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The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

# IBTEX No. 160 of 2017 August 03, 2017

USD 63.64 | EUR 75.42 | GBP 84.16 | JPY 0.58

## Cotton Market

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 19911 | 41650 | **82.57** |

**Domestic Futures Price (Ex. Gin), July**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20390 | 42651 | **84.56** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( Dec 2017) | 70.34 |
| ZCE Cotton: Yuan/MT ( Sept 2017) | 14,845 |
| ZCE Cotton: USD Cents/lb | **85.20** |
| **Cotlook A Index – Physical** | **79** |

**Cotton & currency guide:** The ICE cotton for December broke 70 cents mark very convincingly with good trading volume on Wednesday's trading session and posted a close at 70.34 cents/lb. The earlier defined trading range of 66 to 69 has now been breached so witnessed sharp momentum in the price rise.

Also on a daily chart ICE broke past the 50-day moving average indicating there is shift in the price range. However, deciphering a fresh view on cotton from the current juncture is very essential and critical.

The analysis looks very technical in nature but it is essential now to understand the price behavior especially when the market is moving with good trading volume.

**Currency Guide:**

Indian rupee appreciated by 0.1% to trade near 63.63 levels against the US dollar. Rupee trades firm today after a sharp 0.6% gain yesterday. Rupee rose post RBI's decision to cut benchmark rate by 0.25% to 6%.

RBI's decision was in line with expectations but led to a sharp rise in bond yields resulting in currency appreciation. Meanwhile, the US dollar is choppy due to mixed economic data.

Rupee has risen to the highest level since 2015 and may remain firm today. The possible trading range is 63.5-63.85.

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

# NEWS CLIPPINGS

| | INTERNATIONAL NEWS |
|---|---|
| No | Topics |
| 1 | China: Spinning capacity estimate in major textile markets |
| 2 | Vietnam: Local textile, garment firms yet to reap FTA benefits |
| 3 | Pakistan-Thailand to discuss FTA this month |
| 4 | US textile industry hails trade pact violations probe |
| 5 | Cotton Update- Watch Out 71+ cents to TOP OUT |
| 6 | USA: Consumers opting for apparel subscription services: Report |
| 7 | Cotton Prices Uncertain in 2017/18 |
| 8 | Pakistan: Cotton prices rise on strong demand |
| 9 | Eight per cent rise in world cotton production likely this year |
| 10 | Asia Pacific dominate online sales |
| 11 | Bangladesh : FDI for apparel to be allowed in special economic zones: Tofail |
| 12 | Why Sri Lanka is struggling to trade |
| 13 | WCO to unveil norms for e-commerce trade |
| | NATIONAL NEWS |
| 1 | Government working on policy to boost textile sector |
| 2 | Finance minister hints at GST rationalisation |
| 3 | Textile traders make a beeline for GST switchover |
| 4 | 2017-18 cotton production seen rising 10-15% on higher acreage |
| 5 | Why Maharashtra cotton ginners are eyeing Singapore market |
| 6 | Govt to organise workshops on GST across India |
| 7 | India has high potential for digital payments: Report |
| 8 | RBI cuts repo rate to 6 per cent; keeps neutral stance |
| 9 | Apparel manufacturers converge in city for trade fair |
| 10 | At this Indo-Bangla border gate, ‘free trade’ flows 24x7 |
| 11 | RCEP talks: India stands firm on market access in govt contracts, rejects binding commitments |

# INTERNATIONAL NEWS

## China: Spinning capacity estimate in major textile markets

Vietnam, India and Pakistan remain major suppliers for imported cotton yarn in China year to date, and other markets like Indonesia, Uzbekistan and Malaysia also occupy certain share. It is of great importance to grasp the spinning capacity in these nations to operate more smoothly.

1. Vietnam was the biggest supplier for imported cotton yarn in China year to date, with spinning capacity at around 7.20 million spindles, and capacity of Chinese companies that invested there including Texhong, Bros Eastern, Huafu and Luthai possessed around 2.30 million spindles. Exports of Vietnamese cotton yarn from Chinese companies investing there shared more than 50% of its total export to China. Production cost of cotton yarn in Vietnam is more competitive than that in China.

2. Spinning capacity totaled around 52 million spindles in India by now, and exports of Indian cotton yarn to China plunged this year when cotton yarn price lacked advantage with high cotton price. Impacted by new GST and growing demand resulting from rapid development of economy, Indian cotton yarn price is supposed to be supported by local demand, and export price may lack competitiveness.

3. Spinning capacity amounted to around 12 million spindles in Pakistan, but exports of Pakistani cotton yarn to China kept decreasing year by year. Cotton quality is low in Pakistan, available for spinning low-count siro-spun cotton yarn, but partial demand for low-count siro-spun cotton yarn has been replaced by open-end ones. Besides, Pakistan does not have bullish export incentives, but Sino-Pakistan foreign trade is expected to be boosted by the Belt and Road. If Chinese buyers' demand for low-count siro-spun cotton yarn improves, Pakistani cotton yarn may regain competitiveness by that time.

4. Spinning capacity totaled around 10 million spindles in Indonesia and exports of Indonesian cotton yarn to China stabilized at around 100kt per year in recent years. Cotton that used to produce cotton yarn in Indonesia has high quality, and price of Indonesian cotton yarn is slanting high, mainly contamination free. Chinese buyers became more sensitive to price

with recently decreasing yarn price. It was learned that more than 20 spinning mills have been shut down in Indonesia this year.

Cotton supply in Pakistan and India is more stable than that in Vietnam and Indonesia as Pakistan and India are major cotton growers. Actually, imports of cotton yarn from Pakistan, India, Vietnam and Indonesia possess big share in China, having limited further upward potential.

5. Some Chinese textile mills like LT Textile International and Zhongtai New Silk Road have invested in Uzbekistan and Tajikistan. LT Textile International's first phase project covering 0.12 million spindles has started operation in Uzbekistan, and is scheduled to reach 0.48 million spindles in the future. Zhongtai's industrial park in Tajikistan will have 0.11 million spindles of capacity after established and cover cotton upstream and downstream sectors. Currently, Uzbekistan has around 137 spinning mills with capacity around 2 million spindles, and spinners are mainly small-sized ones with 5,000-20,000 spindles, having big developing potential.

6. Some Chinese companies also come to Malaysia for investment, but the investment scale is small, only for self-consumption, not for external sales. Shandong D&Y is a big Chinese company that has invested in Malaysia, with spinning capacity to reach 0.25 million spindles by the end of 2017 and to be 0.5 million spindles in the future, which will be the biggest spinning mill in Malaysia. Imports of Malaysian cotton yarn to China also deserve anticipating.

7. In China, spinning capacity was expected to be around 113 million spindles by the end of 2016. Capacity growth in China in recent years is mainly contributed by Xinjiang. Based on related report, current spinning capacity in Xinjiang is around 13.60 million spindles, which is to rise to 20 million spindles by 2020. Textile capacity expansion in Xinjiang is faster than earlier plan. Spinning capacity in Xinjiang is expected to be 17-18 million spindles by end-2017.

Source: ccfgroup.com- Aug 02, 2017

HOME

*****************

# Vietnam: Local textile, garment firms yet to reap FTA benefits

Domestic garment and textile firms have, for the most part, missed out on the much-touted benefits of free trade agreements (FTAs) that Việt Nam has signed, experts said at seminar yesterday.

The firms in the country that have taken advantage of FTA breaks is the FDI sector, they noted.

