polyester, 45 to 52 percent by weight of rayon, and 1 to 7 percent by weight of spandex, classified in HTSUS 5515.11

- women's pants classified in HTSUS 6204, of woven fabric of 60 to 68 percent by weight of polyester, 29 to 37 percent by weight of rayon, and 1 to 7 percent by weight of spandex, classified in HTSUS 5515.11

- women's pants classified in HTSUS 6204, of woven herringbone fabric of 31 to 37 percent by weight of viscose rayon, 17 to 23 percent by weight of polyester, 17 to 23 percent by weight of cotton, 13 to 19 percent by weight of wool, 5 to 11 percent by weight of nylon, and 1 to 6 percent by weight of spandex, classified in HTSUS 5408.33

Source: strtrade.com – Feb 27, 2017

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USA: Port Shutdown over Labor Issues in NY & SC Looms

U.S. longshoremen are calling out bi-state entities and state port authorities for neglecting shipping labor issues.

International Longshoremen's Association (ILA) members across the country are demanding a shutdown of ports along the Atlantic and Gulf Coasts and are planning a march on Washington to protest job loss and the resulting damaging effects on the nation's economy.

Many organizations, including the National Retail Federation (NRF) and retailers, are urging the ILA and U.S. Maritime Alliance to work together to avoid a potential port shutdown, which could hurt the operations of local businesses.

The planned Washington protest will address hiring practices in U.S. ports that intentionally reduce the number of dockworkers and potentially contribute to the nation's financial demise. The South Carolina Port Authority, along with the Waterfront Commission of New York Harbor, are being blamed for reducing the number of dockworkers and keeping port jobs unfilled.

The Waterfront Commission's current background check system is allegedly contributing to job shortages at the Port of New York and New Jersey, meanwhile the South Carolina State Port Authority allegedly uses unskilled non-ILA members to operate machinery over longshoremen.

"The Port of New York and New Jersey is regulated not only by the Waterfront Commission but also by the Port Authority of New York and New Jersey," ILA VP and ILA Local 1422 president Kenneth Riley said.

"This overregulation is damaging to one of the nation's busiest ports, and thus hundreds of local businesses that depend upon the port to survive, by reducing the number of dock workers and therefore the amount of cargo that could be moved."

According to the U.S. Department of Commerce, Bureau of Census, at the Port of New York and New Jersey, ILA members process more than $200 million worth of goods annually, providing thousands of jobs in the region. The port currently processes more than 70,000 metric tons of cargo and commodities, most of which are apparel and furniture. Failure to provide adequate workers at major ports, including the Port of New York and New Jersey, could result in economic decline and operational issues for retailers nationwide.

A "Journal of Commerce" report from last week said ILA members have been in talks with the United States Maritime Alliance, LTD. to slam the Waterfront Commission of New York Harbor and the South Carolina Port Authority. At these Florida-based meetings, port regions from Maine to Texas are allegedly backing the ILA's claims and plan to act accordingly to resolve these issues.

Many consumer goods organizations, including the NRF and retailers, have expressed concern over the potential port shutdowns and Washington protest. The NRF urged the ILA and U.S. Maritime Alliance to work together to form a solution to avoid disruption of port activity throughout the U.S.

"We applaud the fact that the ILA and the U.S. Maritime Alliance have begun informal discussions on a contract extension well in advance of the current contract expiration, but proposing a shutdown runs counter to this spirit of cooperation and may threaten this positive action," NRF VP for supply chain and customs policy Jon Gold said.

"We urge the ILA to reconsider its plans and avoid damaging the image of East Coast and Gulf Coast ports as reliable business partners for retailers and other shippers."

Source: sourcingjournalonline.com– Feb 25, 2017

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JC Penney to Close Up to 140 Stores, Focus on Growth Strategy

JC Penney is trimming down to focus on creating physical stores that can compete in a digital world.

JC Penney hit a milestone in the fourth quarter of 2016, reaching profitability for the first time since 2010. This announcement, however, was balanced against news that the company will close 130 to 140 stores this year.

The company's plan follows in the footsteps of other department stores, but the retailer sees a way forward through its ongoing growth initiatives, which include beauty, home, omnichannel, a new pricing strategy and improving women's wear. JC Penney plans to expand on these plans for 2017, and says closing stores will allow it to do so.

"Our decision to close 130-140 stores will allow us to raise our overall brand and standard of JCP and allocate capitol more efficiently to a smaller base of stores This will also allow us to implement our growth initiatives to a larger percent of our stores," said Marvin R. Ellison, chairman and chief executive officer.

The store closures represent between 13 and 14 percent of the company's retail portfolio and less than 5 percent of annual sales. The closures will save the chain about $200 million. The company plans to funnel the savings into improving the customer experience in the remaining stores. With more appealing stores, it feels it can become a destination for shoppers, insulating it from online competitors.

Ellison said the company's plan to shutter doors coincides with its early retirement program, which will open up 6,000 jobs that displaced employees could fill.

Under the new initiatives, JC Penney will capitalize on the significant comp sales growth that Sephora represents by opening 70 new shop-in-shops in 2017 and expand 30 more. It says Sephora, along with its salon, represent an experience that ecommerce can't provide.

Based on the strong performance in its 500 appliance showrooms, JCP will open 100 more in early 2017.

