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IBTEX No. 157 of 2017 July 31, 2017

USD 64.08 | EUR 75.23 | GBP 84.14 | 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
20820	43551	**86.34**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.97
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**84.03**
Cotlook A Index – Physical	**83.7**

Cotton & currency guide: Cotton price in the last week traded outside range from the previous week. The ICE December contract during the past week moved in the range of 67.76 to 69.72 cents per pound while ended the week at 68.80 cents up by 38 points from the previous week's close.

In the similar lines the domestic cotton price both spot and future advanced while the future contract was more positive. The July which is due to expiry witnessed strong rebound in the price due to short covering and ended the week at Rs. 20820 up by Rs. 580 from the previous close.

The October future settled positive at Rs.18440 up by Rs. 570 from the previous week's close. The price action and behavior suggests market holding a precarious trend in the gone by week.

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However, while we observe the Chinese market performance the ZCE cotton for September and subsequent contracts were down. The September future ended the week lower at 14760 Yuan/MT. The Chinese market movement was much different from the rest of the markets because there is extension of auction sales of cotton by the government until September 2017.

Broadly ICE market was very dull and participation was thin. The average daily trading volumes were around 15K contracts. In the meanwhile, unfixed on call sales were very high as of 21st July reported by CFTC. We believe market would continue to remain sideways.

The 69 mark is failing continuously hold break and move strongly positive. Now we have to keep a watch 68 as strong support levels. Any break down below 68 would mean failure to hold the moving average support and possibly market may either trade sideways or turn marginally weak.

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

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INTERNATIONAL NEWS

Bangladesh: Export target $37.5b

The export target for fiscal 2017-18 has been set at $37.5 billion -- 8.23 percent higher than last fiscal year's receipts.

Bangladesh exported goods worth $34.65 billion last fiscal year, up 1.61 percent year-on-year, according to data from the Export Promotion Bureau.

The garment sector would be gunning for a $30.16 billion export target, 7.19 percent higher than fiscal 2016-17's receipts.

The current economic outlook, policy changes in different export destinations, the trade report of the World Trade Organisation, exporters' feedback, exchange rate movement and supply side capacity were considered during the setting of the export target, Commerce Minister Tofail Ahmed said while disclosing the figure yesterday.

Bangladesh could not achieve the export target last fiscal year because of the devaluation of the Euro and pound sterling against the US dollar, the minister said.

Brexit, national elections in major export destinations in the EU, and the lower prices of goods, especially garment, were also responsible for missing the target last fiscal year, he added.

Shafiul Islam Mohiuddin, president of the Federation of Bangladesh Chambers of Commerce and Industry, called for hassle-free operations of both the airport and the Chittagong port to meet the target.

Last fiscal year's export earnings were at least $3 billion less because of delays at the ports although political stability, the most important element for doing business, was there.

He also demanded adequate supply of gas and power to the industrial units.

After garment the next highest export target has been set for leather and leather goods: $1.38 billion

A representative of the Bangladesh Tanners Association said so far about 40 of the 155 factories at the Savar leather estate have been given gas connections.

If the gas connections are not given to the remaining factories, those that have relocated from Hazaribagh in April cannot go into production.

Ultimately, the non-production by a major number of factories at Savar will have a negative impact on the export earnings at the end of the year, he added.

The target for jute and jute goods has been set at $1.05 billion, home textiles $880 million, frozen and live fish at $535 million, agricultural products at $576 million, and engineering products $876 million.

The ministry also fixed the export target for the services and computer services sectors at $3.5 billion.

Source: thedailystar.net- July 31, 2017

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Vietnamese textile sector overcomes TPP fall-back in style

After the two years considered the high point of FDI in the textile industry (2014-2015), since the start of 2016, the number of FDI projects in this industry has decreased considerably. In early 2017, Chinese investors invested $220 million in the Billion Vietnam polyester synthetic fibre plant in the southern province of Tay Ninh.

Aside from this, however, capital flows consist mostly of capital expansion investments in existing projects.