Việt Nam has signed 12 free trade agreements, of which 10 FTAs have come into force: VN-ASEAN, ASEAN-India, ASEAN-Australia-New Zealand, ASEAN-South Korea, ASEAN-China, ASEAN-Japan, Việt Nam-Chile, Việt Nam-Japan, Việt Nam-South Korea and Việt Nam- Eurasian Economic Union, said Nguyễn Ngọc Hòa, deputy director of the HCM City Department of Industry and Trade.

In the 2016-20 period, most tariff lines under the FTAs have entered the period of being deeply cut or completely removed, he said.

Garments and textiles are key export items for the country in general and HCM City in particular. If enterprises can take good advantage of FTA opportunities, the country will be able to increase export revenues as well as expand export markets, he said.

But to be able to enjoy preferential tariffs under FTAs, the products must meet requirements under the rules of origin, he added.

With weak materials supply and supporting industries, businesses in the garment and textiles face a big challenge in complying with the rules of origin, Hòa said.

## Import reliance

Phạm Xuân Hồng, chairman of the Garment-Textile-Embroidery-Knitting Association in HCM City, said the garment and textile industry has to import around 70 per cent of its materials for production, mainly from China.

“Domestic garment and textile businesses have not taken much advantage of FTAs since they cannot meet rule of origin requirements.”

“And one of the main reasons for this is that Vietnamese firms lack knowledge on this issue,” he said.

Hòa said yesterday’s seminar was organised by the department in collaboration with the Ministry of Industry and Trade to help garment and textile businesses get updated information on rules of origin so that they can capitalise on preferential treatments under FTAs to boost exports.

Trịnh Thị Thu Hiền, head of the origin of goods division under the Ministry’s Export-Import Department, said that currently, more than 50 per cent of Việt Nam’s garment and textile products are making full use of opportunities provided by FTAs, but these are mainly FDI companies.

“Rules of origin can neutralise preferential tariffs under FTAs,” she said.

Goods eligible for preferential treatment under FTAs have to meet general or product-specific rules of origin, and have appropriate documentation, known as the certificate of origin (C/O).

Each FTA has its own certificate of origin form, she said.

A product can qualify for the C/O if it is cut-made-trimmed in Việt Nam under the ASEAN FTA, but under other FTAs like ASEAN-Japan and Việt Nam-Japan pacts, firms must meet the rules of origin from the fabric onwards, which is a big challenge for Vietnamese firms since the country still relies heavily on imported fabric.

Under the EU-Việt Nam FTA, the ministry has negotiated to apply more flexible rules of origin, Hiền said. While this FTA also requires rules of origin to apply from fabric onwards, meaning that exports to the EU must use fabric produced in Việt Nam or the EU, the agreement also allows firms to use fabric from one third country which has FTAs with both Việt Nam and the EU.

At the seminar, Hiền answered several questions raised by enterprises about FTA rules and procedures regarding C/Os.

**Diversify markets**

Hòa said exports in the garment and textile sector were still focused on a few main markets. He urged exporters to diversify their export markets, especially those with which Việt Nam has signed FTAs, so as to avoid or minimise risks.

Firms need to study carefully the characteristics of each market as well as its rule of origin requirements, he said.

Hồng said garment and textile exports reached over US$14 billion in the first half of the year, a year-on-year increase of 11 per cent.

Following the solid first half performance, the industry is confident of achieving its 2017 export target of $30-31 billion, an increase of 10 per cent over last year, he said.

Source: vietnamnews.vn- Aug 01, 2017

HOME

*****************

## Pakistan-Thailand to discuss FTA this month

Eighth round of talks between Pakistan and Thailand will be held from August 21 to 23 to reach a final decision on the Free Trade Agreement (FTA).

Both sides had exchanged the offer lists of items for free trade, including automobile and textile sectors for removing the reservations of the sectors, a senior official of the Ministry of Commerce told APP.

During the 8th round, he said, talks would be held on the text of agreement, tariff reduction modalities, request lists from both sides and offer lists.

The FTA would be signed on September 25, for enhancing bilateral trade between the two countries.

The official said Thailand had comparative advantage in around 1,000 commodities, chiefly electrical and electronic appliances, machinery and components and automobiles and parts.

"Pakistan had relative advantages in some 684 commodities, including cotton yarn and woven textiles, readymade garments, leather products, surgical instruments and sports goods," the ministry official said.

Source: thenews.com.pk- Aug 02, 2017

HOME

*****************

## US textile industry hails trade pact violations probe

The US National Council of Textile Organizations (NCTO) has appreciated President Donald Trump's executive order directing the federal government to investigate violations and abuses of US trade agreements. It has filed public comments in response to a June 29 notice issued by the Department of Commerce and the Office of the US Trade Representative (USTR).

NCTO is a Washington, DC-based trade association that represents domestic textile manufacturers. "A thorough investigation of trade agreement abuses and violations is long overdue and we appreciate the President Trump's desire to finally review this important matter," said NCTO president and CEO Auggie Tantillo in a press statement.

The executive order 13796 was signed by President Trump on April 29 last. Documents associated with this matter are archived under Docket USTR-2017-0010.

"If America is to fix the systemic problems that plague the international trading structure and stop trade cheats from driving American production offshore, policymakers need a better understanding of the illegal or unfair trade tactics that are being used to hurt US industry, including textiles," Tantillo said.

US employment in the textile supply chain was 565,000 in 2016. The value of shipments for US textiles and apparel was $74.4 billion last year, a nearly 11 per cent increase since 2009, according to NCTO. The value of US exports of fibre, textiles and apparel was $26.3 billion in 2016.

Source: fibre2fashion.com - Aug 02, 2017

HOME

*****************

# Cotton Update- Watch Out 71+ cents to TOP OUT

**Cotton Market Analysis: 71+ cents or 71. To 71.50 near term top, reversal likely**

The ICE cotton for December broke 70 cents mark very convincingly with good trading volume on Wednesday's trading session and posted a close at 70.34 cents/lb. The earlier defined trading range of 66 to 69 has now been breached so witnessed sharp momentum in the price rise. Also on a daily chart ICE broke past the 50-day moving average indicating there is shift in the price range.

However, deciphering a fresh view on cotton from the current juncture is very essential and critical. The analysis looks very technical in nature but it is essential now to understand the price behavior especially when the market is moving with good trading volume.

There are two scenarios that we deem cotton could move in the near term. A) The current momentum in the price may prolong by another 100 points to test 100-day moving average near 71.50 and then take a pause and plan for a reversal since on the daily chart all the momentum indicators are approaching to hit the overbought phase.

The same could be apprehended with William %R tool reaching already its overbought territory. Other technical chart study coincides near 71 cents as key resistance level. Also on the weekly chart the 50-week moving average is yet not breached which can be termed as key resistance level. B) The second scenario is heavy selling may be emerged near 71 to 71.30 range to draw a major leg down to again below 69 range. Thereafter market may continue to trade in the range of 67-69 range in the near term.

To make a conclusion we believe in the short term cotton could soon make a top near 71+ cents. The ideal strategy would be to plan SHORT position near the suggested level for which the targets would 69 and then 68 with STOP LOSS above 72.10 on a daily closing basis.

To correlate the likely price performance in the near term we believe the upcoming monthly WASDE Report releasing on 10th of this month would be critical to watch out for. The US cotton production estimation may hold above 19 million bales.

The world ending stocks outside china may remain higher with global production may increase. These factors may keep the ICE cotton price suppressed and may not allow major price gain after the market hit near 71 cents mark.