It will also test home installation services like HVAC, a move it feels will attract its customers, 70 percent of whom are female and homeowners.

Omnichannel will remain a focus, as the company increases online SKUs by 140 percent in the first quarter. And thanks to offerings like buy online, pick up in store, 77 percent of online shoppers also visited a physical store in 2016.

In terms of pricing, the company has tested, and will more fully implement, its data-driven approach to setting prices this year.

Finally, the company has a multi-pronged approach to addressing its issues with women's wear. It includes, expanding its Nike and Adidas activewear selections, focusing on the "underserved" plus-size market, which includes adding swimwear to this category, and ramping up speed to market.

"We are pleased that in the face of a very challenging 2016 retail environment we delivered our first positive net income since 2010. As recent as 2013, JC Penney reported a net loss of nearly $1.3 billion, or ($5.13) per share, and negative EBITDA of $641 million. This year, we delivered positive net income and generated EBITDA of over $1 billion," said Ellison

For the quarter ended January 28, 2017, the company reported net sales of $4 billion, with comp store sales slipping 0.7 percent. The company acknowledged weak sales at the beginning of the quarter which dragged down a strong performance in the 6-week holiday period.

JCP was pleased with double digit growth in online sales for the quarter but says aggressive promotions both online and off were "poor decisions," which "eroded gross margin while providing limited top line sales." Gross margin for the period dropped 100 basis points to 33.1 percent of sales.

Net sales for the year slid 0.6 percent to $12.5 billion, with flat comp store sales.

Gross margin dropped 30 basis points to 35.7 percent.

JC Penney's guidance for 2017 takes into account the store closures. The company expects comp store sales to drop 1 percent or rise by 1 percent. It says, gross margin will rise 20 to 40 basis points.

Source: sourcingjournalonline.com– Feb 25, 2017

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Opinions on Trump-Era Trade are All Over the Map at MAGIC

Depending on which country you ask, Donald Trump's moves on trade could either be a huge boon to business or quite the opposite.

Speaking to a host of manufacturers from key sourcing countries at Sourcing at Magic in Las Vegas this week, there was consensus on the confusion over still up in the air efforts, but manufacturers have mixed perspectives on trade in the Trump era.

China

Starting with China, which has been bearing the brunt of Trump's efforts to right trade in imbalanced partnerships, Charles Deng, sales director for China manufacturer Wahyi Group said, "I don't worry. I think it's no problem because China's garments are very cheap."

For Martin Chen, a merchandiser for JinJiang City-based swimwear and activewear manufacturer HaoShou, the current trade conditions are a bit more concerning.

"I think it [border adjustment] will not be easy to enact because China and America have economic relationship and this is very important. Chinese and some Americans don't agree. I think if Trump enacts this one, most Chinese people they won't agree," Chen said.

"It's not good for us. I also have other customers from other countries, so maybe it will affect some customers, especially from U.S., but other countries don't care about this. If this kind of situation 45 percent taxes will increase, I think that I should find some other customers from other countries."

Vietnam

Vietnam had set its sights on benefitting from the Trans-Pacific Partnership (TPP) in a big way, and now that it's off the table, many manufacturers are simply reassessing.

"We wanted TPP for U.S. business," said Yuya Matsuura of Japanese-owned, Vietnam-based accessories manufacturer General Garment Mills Vietnam. To Matsuura, Trump might mean an improvement to the U.S. economy, and for Japan, at least, the outlook may be positive if the U.S. looks to negotiate a bilateral trade deal with the country. However, he said, "For the U.S. market, it's not good."

As Lincoln Tran, director of sales for Vietnam's AIM Garments, chimed in, "TPP was going to be good for Vietnam for the apparel sector, but now that the U.S. is no longer part of that, then it's just going to continue to be business as usual as if nothing is going to change." He added, "We were kind of waiting to see with hopes that it would be a windfall benefit for us. I know that our customers were excited about the TPP because that would have meant they would have been able to get goods from Vietnam cheaper, and from our point of view, that would have been a good thing. It would have brought in more business to the country."

The question of how Donald Trump is going to tax countries' imports remains, as does the question of how each trading partner will be affected. Tran said Trump may have an obviously adversarial relationship with China, but he doesn't see why he'd handle Vietnam differently.

"It looks like anybody that wants to import into the U.S. is going to face changes, but we don't know what those changes will look like," Tran said. "If he does impose an increased tariff on China, Vietnam should benefit from that, but if it's in the name of bringing jobs back to the U.S., I don't see why Vietnam would be immune to that. Or any country for that matter."

Bangladesh

In Bangladesh—which has its own issues right now—Mo Bafatia of Chittagong-based Bibi Design thinks that while Trump's policies appear positive for U.S. manufacturing at first blush, the way it looks from here, trade under Trump may be worse than before the U.S. leader took office.

"If you're going to put a 20 percent tax on anything, as long as American companies can make those goods at less than that, then good for you. And if they can't make it, not even Walmart can save us," Bafatia said. "Either you put a duty on all these people and the consumer will pay more, or keep it where it is or bring the duty down more so we can buy stuff from here."

As Aamir Madha, also representing Bibi Design, added, raising tariffs will dampen international trade, and investors will be less likely to start or keep running their businesses.