According to the Vietnam Textile and Apparel Association (Vitas), since the start of the year, the two projects with the largest investment capital increase in the textile industry were in the southern provinces of Dong Nai and Binh Duong.

In Binh Duong, Far Eastern Group (Taiwan) increased its investment capital by $485.8 million in its polyester and synthetic fibre production project, Far Eastern Polytex (Vietnam) Ltd. The project was green-lighted in June 2015, with the registered investment capital of $274 million, and the capital increase will push the total registered investment to approximately $760 million.

This capital increase of nearly $500 million makes Far Eastern Polytex Vietnam one of the largest projects to be certified in 2017, besides Samsung Display Vietnam, which registered a $2.5 billion capital increase in its projects in the northern province of Bac Ninh.

Another Taiwanese giant, Tainan Spinning Company Ltd., also increased its investment capital in Long Thai Tu Spinning Factory at Long Khanh Industrial Zone in Dong Nai. The company registered a $50-million increase in investment capital.

Prior to the capital increase, Tainan Spinning has initiated the construction of Long Thai Tu Spinning Factory-Phase 2 at Nhon Trach 2 Industrial Zone in Dong Nai. The project has a floor area of 37,000 square metres and a plot area of 18 hectares, consisting of a main factory, four finished product warehouses, a garage for workers, and other auxiliary structures. The factory began operation at the end of 2016.

Tainan Spinning Co., Ltd. is a major textile company based in Taiwan. To expand its market share as quickly as possible, Tainan plans to build its factories in Vietnam to take advantage of Vietnam's existing export markets.

As such, just from the three above mentioned projects, the total FDI capital in the textile industry has reached $755 million.

Attractive investment environment

According to Le Tien Truong, vice chairman of Vitas, the fact that a number of textile projects still attract capital after the US withdraw from the TPP is a good sign.

"With TPP going in the wrong direction, the decision of foreign investors to continue increasing capital in the Vietnamese textile industry means that the investment environment is still very attractive," Truong said.

As one of the largest textile exporters in Asia, Vietnam's total value of garment and textile exports has increased 3.6-times in the last decade, from $7.78 billion in 2007 to $28.02 in 2016, accounting for 16 per cent of total export turnover. In 2017, the industry is expected to grow by 7 per cent, reaching $30 billion in the total export value.

In recent years, thanks to competitive labour costs and preferential policies, Vietnam has become the ideal destination for investors in the textile industry. The amount of FDI in the textile and apparel industry in the last decade has helped Vietnam become one of the five largest textile and apparel exporters in the world.

According to Vitas, even without the TPP, the Vietnamese textile and apparel industry still benefits from a number of free trade agreement, such as the Vietnam-EU FTA, Vietnam-South Korea FTA, Vietnam-Japan FTA, among others.

At the moment, Vietnamese textile and apparel products only account for 3 per cent of the EU market, which means with the right strategy, Vietnam's export can see sharp growth in the 2018-2020 period.

Source: vietnamnet.vn- July 30, 2017

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Turkmenistan preparing for cotton harvesting

The upcoming cotton harvesting campaign has been mulled at a meeting of the Cabinet of Ministers of Turkmenistan, the Altyn Asyr TV channel reported July 29.

Reportedly, Turkmen President Gurbanguly Berdimuhamedov gave instructions to ensure the proper level of cotton harvesting in all regions of the country.

Turkmenistan is one of the biggest cotton producers in the world.

More than one million tons of cotton is grown annually in Turkmenistan, which is the raw material base for the development of textile industry.

Up to 70 percent of the raw materials are processed in the country.