Source: kotak commodity- Aug 01, 2017

HOME

*****************

## USA: Consumers opting for apparel subscription services: Report

Apparel consumers are subscribing to a new way of shopping and apparel subscription services like Stitch Fix, Trunk Club and Amazon's Prime Wardrobe are examples of the new shopping channel in the evolving $217.6 billion US apparel market, says a recent report. Subscription services are an up-and-coming opportunity, particularly in the fashion industry.

The apparel market's evolution is evidenced by the fact that both Amazon and the apparel subscription service, Stitch Fix, were among the top 10 retailers last year in terms of online apparel wallet share, according to the NPD Group's online receipt mining service, Checkout TrackingSM E-commerce.

In a recent survey, consumers told NPD about their interactions with and awareness of subscription box services. While only 15 per cent of consumers have ordered subscription boxes, another 14 per cent have not yet ordered them but plan to, and 35 per cent do not even know what these services are.

The subscription method of shopping for apparel is still in its infancy, but its consumer reach is expanding. Stitch Fix, Trunk Club, and Le Tote subscription membership grew to nearly 5 per cent of online shoppers, and their average annual spend per purchase increased 5 per cent to $170, according to NPD's Checkout Tracking E-commerce information. The Stitch Fix subscriber gave one-third of their online apparel wallet to Stitch Fix. Trunk Club subscribers gave 40 per cent of their online apparel wallet to Trunk Club.

"We have entered a new world of retail where the traditional leaders are faced with unconventional channel competition, and subscription services are the newest player," said Marshal Cohen, chief industry analyst, The NPD Group, Inc. "Consumers are more critical about the purchases they make today and no longer purchase just for the sake of purchasing. The personalised approach of subscription services complements the shift toward more prioritised spending."

"There is a great deal of room to grow within the subscription model, and the competitive field will continue to expand as online retailers develop subscription services and options for auto-replenishment of fashion basics," added Cohen. "This kind of innovation, delivering personalisation and convenience, will continue to change the face of retail for fashion."

Source: fibre2fashion.com - Aug 02, 2017

HOME

*****************

## Cotton Prices Uncertain in 2017/18

The Secretariat forecasts that the A Index in 2017/18 will range between 54 cts/lb and 87 cts/lb with a midpoint of 69 cts/lb. The midpoint would be 13 cts/lb lower than in 2016/17. This follows the large increase of 12 cts/lb from 2015/16 to 2016/17, which suggests that such a drop is not unreasonable. However, the season-average

A Index in 2016/17 ended up being much higher than the Secretariat initially forecast, and market fundamentals do not explain why this occurred. Given what happened in 2016/17, it is difficult to say whether the current forecast for 2017/18 will hold up well over the season.

In 2017/18, world cotton production is projected to increase by 8% to 24.9 million tons due entirely to an 8% expansion in world cotton area to 31.7 million hectares, which is below the 20-year average of 32.7 million hectares.

The world average yield is forecast at 785 kg/ha. India is expected to remain the world's largest producer in 2017/18 with output increasing by 6% to 6.1 million tons. After falling by 6% in 2016/17, China's production is projected to rebound by 7% to 5.2 million tons. Production in the United States is expected to rise by 10% to 4.1 million tons as high prices, sufficient soil moisture in dryland areas and beneficial weather during planting encouraged farmers to expand cotton area by 18% to 4.5 million hectares.

After two seasons of contraction, better expected returns for cotton encouraged farmers to expand cotton area in Pakistan by 9% to 2.7 million hectares. Assuming the average yield rises by 8% to 717 kg/ha, Pakistan's production is projected to increase by 17% to 2 million tons, which is similar to its 15-year average. Cotton production in Brazil is forecast to increase by 5% to 1.6 million tons as high returns in 2016/17, resulting partially from a 17% increase in the average yield, are likely to encourage farmers to expand cotton area.

World cotton consumption in 2017/18 is forecast to rise by 2% to 25 million tons. A modest 1% increase is projected for China, the world's largest cotton consumer, with its mill use reaching 8.1 million tons in 2017/18. After declining by 3% in 2016/17, consumption in India is forecast to increase by 2% to 5.3 million tons in 2017/18.

Pakistan's mill use is expected to rise by 4% to 2.2 million tons, which follows a 13% decrease in mill use in 2015/16 and stagnation in 2016/17. Consumption in Bangladesh is projected to rise by 5% to 1.5 million tons due to strong demand domestically and internationally, and Turkey's mill use is expected to remain stable at 1.5 million tons.

World cotton trade is projected to decline by 1% to 7.8 million tons. While the United Sates is expected to remain the world's largest exporter, its exports are nevertheless forecast to decrease by 8% to 2.9 million tons. India's exports are forecast to rise by 2% to 930,000 tons, and Australia's exports are projected to increase by 8% to 760,000 tons.

Bangladesh, Vietnam and China are expected to remain the world's three largest importers. Bangladesh's imports are projected to increase by 7% to 1.5 million tons, Vietnam's by 5% to 1.3 million tons, and China by 4% to 1.1 million tons.

World ending stocks are projected to decrease by 1% to 18.8 million tons in 2017/18, with increases outside of China offset by decreases in China's stocks. China's stocks are expected to decline by 16% to 8.9 million tons. Ending stocks outside of China are forecast to grow by 19% to 9.8 million tons.

**WORLD COTTON SUPPLY AND DISTRIBUTION**

| | 2015/16 | 2016/17 | 2017/18 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|---|
| | | | | Changes from previous month | | |
| | Million Tons | | | Million Tons | | |
| Production | 21.48 | 23.03 | 24.89 | 0.18 | 0.11 | 0.32 |
| Consumption | 24.18 | 24.47 | 25.00 | -0.10 | 0.15 | 0.27 |
| Imports | 7.57 | 7.88 | 7.80 | 0.02 | -0.05 | -0.04 |
| Exports | 7.55 | 7.88 | 7.80 | 0.00 | -0.05 | -0.04 |
| Ending Stocks | 20.33 | 18.90 | 18.80 | 1.66 | 1.61 | 1.65 |
| Cotlook A Index* | 70 | 83 | 69 | | | |

*The price projection for 2017/18 is based on the ending stocks to mill use ratio in the world-less-China in 2015/16 (estimate), 2016/17 (projection) and 2017/18 (projection); on the ratio of Chinese net imports to world imports in 2016/17 (projection) and 2017/18 (projection); and on the price projection of 2016/17. The price projection is the mid-point of the 95% confidence interval: 54 cts/lb to 87 cts/lb.

Source: icac.org - Aug 01, 2017

HOME

*****************

# Pakistan: Cotton prices rise on strong demand

The trading activity gained momentum on the cotton market on Tuesday amid reports of higher phutti arrivals into ginneries.

With some respite in rains in Sindh, the phutti supply from the fields resumed at a higher pace and helped improve availability of lint. Consequently, there was a sustained demand for cotton from spinners who were running short of stocks. Prices remained steady on the ready counter, but the Karachi Cotton Association (KCA) revised upwards its spot rate by Rs50 to Rs6,350 per maund.

However, there were reports that pest attack was noted in some cotton growing areas of Punjab. This could be tackled easily at initial stage by guiding growers on the kind or category of pesticide, said cotton analyst Naseem Usman.

Though the cotton yarn market continues to show slackness, many spinners picked up lots offered for sale to meet their immediate needs, brokers said.