"I think in the short term, it [trade under the Trump administration] will be good for the U.S. economy domestically. I think in the long term, the consumer is going to pay more," Madha said. "They're going to be investing in apparel in the long run. But what are we going to do with all this product when you're charging $15 for a T-shirt made in the U.S.? Those same people who now have jobs are not going to pay $15 for a T-shirt. However, we won't see the effects of this until Trump's first term is over."

Mauritius

In Mauritius, manufacturers are less worried as so far the African Growth and Opportunity Act (AGOA), which affords them duty free trade with the U.S., has not been on Donald Trump's radar.

"We don't know exactly what is happening. We heard that he will increase the tax in China, and in Mexico too, which will be an advantage for us," said Yannick Capiron, head of product development for Palmar Limitee, a garment manufacturer in Mauritius. "No TPP can also be an advantage for us, but things are just not clear."

India

For Sidhant Kapoor, who does business development for Kapsons Worldwide a garment and footwear manufacturer in India, things are looking positive under President Trump.

"Well considering that he comes from an industrial background, things should be better," Kapoor said. "In this world, it's not possible for him to stop countries from trading with the U.S. In terms of industry and business I am pro Trump. And he's good with India at least, so we are positive about having good business with the U.S. in his tenure."

Addressing the potential duties the president has talked about, Kapoor said, “Even if he puts some import duties, that’s just increasing the amount of taxes you have to pay. It’s still going to be cheaper than producing in the U.S. Even if you make it in India and put some 20 percent, it’s still cheaper than making in the U.S. because fabric is cheaper, labor is cheaper.”
In another opinion from an accessories manufacturer in India, perspectives were also positive.

“I think things are going to improve because the economy will do better and purchasing power will grow,” Delhi-based D.R. International’s Ashish Goel said. “

At Sourcing at Magic, visits from U.S. buyers walking the show floor were up and D.R.’s sales figures for the last two weeks are also up. One long-time client of the company even increased its order quantities this year.

“This only shows that people still have confidence in him and that nothing will go wrong,” Goel said. The company has not made any moves in reaction to Trump’s potential trade changes, and regarding potential border taxes, Goel doesn’t think it will be the end of the world for foreign manufacturers. “Even if he puts that [border adjustment tax], he will come out with a way where it doesn’t affect anyone. Time will tell because he’s Trump. He has business sense.”

Source: sourcingjournalonline.com– Feb 25, 2017

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Pressure mounts on Bangladesh over garment workers' rights

Bangladeshi authorities have been accused of harassing and intimidating garment workers and their leaders following recent protests demanding a wage hike. Big fashion brands have pulled out of a major summit in protest.

Bangladesh's multibillion dollar garment industry is facing renewed international pressure to increase the minimum wages of textile workers after labor protests in December last year.

Following the labor action, authorities filed cases against a number of textile workers and trade union leaders, triggering fears of a police crackdown and widespread condemnation.

Major global brands have also intervened, requesting the government review wages, thus raising the stakes for an industry that is critical for the nation's economy.

The South Asian country has the world's second-largest garment industry, which supplies many Western retailers and earns more than $25 billion a year from exports. The sector has about 2,500 factories that employ more than 4 million workers, mostly women.

Garment factories in Bangladesh, however, have garnered a negative spotlight from time to time due to the harsh conditions their workers are subjected to.

And at the end of last year, from December 11 to December 19, textile workers from around 20 factories stopped working and blocked roads during labor protests in Ashulia, an industrial zone near Dhaka, Bangladesh's capital.

The protesters demanded a monthly minimum wage increase from 5,300 takas ($67) to 15,000 takas ($187). But factory owners rejected the demand and temporarily closed many factories, and police began making arrests. More than 1,600 workers have been fired, and police have filed cases against some 600 workers and trade union leaders.

An unrealistic demand?

Local journalist Nazmul Huda reckons the textile workers' demand for the pay raise from $67 to $187 is unrealistic. They have never been able to achieve such a huge pay increase in the past. The government set the minimum wage at the current level in 2013 after discussing the issue with labor rights organizations and factory owners associations.

Huda was arrested during the protests on account of his extensive coverage of the event. His exclusive video report of police's crackdown on protesters sparked international criticism. He has been accused of inciting the unrest and remained behind bars for 52 days until his release on bail two weeks ago.

"It is true that the textile workers need a wage rise as living costs have increased in recent years. But the government should negotiate a reasonable increase," he told DW.

Kalpona Akter, executive director of the Bangladesh Center for Worker Solidarity, admitted that the protesters hadn't contacted labor rights organizations before making the demand for the wage raise in December last year.

"They have legitimate rights to demand a pay raise. And they shouldn't be punished for making the demand," she told DW, while also appealing to the government to negotiate the increase taking into account present living costs in the country.

Support from big brands

About 20 global textile brands, including H&M, Inditex, Gap, C&A, Next and Primark, wrote a letter to Bangladeshi Prime Minister Sheikh Hasina last month supporting a wage review and expressing their concerns that union leaders and worker advocates were unfairly targeted.

But the government hasn't officially responded to the letter, and the industry leaders don't see any reason to comply with the demand.

Mohammad Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said that the factory owners had been following the wage structure announced by the government three years ago. "Workers get at least five percent pay rise every year. Apart from that, bonuses are given to employees based on their performance," he told DW.