Source: azernews.az - July 30, 2017

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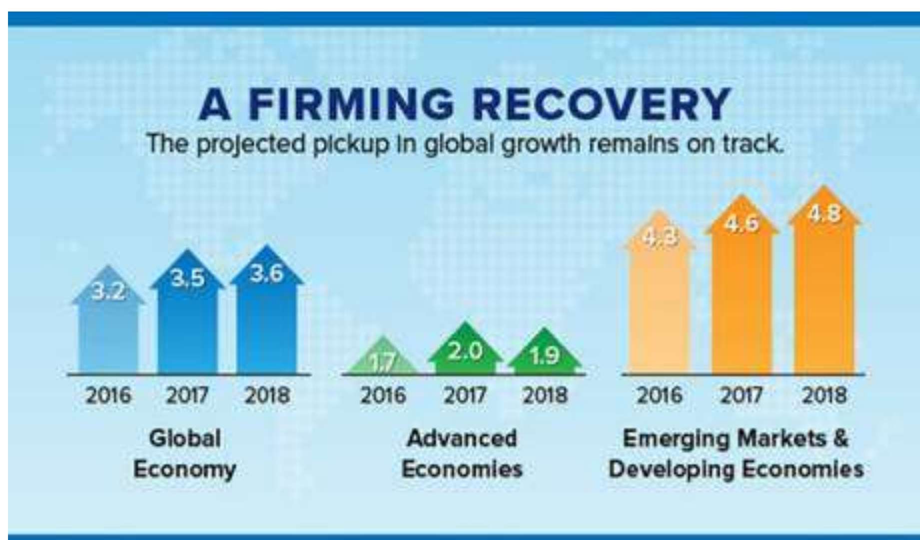
What the IMF thinks is happening to global growth

As in our April forecast, the World Economic Outlook Update projects 3.5% growth in global output for this year and 3.6% for next.

The recovery in global growth that we projected in April is on a firmer footing; there is now no question mark over the world economy's gain in momentum.



As in our April forecast, the World Economic Outlook Update projects 3.5% growth in global output for this year and 3.6% for next.

The distribution of this growth around the world has changed, however: compared with last April's projection, some economies are up but others are down, offsetting those improvements.

Notable compared with the not-too-distant past is the performance of the euro area, where we have raised our forecast. But we are also raising our projections for Japan, for China, and for emerging and developing Asia more generally. We also see notable improvements in emerging and developing Europe and Mexico.

Where are the offsets to this positive news on growth? From a global growth perspective, the most important downgrade is the United States. Over the next two years, US growth should remain above its longer-run potential growth rate.

But we have reduced our forecasts for both 2017 and 2018 to 2.1% because near-term US fiscal policy looks less likely to be expansionary than we believed in April. This pace is still well above the lacklustre 2016 US outcome of 1.6% growth.

Our projection for the United Kingdom this year is also lowered, based on the economy's tepid performance so far. The ultimate impact of Brexit on the United Kingdom remains unclear.

Overall, though, recent data point to the broadest synchronised upswing the world economy has experienced in the last decade. World trade growth has also picked up, with volumes projected to grow faster than global output in the next two years.

There do remain areas of weakness, however, among middle- and low-income countries, notably commodity exporters who continue to adjust to reduced terms of trade. Latin America still struggles with sub-par growth, and we have lowered projections for the region over the next two years. Growth this year in sub-Saharan Africa is projected to be higher than last year, but remains barely above the population growth rate, implying stagnating per capita incomes.

RISKS

There are risks that the outcome could be better or worse than we now project. Near term, there is the possibility of even stronger growth in continental Europe, as political risks have diminished.

On the downside, however, many emerging and developing economies have been receiving capital inflows at favourable borrowing rates, possibly leading to risks of the balance of payments reversals later.

Strains could emerge if advanced economy central banks show an increasing preference for monetary tightening, as some have in recent months.

Core inflation pressures remain low in advanced economies and measures of longer-term inflation expectations show no indications of upward drift beyond targets, so central banks should proceed cautiously based on incoming economic data, reducing the risk of a premature tightening in financial conditions.

The supportive policy has promoted China's recent high growth rates, and we have upgraded our 2017 and 2018 forecasts for China, by 0.1 and 0.2 percentage point, respectively, to 6.7 and 6.4%. But higher growth is coming at the cost of continuing rapid credit expansion and the resulting financial stability risks. China's recent moves to address nonperforming loans and to coordinate financial oversight, therefore, are welcome.