The following are Tuesday's Karachi Cotton Association (KCA) official spot rates for the crop (2016-17) local dealings in Pak rupees for base grade 3 staple length 1-1/16" micronair value between 3.8 to 4.9 NCL.

| Rate for | Ex-Gin Price | Upcountry Expenses | Spot rate Ex-Karachi |
|---|---|---|---|
| 37.324kg | 6,350 | 145 | 6,495 |
| Equivalent 40kg | 6,805 | 155 | 6,960 |

The world's leading cotton markets also remained steady on rising demand. The following deals were reported to have changed hands on the ready counter: 1,000 bales, Sanghar, at Rs6,350; 800 bales, Hyderabad, at Rs6,350; 2,000 bales, Tando Adam, at Rs6,350; 1,000 bales, Shahdadpur, at Rs6,350; 200 bales, Golarchi, at Rs6,350; 400 bales, Sinjoro, at Rs6,350 to Rs6,400; 100 bales, Burewala, at Rs6,700; 100 bales, Sahiwal, at Rs6,700; and 100 bales, Chichawatni, at Rs6,700.

Source: dawn.com - Aug 02, 2017

HOME

*****************

# Eight per cent rise in world cotton production likely this year

In 2017-18, world cotton production is projected to increase by eight per cent due to an eight per cent expansion in world cotton area. India is expected to remain the world's largest producer with output increasing six per cent.

China's production is projected to rebound by seven per cent. Production in the United States is expected to rise by ten per cent and cotton area is expected to expand by 18 per cent.

After two seasons of contraction, better expected returns for cotton encouraged farmers to expand cotton area in Pakistan by nine per cent. Pakistan's production is projected to increase by 17 per cent. Cotton production in Brazil is forecast to increase by five per cent.

World cotton consumption in 2017-18 is forecast to rise by two per cent. A modest one per cent increase is projected for China, the world's largest cotton consumer. Consumption in India is forecast to increase by two per cent. Pakistan's mill use is expected to rise by four per cent. Consumption in Bangladesh is projected to rise by five per cent.

World cotton trade is projected to decline by one per cent. While the United Sates is expected to remain the world's largest exporter, its exports are nevertheless forecast to decrease by eight per cent.

India's exports are forecast to rise by two per cent and Australia's exports by eight per cent. Bangladesh, Vietnam and China are expected to remain the world's three largest importers.

Source: fashionatingworld.com - Aug 02, 2017

HOME

*****************

# Asia Pacific dominate online sales

Asia Pacific is the largest region in terms of online retail sales, containing both the largest market, China, and the fastest growing, India. The region's total online retail sales in 2021 are expected to account for about one-fifth of total retail sales.

By 2021, China would be the first trillion-dollar market, while also accounting for 80 per cent of all e-commerce sales in the Asia Pacific market. Overall, the largest online category is apparel, followed by consumer electronics and computers.

India has 460 million e-commerce customers and is also the world's second largest market for smart phones. Products that sell well elsewhere are not necessarily the best performers in India, with electronics, home ware, apparel, makeup and toys the five most in-demand categories.

The market is also dominated by cash or cash-on-delivery transactions, which together account for 62 per cent of all online purchases.

In India the sector has had to contend with several significant obstacles, including legal impediments, a slowdown in venture capital funding, insufficient logistics resources and slow growth in the number of online buyers.

Retail remains largely commoditised within the Asia-Pacific region as well as being primarily dictated by price. In terms of building customer loyalty, discounts and frequent buyer incentives and loyalty programs are the most effective forms of long-term client retention.

Source: fashionatingworld.com - Aug 02, 2017

HOME

*****************

# Bangladesh : FDI for apparel to be allowed in special economic zones: Tofail

The government will allow foreign direct investment (FDI) in the readymade garment sector in special economic zones (SEZ) and high-end fashion items in Bangladesh, Commerce Minister Tofail Ahmed said yesterday.

Investors from many countries have been lobbying governments over the years to get permission to invest in the ready-made garment sector outside of the export processing zones (EPZ), but the FDI was confined in the specialised areas.

The minister agreed that there is no official bar in investment in the garment sector by foreign entrepreneurs outside of the EPZs, but usually such investment is not allowed outside of the EPZs to protect domestic investors.

“However, we will allow FDI in garment sector in the SEZs as the government has been working to develop 100 such economic zones across the country,” the minister said, adding that currently foreign investors were allowed to invest in high-end fashion items even outside of EPZs.

No SEZ has started functioning yet although the Bangladesh Economic Zones Authority has been working hard to develop such zones across the country either by leasing out land to individual local companies or to countries like Japan, India and China.

Many garment manufacturing companies from China, Japan and Mexico want to relocate their factories to Bangladesh, but the government cannot allow them at a wholesale rate as local entrepreneurs have a lot of investment in the apparel sector, the minister said.

The government has already allocated an SEZ for Japanese investors in Bangladesh. The Japanese investors can invest in SEZs in Bangladesh, Ahmed told reporters after a meeting with Japanese Ambassador in Bangladesh Masato Watanabe at his secretariat office yesterday.

Currently, the number of Japanese investors in Bangladesh is 350, of which many are big multinational companies, the minister said, adding that even 10 years ago the number of Japanese companies in the country was 50.

Bangladeshi exports, especially apparel items, have been increasing to Japan, riding on a zero-duty benefit under relaxed rules of origin of Japan. Exports of garment products to the far-eastern nation -- whose apparel market is worth about $40 billion a year -- raked in $744.47 million last fiscal year, according to data from Bangladesh Export Promotion Bureau.

Overall exports to Japan also declined 5.6 percent to $1.01 billion in fiscal 2016-17. Japan is the only destination in Asia where Bangladesh's overall exports crossed the $1 billion mark in each of the previous two years.

Garment shipments to Japan from Bangladesh began after the adoption of “China Plus One” policy by the Japanese government in 2008 to reduce overdependence on China for goods like apparel, electronic gadgets and home appliances. The “China Plus One” policy was supplemented by the relaxation of the Rules of Origin by the Japanese government for least-developed countries, which worked in Bangladesh's favour.

Bangladeshi garment manufacturers have been enjoying zero-duty benefit on apparel exports to Japan even if the raw materials were imported. The fiscal stimulus package introduced by the government for new markets in 2009 has also helped in boosting exports to Japan.

Not only garment items, shipment of leather goods and leather shoes from Bangladesh to Japan in recent years is on the rise due to the duty benefit and quality products, the minister said. Ahmed said Japan was in the process of investing $6 billion to develop the Matarbari power plant at Cox's Bazar.

“Our bilateral relationship is very positive. The relationship between the two countries will grow further in future,” said Watanabe, who will be going back to Japan very soon following the completion of his stint in Bangladesh.

Source: thedailystar.net - Aug 03, 2017

HOME

*****************

# Why Sri Lanka is struggling to trade

The South Asian region's struggle to reconcile benefits of a progressive trade policy with the arguably detrimental effects that such a policy can have on several domestic constituencies continues. It is not only India that lives with this struggle. It remains an equally important struggle for Sri Lanka, the country with the history of adopting outward-oriented trade policies much before any other country in the region, or for that matter most other countries in the world.

Leaving behind more than two decades of bloody ethnic conflict that has set back economic take-off, today's Sri Lanka is confident of striding a robust growth path. With a population of around 20 million, it cannot afford to have illusions about a 'large' domestic market driving its economic success. As a small economy, it has its task cut out and it needs to integrate deep with the global economy, particularly through cross-regional global value chains. Such integration is not possible without an aggressive external trade policy.