Rahman blamed a minority of workers for creating the recent unrest. "More than 4 million people are involved in the industry, most of them love this sector as we all earn bread and butter from this, but only a few always attempt to destabilize such a vital sector in various ways. Their common tactic is to create violence and disrupt production," Rahman noted.

The factory owners bemoan that global brands are not ready to pay higher wages and bargain hard, putting enormous pressure on the manufacturers to keep costs lower.

While the local industry is second only to China's in size, it's encountering strong competition from textile firms in India and Vietnam.

Stressing the challenging circumstances they face, Rahman urged global brands to help local factory owners pay more to workers by increasing the price of the garment products they buy from them.

Ensuring workers' rights

More than 41 textile workers and labor leaders were arrested in cases related to the protests in Ashulia, according to Akter. Their immediate release has been demanded by the rights group Human Rights Watch (HRW), which even urged the global brands and donors attending the Dhaka Apparel Summit on February 25 to use the event to call on the government to stop all persecution of union leaders and defend workers' freedom of association.

The summit is viewed as a major event to refurbish the industry's image, which has been severely dented by major industrial accidents over the past few years, including the Rana Plaza disaster in 2013 that killed at least 1,136 workers.

Kalpona Akter confirmed that most of the workers and leaders who were arrested during and after the protests had been granted bail in a surprisingly fast pace. She regards it as a politically motivated move to fulfill the demand for their release put forth by global brands. Rahman also acknowledged that the release of the workers and the leaders had been made in response to the request.

Nevertheless, international brands are yet to be impressed by the move before the summit. The global union federation IndustriALL said on February 22 that leading garment brands - including H&M, Inditex, C&A and Tchibo - had pulled out of the summit, "citing the current climate of repression against unions as incompatible with activities to promote the industry."

Human rights activists see the move as a hint of discontent among big clothing brands with regard to the situation in Bangladesh.

According to Phil Robertson, deputy Asia director at Human Rights Watch, two key speakers who were supposed to address the summit are no longer listed in the event program. "This signals global brands' strong displeasure at how the government, BGMEA and some of its members have dealt with recent Ashulia strikes," he told DW.

Meanwhile, Akter said that releasing workers and leaders on bail is not the only thing she was expecting. "The government must drop all the charges filed against the textile workers and their leaders as well as protect workers' freedom of association. All the employees who were sacked for taking part in the protests should be reappointed as well."

Source: dw.com– Feb 26, 2017

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Cargo train services launched between China's Xi'an, Uzbekistan

Cargo train services have begun between Xi'an, capital of northwest China's Shaanxi Province, and Uzbekistan.

A train carrying 1,000 tonnes of cotton yarn in 41 carriages arrived on Friday at Xinzhu station in Xi'an from Tashkent, said an official with Xi'an railway bureau.

The new route has cut the delivery time from one month to 15 to 18 days.

Around 3,000 tonnes of quality cotton yarn will be imported from Uzbekistan every month. After arrival, the yarn will be distributed to eastern and northern parts of China.

Xi'an started cargo train services to Central Asia in 2013 and later extended to Europe. As of Thursday, 290 trains had run carrying a total of 454,000 tonnes of cargo to cities like Almaty, Hamburg and Moscow, said the official.

Source: globaltimes.cn– Feb 26, 2017

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South Africa: Textile industry can boost South African economy: Minister

The textile industry is one of the most strategic platforms through which South Africa can bolster trade of its local products, Jeff Radebe, minister for planning, monitoring and evaluation, has said. The textile manufacturing industry is an ideal model for sustainable entrepreneurship as it encourages productivity, hard work and self-reliance.

The minister was addressing the launch of Ivili Loboya Textile in Rosebank, Johannesburg. Ivili Loboya, which is Africa's first cashmere fabric manufacturer, was first established in 2015 as a wool processing hub in Ibika village in Butterworth, Eastern Cape.

Radebe said the establishment of Ivili Textile is a very important milestone in efforts to transform the economic landscape of South Africa.

"It is the culmination of many years of hard work towards the establishment of this ground breaking initiative in the textile industry... These are quality niche wools sourced from different South African sheep breeds with local cotton and wild silk from the North West province.

"It is inspiring to note that the launch of this initiative will also mark the signing of an agency agreement with an Italian retailer, an initiative that will expand your markets to Europe.

"I believe that a project of this nature has great potential to contribute significantly both to the development of an inclusive economy as well as in employment creation," the South African government news agency quoted the minister as saying.

"You do not need to win a tender in order to be successful in this industry. The growth of your business is dependent on your productivity. These are the kinds of initiatives that add meaningful value in changing the current socio-economic conditions of the people of South Africa," added Radebe.

Initiatives like Ivili Loboya Textile are a very important intervention in bolstering rural economies and addressing some of the country's national imperatives.

The minister commended Ivili Textiles for its strategic focus of promoting women participation, improving productivity through agronomic and development skills, as well as promoting entrepreneurship, thus contributing directly to the objectives of the National Development Plan.

Source: fibre2fashion.com– Feb 27, 2017

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Pakistan: Blocked tax refunds: Apparel exporters decry liquidity crunch

The Pakistan Apparel Forum has expressed concern over the blocking of exporters' tax refund payments and urged the federal government to immediately release the claims.