Finally, the threat of protectionist actions and responses remains salient in the near and medium terms, as do geopolitical risks.

Despite the current improved outlook, longer-term growth forecasts remain subdued compared with historical levels, and tepid longer-term growth also carries risks.

In advanced economies, median real incomes have stagnated and inequality has risen over several decades. Even as unemployment is falling, wage growth still remains weak. Thus, continuing slow growth not only holds back the improvement of living standards but also carries risks of exacerbating social tensions that have already pushed some electorates in the direction of more inward-looking economic policies.

In emerging economies in contrast, despite generally higher inequality than in advanced economies, substantial income gains have accrued even to those low in the income distribution.

The current cyclical upswing offers policymakers an ideal opportunity to tackle some of the longer-term forces behind slower underlying growth. Suitable structural reforms can raise potential output in all countries, especially if supported by growth-friendly fiscal policies including productive infrastructure investment, provided there is room in the government budget.

In addition, investment in people is critical - whether in basic education, job training, or re-skilling programs. Such initiatives will both increase labour markets' resilience to economic transformation and raise potential output. The same policy measures that can help economies adjust to globalisation - as described in the recent report we co-authored with the World Bank and World Trade Organisation - are more broadly necessary to meet the challenges of technology and automation.

Strengthening multilateral cooperation is another key to prosperity, in a range of areas including trade, financial stability policy, corporate taxation, climate, health, and famine relief. Where domestic developments have a strong international impact, policies based narrowly on national advantage are at best inefficient and at worst highly damaging to all.

Source: ewn.co.za- July 27, 2017

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Windmill Country: Proposed Farm Bill good news for cotton farmers

Producers across the cotton belt received some good news this week when the Senate Appropriations Committee approved the Fiscal Year 2018 agriculture appropriations bill, which included a key provision regarding a cottonseed program.

The bill, approved with a vote of 31-0 by the committee, provides $145.4 billion in discretionary and mandatory funding. It is $4.85 billion above President Trump's budget request and $7.9 billion below the FY2017 enacted level, according to a news release.

The legislation calls for cottonseed to be designated as an "other oilseed" under Title 1 of the 2014 Farm Bill. If enacted, the cottonseed program would begin with the 2018 crop.

The cottonseed designate clause has been a standing proposal by the cotton industry for several years. Matter-of-fact, it was sent to the USDA several times but rejected by former Agriculture Secretary Tom Vilsack.

"This bill certainly is a step in the right direction to helping ensure long-term stability for our industry, and we appreciate our friends in Congress who are standing with us," said Steve Verett, Lubbock-based Plains Cotton Growers Inc. executive vice president. "We are hopeful, but the cottonseed program is not a done deal yet, and we must stay the course in our efforts to get meaningful relief for cotton producers."

Verett said the FY18 House Agriculture Appropriations Bill includes similar language and goes even further in urging the USDA to implement the Cotton Ginning Cost Share program, an initiative that remains a priority for the industry.

"Even as we continue to work on a cottonseed program, our growers need a short-term solution, and the Cotton Ginning Cost Share Program already has been proven to be an effective and efficient way to help meet their needs."

Meanwhile, the American Farm Bureau Federation board of directors outlined the organization's key objectives for the 2018 Farm Bill following a meeting in Washington D.C. last week which included "support a cotton lint program and/or designating cotton seed as an 'other oilseed' to make cotton eligible for Title 1 commodity support programs."

"Because of low commodity prices, many of America's farmers and ranchers are struggling," said AFBF President Zippy Duvall. "The risk management and safety net provisions of farm bills are most important in times like these.

"The bill also will help protect our nation's food security and our supply of domestic renewable energy and fiber. It will provide critical food assistance to those who need it, and it will continue to offer incentives to conserve our natural resources. Farm Bureau stands ready to work with the House and Senate Ag committees to ensure the next farm bill works for farmers, ranchers and all Americans," Duvall said.