Given Sri Lanka's imperatives to trade, and the efforts it made to open up its economy in as early as the 1970s, it is surprising that Sri Lanka has had limited engagement in bilateral and regional trade negotiations. Bulk of Sri Lanka's current trade is with the US and Europe. This is largely due to the preferential access that Sri Lankan exports get in these markets through Generalized System of Preferences (GSPs).

This itself should have encouraged Sri Lanka to seek greater preferential access in other markets by striking trade deals. But surprisingly, Sri Lanka's FTA dossier is limited to only six bilateral deals—India, Pakistan, Israel, Singapore, Iran and Egypt. The scopes of these agreements are limited to preferential tariff access to a bunch of items. But these don't include trade issues beyond tariffs, such as services and investments, making the agreements insufficient in scope and long-term benefits.

One of the reasons behind Sri Lanka's lack of engagement in trade agreements is the unfortunate history of domestic ethnic conflict that it had for almost three decades since the 1980s. The conflict forced policy preoccupation on internal security and disabled Sri Lanka from capitalising the benefits of outward oriented policies.

It is only during the last three-four years that Sri Lanka has begun looking at trade as a contributor to economic growth on the foundation provided by domestic stability. As a part of this focus, the Ministry of Development Strategies and International Trade of Sri Lanka has prepared a National Trade Policy (NTP) document.

A forward-looking and progressive document, the NTP tries to combine economic benefits of following open trade policies with cushions for minimising adverse impacts of opening up. As a policy vision this is what it should aspire to achieve. The problem, however, is whether it will be able to do so; whether the emphasis on minimising costs would restrain authorities from pushing the frontiers of open economic policies as much as they should for getting long-term economic gains. These doubts linger in the light of concerns that have come up in Sri Lanka's recent trade negotiations.

Discussions have been going on for several years on upgrading the India-Sri Lanka goods FTA into a comprehensive agreement including services and investment.

However, concluding the agreement hasn't been possible due to concerns in Sri Lanka over the impact of the agreement on the domestic economy. Building up on impressions that the goods FTA has provided much greater access to Indian exports in Sri Lanka as opposed to Sri Lankan exports in India, there are fears that the upgraded FTA would increase the presence of Indian professionals in Sri Lanka and give Indian businesses greater control over economic resources of the country. It is ironical that these impressions and apprehensions are identical to those that Indian industries have about several of India's existing FTAs and the ones that India is negotiating including the RCEP.

Sri Lanka is currently expanding/negotiating trade agreements with India, China and Singapore. The concerns mentioned above are not with respect to only India, but would manifest in trade discussions with China and Singapore as well. These concerns make it particularly challenging for Sri Lankan authorities to articulate a 'inclusive' national trade policy that would be acceptable to domestic constituencies. Matters are complicated by the fact that India and China are major strategic partners for Sri Lanka and key investors in its economy.

The government therefore cannot be oblivious to the importance of maintaining robust economic engagement with these countries, much of which is to be maintained through the FTAs being negotiated.

It is clear that being 'small' does not necessarily entail a favourable disposition of domestic constituencies to liberal trade policies. The global discourse criticising free trade for many of the social and economic ills that several countries are suffering from has extended to small economies like Sri Lanka too.

The notion of free trade being a necessary condition for small economies to grow for overcoming the limitation of the small size of their domestic markets is no longer unconditionally acceptable. It is indeed unfortunate that even Sri Lanka—a small economy with a history of open economic policies and in urgent need of engaging in trade negotiations—has to cope with the additional challenge of justifying the virtues of trade.

Source: financialexpress.com - Aug 03, 2017

HOME

*****************

## WCO to unveil norms for e-commerce trade

The World Customs Organization (WCO) will soon bring out guidelines on 'cross-border e-commerce', which will focus on preventing illegal trade as well as addressing the challenges stemming from the 'digital divide', according to the WCO Secretary General Kunio Mikuriya.

In an interview to *The Hindu* on his recent India trip, Mr. Mikuriya said, "We are developing guidelines on e-commerce to see how best Customs can facilitate legitimate trade through that route." He added, "We [the WCO] will address issues related to digital divide by looking into what is blocking e-commerce trade, and what kind of enabling environment is needed to support developing countries so that they benefit more from e-commerce."

Terming e-commerce as a "game changer" in global trade that is benefiting small firms and consumers, he said the new guidelines would, however, include provisions to prevent illegal trade and illicit financial flows. This would be ensured through measures that would help strengthen information exchange between Customs administrations of countries as well as collaboration with other government agencies.

## Working groups

The WCO has a Working Group on e-Commerce and four sub-groups. To develop guidelines on cross-border e-commerce, the work packages identified are: ‘trade facilitation and simplification of procedures’, ‘safety and security’, ‘revenue collection’, and ‘measurement and analysis’. According to the UN body ‘UNCTAD’, the value of online trade jumped from $16 trillion to $22 trillion between 2013 and 2015.

“The continuous increase in online trading has raised questions regarding regulation, consumer protection, revenue collection and national security,” according to the WCO’s ‘Study Report on Cross-Border E-Commerce’ (March 2017). “These questions cannot be dealt with individually, but require a common, broad approach by the international Customs community, together with all relevant stakeholders as a whole.”

The WCO said more sophisticated equipment was needed to combat illicit trading through low-value shipments in the postal, express and cargo streams.

“Pre-arrival information on the consignment and the consignee could be of great importance in detecting and intercepting illicit trade. In addition, the improvement of non-intrusive inspection equipment and an increase in the number of trained staff could help to enhance the detection rate of illicit goods,” it said.

In an article on e-commerce, the WCO’s Director of Compliance and Facilitation Ana Hinojosa pointed out that in many countries, there were *de minimis* thresholds that allow low-value packages to enter a country with little or no duties or taxes, and with much more simplified procedures.

## ‘Clever manipulations’

“This has led to clever manipulations by either the shipper or the consumer to avoid the extra charges by splitting invoices, undervaluing the invoices or mis-declaring the items altogether,” wrote Ms. Hinojosa.

Another type of manipulation used was to classify the item as something else or claiming a different country of origin for the product, to take advantage of better duty or tax rates, the WCO official said, adding that these distortions had had an impact on many countries' revenue collection volumes.

Therefore, "some countries... are re-evaluating their established thresholds due to the significant implications that the changes brought about by these growing volumes of low-value small packages are having on their fiscal revenues," observed Ms. Hinojosa.

Source: thehindu.com - Aug 03, 2017

HOME

*****************

# NATIONAL NEWS

## Government working on policy to boost textile sector

Uttar Pradesh government is working on offering a slew of incentives to investors in the textile sector, which Chief Minister Yogi Adityanath says will be the state's second-largest employment provider after agriculture. According to the draft policy, it will provide special incentives to investors in Bundelkhand, eastern UP and central UP as well as the west UP areas barring areas under the Noida, Greater Noida and Yamuna Expressway Development authorities.

The government will facilitate private or government land to investors for setting up their units. It will also give assistance in setting up textile complexes, clusters for units of small and medium sizes, as well as textile parks, the draft says.

The government is likely to announce its list of incentives in the form a policy for textile, handloom and silk in the coming weeks. Textile Minister Satyadev Pachauri said the policy is being finalised and state cabinet will approve it soon.

In his speeches, Adityanath has stressed that the sector has much potential to create jobs.

"We need to sign Memorandums of Understanding (MoUs) with textile mills in the state so that they can train youths. The mills that are not running need to be re-started. This can be done by the government or through PPP(Public Private Partnership) model," he said at a state government programme on skill development on July 15. At the same programme, he had said his government had set a target of providing jobs to 70 lakh youths in next five years.