"A decline in textile exports in general and garments in particular is a big concern.

The government should immediately release all pending sales tax refund, customs rebate and other claims to provide relief to textile exporters so that they could focus on increasing their exports," Chairman Muhammad Jawed Bilwani said in a statement.

Quoting statistics for January 2017, Bilwani said knitwear exports fell 3.44%, readymade garment shipments dropped 3.60% and exports of all textile products decreased 1.30% compared with January 2016.

In seven months (July-January) of financial year 2016-17, total textile exports fell 1.54% over the corresponding period of previous year.

In the seven months of 2010-11, textile exports had been recorded at $7.45 billion and these stood at $7.34 billion in Jul-Jan FY17, which highlights that the exports are at a complete standstill.

The main reason behind the declining trend was tough competition with neighbouring countries due to ever-increasing cost of production and persistent liquidity crunch, Bilwani said.

Commenting on the recently announced export package, he decried that the package was announced a day before German fair Heimtextil kicked off on January 10 due to which foreign buyers immediately demanded more discounts from the exporters of home textiles. The exporters were granted 6% rebate under the package.

Unwillingly, the exporters had to give approximately 3% discount to keep the buyers happy.

Source: tribune.com.pk– Feb 26, 2017

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Bangladesh: Transforming our apparel industry

Just at the time when a major conference on the apparel sector of Bangladesh was held on February 25 in Dhaka with the promise to work together for a better tomorrow, disappointing news on labour rights in the readymade garments sector has surfaced.

Eleven members of the US Congress have expressed their concerns regarding arrests and harassment of labour leaders and dismissal of workers from jobs. Their letter was sent to the Prime Minister of Bangladesh and to eleven buyers of Bangladesh's RMG. Global concern over Bangladesh's RMG sector is not new as global buyers and consumers are part of the industry. This has always taken the centre stage of discussion on the RMG sector. During the post-Rana Plaza period it has become all the more important.

Since the Rana Plaza tragedy on April 24, 2013 buying companies have started working with suppliers to improve compliance. A number of measures have been undertaken through collaboration with Bangladeshi entrepreneurs, e.g. Accord on Fire and Building Safety, Alliance of Bangladesh Worker Safety and Partnership for Cleaner Textile.

Major compliance measures have been undertaken to ensure safety of factories and workers. The labour law of the country has been amended and the right to form trade unions in factories including in the special economic zones has been approved.

The minimum wage of RMG workers has been raised to USD 69 in November 2013, in an attempt to make it comparable to other competing countries. These initiatives helped to develop standards and ensure transparency and compliances. As a result, RMG exports continued to increase and reached USD 28.09 billion in FY2015-16, despite some periodic fluctuations.

While compliance measures have helped to bring more credibility of the RMG sector, this is not a one off initiative. This is an ongoing process and has to be pursued continuously for sustainable growth of the sector. It is encouraging to note that RMG entrepreneurs have accepted compliance as an integral part of their business to survive.

Many are taking self-motivated initiatives to remain ahead of the curve and to achieve and maintain competitiveness. This is also useful since with the planned departure of Accord and Alliance in June 2018, monitoring the safety issues in factories will have to be continued with similar rigour by the entrepreneurs themselves. The role of the government, Bangladesh Garment Manufacturers and Exporters Association (BGMEA), buyers and development partners will be critical in following up compliance measures.

But the road ahead is quite challenging. Good things do not come cheap. With higher compliance related expenditures, the cost of doing business goes up. This gives stiff price competition to the entrepreneurs. In such a situation some may opt for reduced production capacity to make up for additional expenditures on compliance requirements. But as the industry aims for apparel exports of USD 50 billion by 2021, production capacity has to increase further and faster.

Fulfilment of such objectives will rely on collaborative efforts of multi-stakeholders. Indeed, sustainable growth of the industry is a shared responsibility of all parties including manufacturers, buyers, workers, government, civil society and media. Entrepreneurs should continue to maintain higher compliance in a sustainable manner.

The Ashulia incident and the global reaction in its aftermath are not helpful for the sector. Wages and labour rights related issues have to be taken into cognizance seriously and resolved immediately. If the sector can invest so much for safety and technological upgradation, it can also increase labour wages.

In the short run, increase in labour costs does lead to higher production costs. But the increase is not significant, as many global studies reveal. Moreover, in the long-run these costs are internalised by higher productivity.

RMG manufacturers have to meet the increased cost of production through higher productivity and moving to high value products and high end markets. Higher productivity will require state of the art technology and skill development. Hardworking Bangladeshi workers are ready to put extra labour to learn technical skills. However, the issue of technology and its impact on the employment has to be thought of seriously.

In the wake of the fourth industrial revolution which is going to rely heavily on technology, robots will take away many human jobs. Modern sectors will fall prey to such innovation first. Of course, this is an issue for the policymakers who have to generate employment and engage the excess labour force in other sectors. RMG entrepreneurs have to think of training workers in order to adapt to technological transformation.

Buyers, another major stakeholder, have to collaborate with suppliers in improving productivity. Ironically, in a fiercely competitive market, brands and retailers look for the lowest price. Buyers source from Bangladesh to maximise their profits through cheap clothes. Ethical buying and fair price are not under the purview of profit-making brands.