Pachauri, an MLA from Govindnagar in Kanpur, the erstwhile hub of the textile industry in the state, said the government said private investors should show interest. "The government can only provide assistance. It does not have the resources to revive the mills on its own. We are focusing on promoting more investment in the textile sector from private sector. For that, we will provide incentives to smaller units as well as big units," said Pachauri.

The draft of textile policy states that UP imports two-third of textile raw material and textile products. The policy aims to promoting all aspects of handloom, textile and sericulture, from the production of raw material to preparation of the final product.

Pachauri said the government is planning to start two silk reeling units in the state so that the farmers could supply their raw materials there instead of selling it to units in other states. He said incentives will also be provided for restarting shut powerlooms.

**Other points**

- n 100 per cent waiver of stamp duty for new textile units
- n Extension of existing units in Bundelkhand and eastern UP n 75 per cent waiver in central UP and western UP (barring Noida, Greater Noida and Yamuna Expressway authorities)
- n 100 per cent waiver of stamp duty for new cocoon production units and reeling units of silk.
- n Refund 90 per cent of net state GST from unit that will invest more than Rs 5 crore in Bundelkhand or eastern UP, for 10 years from the date of the first sale of its products.
- n Refund will be 75 per cent in of net state GST from unit in central UP and west UP (except the Noida, Greater Noida and Yamuna Expressway authorities).
- n Provisions for rebate in electricity duty and mandi fees n Subsidies on loans taken for investment in the textile units, in paying a certain share of Employee's Provident Fund for those units employing 200 or more untrained workers

Source: indianexpress.com- Aug 02, 2017

HOME

*****************

# Finance minister hints at GST rationalisation

Union finance minister Arun Jaitley on Wednesday indicated that there could be scope for rationalisation of rates under the Goods and Services Tax (GST) as its implementation progresses.

He gave the indication in the Lok Sabha, while replying to a debate on the Central Goods and Services Tax (Extension to Jammu and Kashmir) Bill, 2017, and the Integrated Goods and Services Tax (Extension to Jammu and Kashmir) Bill, 2017,

which were later passed by a voice vote. Jaitley also said that he was under pressure to change the GST Network which people said was faulty but felt the structure was correct.

Participating in the discussion on the two bills, Jayadev Galla (TDP) made a plea to the finance minister that five per cent GST imposed on red chillis should be brought down to zero. Galla also urged the minister “to remove GST on non-processed products and naturally processed products. Malaysia went for anti-profiteering legislation at the time of GST and we should also consider it.”

M Rajamohan Reddy (YSR Congress) said the textile industry had been badly hit after GST and that the sector should be removed from indirect tax regime, else it would make the sector uncompetitive. Reddy also stressed that there should be right coordination between Centre and states for proper implementation of GST.

Jaitley, in his reply, said technically GSTN was not a government company but its board has government majority and therefore, no decision can be taken without the consent of the government nominee.

Source: thehansindia.com- Aug 02, 2017

HOME

*****************

# Textile traders make a beeline for GST switchover

A large number of traders, especially from the textile sector, are enrolling themselves under the GST. Over 90 per cent of the VAT dealers have switched over to the new tax system.

After holding protests for long against the imposition of the GST on unstitched clothes, textile traders have started approaching the District Excise and Taxation Office to get themselves registered.

Once known as the Manchester of India, the holy city-based textile industry is now known for shawl, tweed, blazer, blanket, besides suiting and shirting. The traders are grappling with myriad problems like cost and quality amid global competition.

A leading yarn manufacturer, Kamal Dalmia, said apart from five per cent GST on unstitched clothes, cotton and natural yarn, which were not covered under excise tax, would be charged five per cent GST and man-made yarn 18 per cent.

In addition, apparel and readymade garments valuing less than Rs 1,000 will be charged five per cent and the products above Rs 1,000 will invite 12 per cent tax. Job work on apparel will attract 18 per cent GST. He said the spate of taxes on the textile sector would make the readymade garments fall under the luxury segment.

District Excise and Taxation Commissioner (DETC) Harvinder Singh said textile traders, who had been resisting the new tax, were now getting themselves registered for the GST. Out of 20,798 VAT dealers, over 19,000 have been registered under the GST. Among them, a considerable number of traders deal are related with the textile sector.

He informed that many VAT dealers had become ineligible to be listed under the GST due to their low annual turnover.

Earlier, a dealer with over Rs 5 lakh taxable turnover used to get VAT registration. Now, only those dealers with over Rs 20 lakh turnover can apply for the GST. The GST has provided respite to marginal traders, he added.

Source: tribuneindia.com- Aug 03, 2017

HOME

*****************

## 2017-18 cotton production seen rising 10-15% on higher acreage

**Making gains!**

*(Statewise cotton acreage in lakh ha as on July 27)*

| State | This year | Last year |
|---|---|---|
| Maharashtra | 38.47 | 36.27 |
| Gujarat | 25.85 | 20.38 |
| Telangana | 16.80 | 11.22 |
| Haryana | 6.56 | 4.98 |
| Madhya Pradesh | 5.73 | 5.27 |
| Rajasthan | 5.17 | 3.74 |
| Karnataka | 3.85 | 3.60 |
| Punjab | 3.85 | 2.56 |
| Andhra Pradesh | 3.51 | 2.85 |
| **Total*** | **111.55** | **92.33** |

*Includes other states

Notwithstanding crop damage due to floods in Gujarat, the largest cotton producing state, India's cotton output in the forthcoming 2017-18 season starting October is seen increasing by 10-15 per cent on rise in acreage across the country. Besides, a favourable monsoon in most parts of key growing states such as Maharashtra and Andhra Pradesh, and in North India, is aiding the output.

The cotton trade estimates the output to be higher, by 10-15 per cent, for 2017-18 over last year's output of 337.25 lakh bales of 170 kg each.

Per the Union Ministry of Agriculture, cotton had been sown on 111.55 lakh hectares till July 28, as against 92.33 lakh hectares witnessed for the same time last year, thereby indicating an increase of close to 21 per cent in the acreage.

Maharashtra has registered kharif cotton sowing of over 38.47 lakh hectares, while in Gujarat the area stood at 25.84 lakh hectares.

However, with the recent flooding in the key growing regions of Gujarat, the authorities expect a damage of about 30 per cent to the crop in the State. "Trade and government estimates put the acreage growth at about 20 per cent.

But we still have monsoon days left and it is unpredictable about the rain fury in other parts. Hence, estimating the output may be speculative," said Nayan Mirani, President, Cotton Association of India (CAI), the apex trade body.

"However, considering the existing factors and the rainfall, the acreage will comfortably increase by 10-12 per cent and we will have almost equal increase in the production volume too," he added.

Kharif cotton sowing is completed in most parts of the country and fresh arrivals are likely to begin by mid-September.

J Thulasidharan, Chairman, Confederation of Indian Textile Industry, said the cotton crop situation would be clear only by end August. "The crop needs some rain during August-September, and the pest attack also happens after 140 days of the crop.

The changes in the crop will have to be assessed at regular intervals," he said and added that a small portion of the area (around 6 lakh hectares) stood damaged in Gujarat, but re-sowing has commenced. "We will have to wait and see."

**Market looking good**

Meanwhile, considering the increase — both in area and production — in the global cotton scenario, the market, he said "looks good at this juncture".