If that was so then some other competing countries would have been dropped from their sourcing list. Some companies are seeking to reduce costs further by sourcing from low-cost countries. Southeast Asia and Sub-Saharan regions are under their consideration. This emphasises the need for higher productivity and stricter compliance.

The government can provide some relief on the cost of production through better infrastructural facilities and energy, competitive interest rate and better exchange rate.

Civil society and media can help create awareness among consumers about ethical buying and act as a watchdog for compliance. Finally, trust gap among various stakeholders has to be minimised through better understanding and more transparency.

Source: thedailystar.net– Feb 27, 2017

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NAFTA renegotiation puts Mexico-US jeans trade at risk

The almost imminent renegotiation of the North America Free Trade Agreement (NAFTA) has put US-Mexico denim trade at risk. It is because nearly half of the jeans sold in the US are made in Mexico.

Over 2,000 denim manufacturers spread through states of México, Durango, Puebla and Guanajuato together make second largest supplier base of jeans to the US.

The bilateral trade of denim products consists mainly in the Mexican plants sewing jeans from fabric imported from the US.

The final products are again shipped back for sale in the US market.

There are also some companies that purchase denims that are 100% made in Mexico and sell them in the US. Mexico's National Chamber of the Apparel Industry (Canaive) estimates this annual denim trade at over $8 billion.

This manufacturing-trade relation provides livelihood to over 125,000 people in Mexico and another 64,000 in the US, particularly in the states of North and South Carolina and Georgia, according to the American Apparel & Footwear Association (AAFA).

Hence, the call given by US president Donald Trump to renegotiate NAFTA, especially US' bilateral trade relations with Mexico, has put nearly 189,000 jobs at risk. Further, it would also mean that US buyers would end up paying more if the Trump administration imposes tariffs on products imported from Mexico.

Since NAFTA was signed in 1994, the US-Mexico denim trade has grown manifold mainly because the cost of labour intensive garment construction was lower in Mexico compared to the US.

As per Article 2205 of NAFTA, any party can withdraw from the agreement six months after providing written notice to the other parties. So, all companies will get at least that much time in the event of the Trump administration deciding to withdraw from the deal.

Meanwhile, Mexico has put in place a 90-day consultation period wherein government officials are meeting domestic industry leaders in manufacturing, textiles, and other sectors, to see what aspects of NAFTA could be improved during the renegotiation process.

Source: fibre2fashion.com– Feb 24, 2017

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NATIONAL NEWS

Textile commissioner told to collect data on Chinese import

"It is impossible for the unorganized textile sector to gather relevant data on import of fabrics. Around 50% of powerloom weaving machines are running at around 70% of their capacity, thereby rendering many textile workers jobless since last few years.

The production of polyester fabrics has been reduced from 4 crore metre per day to around 1.8 crore metre per day. Earlier, the ministry of textiles had asked textile industry leaders in the city to provide them with data of volume of fabrics being imported from China. Importing countries also have other options, such as introducing an anti-dumping duty, to make domestic prices at par.

The inquiry by India has been initiated under the supervision of directorate general of anti-dumping and allied duties, an arm of the ministry of commerce and industry, Tamta added.

It is required that the textile department should make efforts to gather information on the volume of imported fabrics, so that necessary action could be taken," Tamta told TOI. According to Tamta, country specific duty, also known as a countervailing duty, on imports is imposed to nullify subsidies provided by other nations and is intended to make prices of domestic products competitive.

Surat: Minister of state for textiles Ajay Tamta has directed the textile commissioner's office to gather a comprehensive data from all the ports across the country on the volume of fabrics being imported into the country from China.

Tamta, who was in the city to inaugurate Surat International Textile Expo (SITEX) organized by the Southern Gujarat Chamber of Commerce and Industry (SGCCI) here on Saturday, said the data will allow the government to decide on an appropriate duty structure.

The import of undervalued fabrics from China has paralyzed the MMF sector in the city.

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Importing countries also have other options, such as introducing an anti-dumping duty, to make domestic prices at par.The inquiry by India has been initiated under the supervision of directorate general of anti-dumping and allied duties, an arm of the ministry of commerce and industry, Tamta added.

Source: nyoooz.com- Feb 26, 2017

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Textile mills buoyant over mercerized cotton fabrics

From being the traditional hub of man-made fabric (MMF) hub, Surat's textile sector is now weaving yet another success story. Around 20 textile dyeing and printing mills in the city have turned to processing high-end mercerized cotton fabrics, which are in high demand in southern and northern parts of the country and have a strong export potential.

Industry sources said more than 20 lakh metre of unfinished cotton fabrics from Bhiwandi and Ahmedabad are dumped on a daily basis in the textile processing mills of city's Pandesara , Palsana and Sachin industrial areas for mercerization. The textile mills have been doing job work for traders in Bhiwandi and Ahmedabad.

South Gujarat Textile Processors' Association (SGTPA) president Jitu Vakharia , who has installed a mercerized cotton processing plant in his factory at Pandesara, says, "Though the cotton fabric processing is at a nascent stage, but I foresee it growing rapidly in the next few years.

Surat's textile mills offer best rates for job work and we have a range of colour choices as well."Vakharia added, "Polyester fabrics see many ups and downs, whereas the demand for cotton fabrics remains steady.