"Forward contract rates for September–October delivery stand at around ₹39,000-39,500 a candy, while the December delivery quotation is still lower at ₹37,000 a candy," Thulasidaran said. Mills will benefit only if the rates are stable, he added.

"The situation is comfortable. Mills need not panic," said K Selvaraju, Secretary-General of the Southern India Mills Association, referring to the current season.

**Low availability**

However, trade sources revealed that current stock position has deteriorated and cotton availability is low. “The stock position is very weak at present and we fear that if fresh arrivals don't start from Punjab by mid-September there will be a short-term rally in prices.

So, in the near term, we do not see prices falling as a result of the higher production outlook,” said Arun Dalal, a cotton expert based in Ahmedabad.

Meanwhile, the International Cotton Advisory Committee (ICAC) has predicted uncertain cotton prices for the year 2017-18. The benchmark Cotlook A index is likely to hover around 69 cents/lb during the year.

According to ICAC, world cotton production may increase by 8 per cent to 24.9 mt on the increase in the world cotton area by 8 per cent to 31.7 million hectares.

India is expected to remain the world’s largest producer in 2017-18 with output rising 6 per cent to 6.1 mt .

On the consumption front, ICAC has predicted world cotton consumption will rise by 2 per cent to 25 mt , while that for India is likely to increase by 2 per cent to 5.3 mt in 2017-18. India’s exports are forecast to rise by 2 per cent to 930,000 tonnes, ICAC noted.

Source: thehindubusinessline.com- Aug 03, 2017

HOME

*****************

# Why Maharashtra cotton ginners are eyeing Singapore market

A group of cotton ginners from Maharashtra will visit Singapore to explore possible deals for Indian cotton. A 15-member delegation of the the Khandesh Gin/Press Factory Owners Association has planned to tap a couple of the world's largest agri-commodities companies located out of Singapore.

"A delegation has planned to visit Louis Dreyfus Company and Olam International, which are among the biggest companies globally and among the largest buyers of agricultural commodities. This is an exploratory visit to check out what kind of parameters would Indian cotton would need so that such large buyers become interested in Indian cotton," Pradeep Jain, president of the Association told FE.

The Association has not only planned presentations on cotton from India but has also scheduled one-on-one meetings and discussions with the Asia heads of these companies. "We also plan to invite Asian heads of these companies to India so that they can see the quality of Indian cotton for themselves," he said.

Earlier, the association members have held meetings to discuss cotton trade and cotton samples of the region were displayed to potential buyers in Bangladesh, Pakistan and Vietnam. According to Jain, members of the association had also visited China a few years ago to study the requirement for cotton in that country.

A team visited Chinese buyers, traders, ginners and warehouses and provided samples of their cotton which was tested by Chinese experts. This was followed by a visit to the Jalgaon region by Chinese traders and ginners as well as their visits to Indian farms.

China has been the biggest importer of cotton from India until now. Louis Dreyfus Company ( LDC) is active in the domestic trade of corn, sugar, wheat and cotton in China, grains in Australia and cotton, grains, oilseeds and sugar in India.

The company's distribution and import activities in the region include grains, sugar, oilseeds and cotton. It exports grains from Australia to destinations including Asia, the Middle East and Europe. Olam International is a leading agri-business firm operating from seed to shelf in 70 countries, supplying food and industrial raw materials to over 23,000 customers worldwide.

The association members have also been involved in a mentoring effort to improve productivity of cotton after they discovered that cotton from Gujarat commanded a higher price. What began as an effort to mentor some 40 farmers in 10 talukas of Jalgaon district resulted in 50-70% improvement in productivity.

Traders across the country are reported to have struck deals for over 3 lakh bales of new cotton crop in the last few days in a price range of Rs 37,000-Rs 39,500 a candy. According to senior members of the Ginners Association, the deals should be ready for delivery in September to December time frame. Most of the contracts have been struck with buyers in China, Vietnam, Pakistan and Bangladesh.

The country's cotton production in 2017-18 (Oct-Sep) is likely to be 375 lakh bales, up 12% from the current season. In the current year, cotton exports from the country are likely to touch 63 lakh bales, lower from 72 lakh bales in 2016-17.

Source: financialexpress.com- Aug 03, 2017

HOME

*****************

## Govt to organise workshops on GST across India

The Indian government has taken a decision to organise workshops to make the people aware about Goods and Services Tax (GST). The Centre and states have been organising GST awareness campaigns through workshops all across the country to spread awareness on GST. They are being conducted in a town hall format by the field formations of CBEC.

The Power Point presentations and resource material for the workshop have been provided by National Academy of Customs, Indirect Taxes and Narcotics (NACIN), said Santosh Kumar Gangwar, minister of state for finance in a written reply to a question in Rajya Sabha.

All field formations are involved in conducting these workshops, and even though a city-wise record is not maintained, an online portal has been especially created by the Directorate General of Systems, Central Board of Excise and Customs (CBEC) for online reporting of awareness campaigns all over India.

The website, apart from capturing data of the events held, also provides information to the public on upcoming events (date and place) for their convenience.

A typical GST Awareness workshop is conducted for half a day (about 3 hours). A total of 5,198 workshops have been held till date (28.07.2017) all over India in almost all cities. These workshops were started in a structured manner from last week of March 2017, added Gangwar.

Numerous senior officers of CBEC, Commercial Taxes Department and officers trained by NACIN are conducting these workshops.

Source: fibre2fashion.com- Aug 02, 2017

HOME

*****************

## India has high potential for digital payments: Report

India has a high potential for digital payments and has emerged strong, according to a recent report. The country has been categorised in the break out segment amongst 60 countries, which refers to countries that score relatively low for overall digital evolution, but are evolving quickly enough to suggest they have the potential to become digital economies.

"India has been experiencing rapid strides of progress with an evolving payments landscape, catalysed by the government's demonetisation decision," said media reports quoting the Digital Evolution Index (DEI) 2017 carried out by the Fletcher School of Tufts University along with Mastercard.

The index says that the India government’s initiative to boost acceptance infrastructure and the introduction of various economic reforms have accelerated the country’s journey towards becoming a cashless society, notes the report.

More people in the country are adopting digital payment modes, thanks to a shift in behaviour, leading to an increase in the adoption of digital payments.

DEI is a data-led evaluation of digital development across 60 countries rooted in four key drivers: Supply Conditions; Demand Conditions; Institutional Environment; and Innovation and Change. Over 170 indicators across these drivers are applied to create a robust framework for understanding digital evolution, providing each country with a DEI score.

The framework is combined with insights from academics and experts at Fletcher and inputs from business leaders driving digital change across the globe. Together, they help to paint a picture not just of what the digital landscape looks like today, but also how it stands to change in the future.

The framework also provides policymakers and business leaders across countries with an understanding of how they can accelerate digital evolution locally to achieve a greater global impact.

Source: fibre2fashion.com- Aug 02, 2017

HOME

*****************

## RBI cuts repo rate to 6 per cent; keeps neutral stance

The Reserve Bank of India (RBI) has cut repo rate by 25 basis points to 6 percent in its third bimonthly monetary policy statement, reducing the key policy rates for the first time this fiscal. Accordingly, the revised reverse repo rate and the marginal standing facility rate stand at 5.75 percent and 6.25per cent respectively, RBI said in the statement.

The revised repo rate is the lowest in six-and-a-half years since November 2010. In its last credit and monetary policy review in June, RBI had kept the repo rate unchanged at 6.25 per cent.

Further, RBI has not changed the 20 per cent figure of statutory liquidity ratio (SLR) – the reserve commercial banks need to maintain in the form of gold and government-approved securities before providing credit to customers.

RBI maintains a neutral policy stance targeting a 4 per cent consumer price index (CPI) inflation figure. The Monetary Policy Committee (MPC) observed that while inflation had 'fallen to a historic low', a conclusive segregation of transitory and structural factors driving the disinflation is 'still elusive'. Some of the upside risks to inflation have either reduced or not materialised, it noted.

On the state of the economy, the MPC feels there is an urgent need to reinvigorate private investment, remove infrastructure bottlenecks and provide a major thrust to the Pradhan Mantri Awas Yojana for housing needs of people. The MPC also favours speedier clearance of projects to boost private investment

Due to a slump in food prices, India's June CPI inflation figure was an over five-year low of 1.54 per cent, which was well below the RBI's 4 per cent target and its projection of 2-3.5 per cent for April-September.

RBI had raised concerns that inflation could accelerate due to a seasonal rebound in food prices and factors such as planned pay hikes for government employees.

Source: fibre2fashion.com- Aug 02, 2017

HOME

*****************

## Apparel manufacturers converge in city for trade fair

More than 600 key retailers from Tamil Nadu are participating in the 12th edition of two day trade fair organised by Apparel Manufacturers here.

"This is our fifth fair at Chennai. We have always received an overwhelming response in Chennai", Apparel Manufacturers of India, Key Organiser, Nikhil Furia said in a press release.

"The brands (participating) have been able to book orders of Rs 50 crore during the last fair in Chennai", he said.

Some of the major retailers participating in the two-day event which kicked off yesterday include Pothys, Hi-style, S Nallaperumal and Sons, Arrs, Sri Krishna Silks.

Source: business-standard.com- Aug 02, 2017

HOME

*****************

## At this Indo-Bangla border gate, 'free trade' flows 24x7

At 7.31 pm on August 1, Sukhbir Singh drove his Ashok Leyland truck chassis, registration number TN70TC290, from Petrapole on the Indian side of the border with Bangladesh, to Benapole, just across.

And with that, he rode into a slice of border trade history.

It was the first export consignment to enjoy the benefit of 24x7, seven-days-a-week Customs clearance facility introduced by India and Bangladesh at the largest trade point on their border.

Located about 90 km from Kolkata, Petrapole-Benapole handles about $3.4 billion (or about ₹22,000 crore) of the $6-billion bilateral trade. In 2016-17, Indian exports accounted for more than 70 per cent of the trade through this gate.

Till July 31, the Integrated Check Post (ICP) was open from 7.30 am to 7.30 pm, six days a week; everyday, about 350 Indian trucks rolled over to Bangladesh, and 80-odd Bangladeshi trucks entered India.

### Dhaka needs ramp-up

Suvajit Mandal, Manager, ICP Petrapole, says round-the-clock operations should increase the daily traffic of Indian vehicles to Bangladesh to 500, and ease congestion on the Indian side.

Faster turnaround means lower trade costs and greater competitiveness of Indian products, which is good for Bangladesh too. But Bangladeshi consumers may have to wait to reap the full benefit. Till July, Bangladesh Customs was clearing 200 Indian trucks a day. Given the backlog, it takes a trucker up to seven days to unload an export consignment at Benapole and return.

The turnaround time in Bangladesh may come down from August 1, but not significantly. Indian sources say Bangladeshi Customs suffers from inadequate staff strength.

"Bangladesh authorities have assured us that manpower will be increased and peripheral facilities like parking will improve," an Indian Customs official told *BusinessLine*.

Due to slow pace of border clearance, a truck takes 22 days, including two weeks on the Indian side, to complete its trade run.

Assuming each truck caries an export consignment worth ₹1 crore, the finance cost for three weeks is nearly ₹66,000 at the minimum lending rate. Add to this the vehicle detention charge of ₹ 5,000 a day, and Bangladesh loses 2 per cent on the total import value.

Indian officials say faster clearances can increase trade volume through Petrapole by three times.

## Bongaon makes a killing

Meanwhile, the border town of Bongaon, located 7 km ahead of the ICP, is taking full advantage of the situation.

At least 3,500 Indian trucks wait on the Indian side on any given day. These include 2,000 trucks that have to wait nearly 10 days at Bongaon before they get a parking slot at the Petrapole ICP.

The Bongaon municipality accommodates 1,200 trucks, but the rest are at the mercy of private parking lots, where contractors charge an upfront fee of ₹4,200 for seven days. Truckers allege the business is controlled by political goons.

"About 70 per cent of Bongaon's economy depends on this congestion," said an ICP official, on condition of anonymity.

Source: thehindubusinessline.com- Aug 03, 2017

HOME

*****************

## RCEP talks: India stands firm on market access in govt contracts, rejects binding commitments

Backed by the 10-member ASEAN group, India managed to restrict the scope of talks on government procurement to exchange of information and transparency amongst members and exclude commitments on market access at the recent round of Regional Comprehensive Economic Partnership (RCEP) negotiations in Hyderabad.

In the area of goods, though, pressure remained high on India to go beyond its present offer of eliminating tariffs on 80 per cent items.

"With the ASEAN strongly backing India, the negotiating team managed to ensure that market access commitments are not part of the government procurement agreement being negotiated. At Hyderabad, the discussions were only on transparency and exchange of information which India is comfortable with," a source privy to negotiations told *BusinessLine*.

The next Ministerial round of the 16-member RCEP — which includes the 10 ASEAN countries, India, China, Japan, Korea, Australia and New Zealand — scheduled next month in the Philippines will give a more concrete shape to the official level discussions that took place in Hyderabad.

While New Zealand, South Korea and Japan were trying to push for negotiations on market access commitments in government procurement, China did not take any stand, the official added.

### Local preference

Although India allows foreign players to participate in government procurement bids, roughly valued at $300 billion annually, it is free to make its own rules and give preferences to local players. It will lose the freedom once it gives binding commitments in market access to other countries, which New Delhi is not ready for.

"India gives preferences in government procurement to a number of categories within the country such as the small-scale sector and women entrepreneurs.

If it gives market access commitments to other RCEP members, it may stand to lose the freedom to give preferences to domestic interest groups," the official said. India has not given market access commitments in government procurement to any of its free trade agreement partners including ASEAN, Japan and South Korea precisely because it wanted to protect its policy making space. Neither is the country a signatory of the government procurement agreement of the WTO.

"Although India did agree to include a chapter on government procurement in the RCEP due to pressure from some members, it does not mean that it has to agree to open up government procurement," the official added.

But, agreeing on transparency and exchange of information could lead to problems in the future if countries insist on discussions on new rules in the area of government procurement with other members prior to its finalisation.

"The Indian negotiators are fully aware of the negative fall-outs of agreeing to discuss new rules before they are implemented. The country will see to it that such a provision does not get incorporated into the agreement," he added.

The support of ASEAN in keeping out market access commitments from the government procurement pact is proving to be very useful to India. "In fact, at the negotiations in Hyderabad, it appeared that the ASEAN was more averse to any commitments on market access than India. It suited India fine," he said.

On market access in goods, the official said that the RCEP members remained unhappy with India's offer of eliminating duties on 80 per cent of traded goods and pressure was on for higher commitments. Most RCEP members want that tariffs should be reduced to zero on 92 per cent items.

The RCEP, once implemented, could be one of the largest free trade bloc in the world with a GDP of over $22 trillion (about 40 per cent of world trade) and a population of 3 billion (45 per cent of world population).

Source: thehindubusinessline.com- Aug 03, 2017

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