Thus, mercerized cotton fabric processing helps textile processors to tide over during tough days."Market sources said a few powerloom units, which use high-end Rapier looms, have started manufacturing cotton fabrics.

Most of the powerloom units in the city are using traditional or water jet looms, which are non-compatible to manufacturing of cotton fabrics.Girdhar Gopal Mundra, a textile entrepreneur and chairman of Global Fabric Resource and Research Centre (GFRRC), said, "Surat has a huge potential for manufacturing and processing cotton fabrics.

Source: nyoooz.com- Feb 25, 2017

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Gujarat govt announces Rs 1,000 cr package for MSMEs

In its state budget for 2017-18, the Gujarat government has announced a special package of Rs 1,000 crore for the micro, small and medium enterprises (MSMEs) sector.

This decision comes close on the heels of the Union Budget 2017-18 announcing reducing the income tax for smaller companies with annual turnover up to Rs 50 crore to 25 per cent.

The special package, announced by deputy chief minister Nitin Patel, who also holds the finance portfolio, offers enhanced assistance to MSMEs for market development, technology acquisition, raising finance through SME exchanges, additional assistance for power connections and capital and rental charges.

Gujarat is home to more than 3 lakh MSME units, with many of them in the textile and garment sector.

The special package is likely to give a major breather to these units, especially for the ones that suffered losses due to cash crunch in the last two months of 2016, following demonetisation of high value currency notes.

The state budget also includes a special package for scheduled caste and scheduled tribe members under the Bharat Ratna Dr Bahasaheb Ambedkar Udyog Yojana.

The package includes additional support for entrepreneurship training with mentorship and sustenance allowances, assistance for new power connection and support for industrial infrastructure.

Source: fibre2fashion.com- Feb 23, 2017

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Delay in textile park execution

The much-awaited Textile Park at Padalur on the Tiruchi – Chennai National Highway is being delayed and entrepreneurs have been demanding its expeditious execution on a war-footing.

The park proposal, mooted by the former Chief Minister Jayalalithaa, evoked overwhelming response from a large number of entrepreneurs not only in the district but also those from adjoining districts, with as many as 31 entrepreneurs from different parts of the state expressing interest to set up their units.

According to sources, a meeting of entrepreneurs with adequate experience in making ready-made garments, was convened here about six months ago and their views on infrastructure was sought.

It was only a couple of years ago that the implementation of the proposal gained momentum in the form of identification of a site for the project. The proposal had suffered a series of hurdles on identification of site till the finalisation of a site at the junction of the Padalur and Irur panchayats on 40.35 hectares — 36.79 hectares of government poramboke land in the Padalur village and 3.56 hectares government poramboke land in Irur village.

The cooperation extended by the Padalur village panchayat was crucial for materialisation of the proposal. But this cooperation is not fully utilised yet. “It took two years for identifying the site. Even two years after identifying the site, the work is yet to be executed in full swing,” says one of the entrepreneurs.

The interest being shown by the entrepreneurs can be gauged from the fact that some of them had even preferred to go in for long lease of even three sheds to accommodate their goods.

The park, promoted by State Industries Promotion Corporation of Tamil Nadu (SIPCOT), aims at producing export-oriented garments. No dyeing activity would be taken up for protecting the environment and ground water potential.

The State government had accorded permission to the Directorate of Handlooms and Textiles for the formation of the textile park. The Tamil Nadu Water Supply and Drainage Board would ensure adequate water supply to the Textile park. The site is about 1 km away from the National Highway. To access the site, a road is being laid now.

Official sources clarify that the work was delayed due to various administrative reasons. It would be taken up on a war-footing in course of time.

Source: thehindu.com– Feb 26, 2017

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Mega textile park in Surat under central govt's active consideration

There is some good news for the country's largest man-made fabric (MMF) industry. Minister of state for textiles Ajay Tamta said the Ministry of Textiles is working positively on the proposals submitted by Southern Gujarat Chamber of Commerce and Industry (SGCCI) on establishing a 'centre of excellence' and a mega textile park at Pinjrat near Olpad.

"Surat is the MMF hub and that the Ministry of Textiles is seriously thinking of providing a Centre of Excellence and supporting the proposal for establishing a mega textile park at Pinjrat," Ajay Tamta told TOI at SITEX here on Saturday.

The SGCCI has sent a proposal to the Ministry of Textiles for establishing a Centre of Excellence for research and development of the MMF fabrics. The Centre for Excellence will allow the MMF sector to manufacture different varieties of fabrics having huge potential in international and domestic market.

On the other hand, the SGCCI has already proposed the setting up of mega textile park at Pinjrat near Olpad. For this, the chamber has submitted a proposal to the state government for allocating around 80 lakh square meter of land for setting up state-of-the-art textile processing units.

Tamta said, "The ministry has started a project to develop raw linen on agricultural land with the help of scientists and experts from the textile and agricultural research institutes. The raw linen is produced in European countries and India imports linen from Belgium. Once we will start reaping the crops, India will have its own raw material for manufacturing linen cloths. This could be implemented in Surat as well."

SGCCI president BS Agarwal said, "MOS textiles is committed to assist Surat's textile industry in all possible manner. During his maiden visit, he has agreed to provide a Centre for Excellence and also a mega textile park in Surat. This has come as a good news for the entire textile sector."

Source: timesofindia.com- Feb 26, 2017

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GST: DGFT wants GST Council to create an e-wallet facility to ease exporters fears

Showing allegiance to exporters who fear that the proposed policy of tax refunds — as opposed to exemptions — for exports under the Goods and Services Tax (GST) regime will jack up their capital costs, the Director General of Foreign Trade (DGFT) has written to the GST Council, saying that, instead, an e-wallet facility could be created for virtual payment of taxes so that the GST chain is not disrupted.

“The provision for no-exemption-and-only-refund (as proposed in the model GST law) will lead to blockage of about R1,85,500 crore annually for manufactured goods exporters,” an official source, with direct knowledge of the DGFT’s move told FE. “This estimate assumes exports of $200 billion, 30% value addition and cost of capital of 12%,” the source said.

The reason behind the GST Council’s decision is the notion that the present system of tax exemptions under various export promotion schemes will besmirch the integrity of the proposed comprehensive indirect tax, the hallmarks of which are envisaged to be an uninterrupted chain of taxation and seamless input tax credits.

Exporters, on the other hand, cite their practical experience of state VAT refunds getting unduly delayed, leading to increased capital requirement/working capital problems.

"The capital cost for the government is lower than that of the exporters.. the government should also consider the possible consequences of hurting exporters' competitiveness when the global demand is weak and exports are struggling to recover," said Ajay Sahai, director-general and CEO, Federation of Indian Export Organisations.

The DGFT has also urged the Council to continue with the current practice of treating supplies to projects under global bidding, mega power plants and World Bank-funded projects as "deemed exports." The council had mooted removal of this tag which will make these supplies taxable.

However, with the latest revision, GST model law has addressed the exporters' concern with regard to GST's impact of special economic zones (SEZs). These zones and the units therein, many of which not in good shape with average value addition just around 10%, are now eligible for duty-free import of inputs.

Imports into SEZs will continue to be exempted from both basic customs duty (which will continue in GST regime) and integrated GST (IGST), which will replace the present countervailing and special additional duties on imports, sources said.

"There is however an area of concern regarding possible taxation of inter-unit transfers in SEZs," Sahai said. Currently, exporters can import inputs duty-free under advance-licence and duty-free import authorisation schemes.

They are also eligible for excise duty exemption for domestic sourcing of inputs. Besides, the export promotion capital goods scheme allows duty-free imports of machinery against export obligations (which are up to six times the tax foregone).

Under the council's proposal, manufacturer-exporters will require to pay IGST on inputs and then seek its refund. Also, merchant exporters, who source domestic goods and export, will require to pay IGST on exports and then ask for credits.

While duty waiver will be available in regard to basic customs duty, IGST will have to be first paid by the exporter although he can subsequently seek its refund.

While the GST Council, that comprises the central and state governments, is committed to the principle that exports should be tax-free, it reckons that exporters should be made to pay taxes at the time of a transaction so that the GST chain is intact.

Refunds, the model GST law says, will be given in “a reasonable period of time.” Sahai said although it is said that 90% of the VAT credit (refunds) will be paid in 30 days after shipment and the balance 10% (which are scrutinised) in 180 days, in practice, these refunds get delayed. So, there is an apprehension that in GST system, this problem will be compounded.

The DGFT has suggested that exporters be allowed to pay the taxes through e-currency – which could be in the nature of an I Owe You (IOW) certificate under which a firm would agree to set off its IOUs with actual payment within a year or at the time of completion of exports whichever is earlier. A firm, the official quoted above said, could be allowed to use IOU equal to the value of its past year’s export performance.

Source: financialexpress.com- Feb 27, 2017

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CBEC seeks exporters' feedback on drawback rates post GST

The revenue department has sought views of industry and exporter bodies on duty drawback rates for exports following implementation of GST from July. The Central Board of Excise and Customs (CBEC) has asked the export promotion councils, commodity boards and trade and industry associations to submit their views on the duty drawback rates by March 15.

"In order to ensure smooth transition to GST framework, the Drawback Committee is to formulate and recommend revised All Industry Rates (AIRs) of drawback on rebate to be implemented for exports in the context of new GST environment," it said.

Once the GST is implemented, the duty drawback norms, under which an exporter is compensated for duties suffered during the course of production of goods, too would be required to be aligned with the new indirect tax regime.

Duty drawback rates or AIR of drawback take into account relevant broad parameters, including prevailing prices of inputs, input-output norms, share of imports in input consumption, the rates of central excise and Customs duties, incidence of service tax paid on taxable services which are used as input services in the manufacturing or processing of export goods and value of export goods, among others.

Indirect tax reform goods and services tax (GST) would subsume excise, service tax, VAT and other local levies to create a seamless market across the country. The government plans to roll out the GST from July 1.

The GST is expected to bring about reduced tax exemption, which could have a bearing on prices of goods and capital requirement for managing cross-border supply chains. It will also mean reduced duty benefit claimed on imports and reduced export incentives and drawback on exports, experts said.

Exporters have been demanding ab initio exemption from payment of taxes under the GST regime, saying delay in refunds often takes months and also results in blocking the working capital.

They also stated that exports need to be encouraged in view of the global slowdown.

The revenue department has, however, promised to refund tax claims of exporters within seven days under the new GST set-up.

Source: moneycontrol.com- Feb 27, 2017

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