In a letter, Duvall told the congressional ag committee chairmen, Sen. Pat Roberts and Rep. Mike Conaway, and ranking members, Sen. Debbie Stabenow and Rep.

Collin Peterson, that Farm Bureau is prepared to help them "achieve the best possible farm bill that meets our key farm policy objectives while assisting you in meeting the challenges this important legislation will endure."

The AFBF objectives also include: Maintain a unified farm bill that includes nutrition programs and farm programs together; Ensure any changes to current farm legislation be an amendment to the Agricultural Adjustment Act of 1938 or the Agricultural Act of 1949; Prioritize our top funding concerns (risk management tools, which include both federal crop insurance and Title 1 commodity programs); and Ensure programs are compliant with World Trade Organization agreements.

"We are hopeful that we can find a long-term solution for cotton growers as we work diligently to develop policy recommendations for the 2018 Farm Bill," Verett added.

Source: reporternews.com- July 30, 2017

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Philippine garments firms' compliance with global labor standards boosted in DTI-DOLE accreditation rules

With an eye to boosting compliance of Philippine garments firms with international labor standards, the Department of Trade and Industry-Board of Investments and the Department of Labor and Employment signed Tuesday (July 25) a Joint Department Order embodying guidelines for the issuance, suspension or revocation of certificates of accreditation for garments firms.

These guidelines will cover garment manufacturers, exporters, and subcontractors who would want to avail of preferential tariffs under the Generalized System of Preferences (GSP). The Department Order also creates a Workers' Rights Review Committee.

DTI Secretary and BOI Chairman Ramon Lopez and DOLE Secretary Silvestre H. Bello III signed the Joint DO during the DTI-DOLE Directors' Joint Assembly for Trabaho, Negosyo, Kabuhayan (TMK) Tuesday at the Philippine Trade Training Center (PTTC) in Pasay City.

As part of the country's commitment to comply with global labor standards for the garments and textile industries, the joint DO reflects a series of consultative meetings of the two agencies with the Clothing and Textile Industry Tripartite Council (CTITC), and labor and employment sectors since 2010.

"Despite the changing landscape of global trends, the production of goods and services must still conform to international labor standards for market access. This order will help promote labor laws compliance and standards in the garment industry via certification and decertification mechanisms for companies who want to avail preferential tariff under the GSP," Lopez said.

Bello thanked DTI for supporting the DOLE's initiatives. "The signing of the joint guidelines for the garments industry on the certification on labor standards compliance will ensure that are our workers have decent jobs, and that they enjoy the economic benefits that our participation in the global trade brings," Bello said.

Under the Joint DO, the BOI will serve as the DTI Accreditation Board (DAB) that will grant Certificates of Accreditation mandatory for manufacturers, exporters and subcontractors availing tariffs under the Garments and Textile Import Services (GTIS) and voluntary for all other garment firms.

The accreditation is mandatory for those availing of privileges under the GSP and voluntary for all other garment firms. The accreditation is valid for three years from issuance, but may be suspended or revoked due to failure to comply with the labor minimum standards set by the DAB.

BOI serves as the DAB. Import-related functions of the former Garments and Textile Import Services (GTIS)—including accreditation of importers—were transferred to the agency through DTI Department Administrative Order No. 10-06, Series of 2010.

In addition, the Workers' Rights Review Committee—composed of four members representing DTI, DOLE, the labor sector and the employers sector—will conduct an audit of the applicant's compliance with labor standards as provided under Section 8.1 of the Joint DO. Its audit findings and recommendations will be submitted to DAB for review and evaluation.

The Joint DO serves as the pilot guideline on the GSP availment. If such are deemed successful, the DTI and DOLE will come up with similar guidelines for other sectors and industries.

Source: interaksyon.com - July 28, 2017

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Pakistan has untapped export potential of $13b

The State Bank of Pakistan (SBP) reported a decline in exports from $21.9 billion in fiscal year 2015-16 (FY16) to $21.6 billion in FY17.

Although the decrease in exports is lower compared to the fall of $2 billion between FY15 and FY16, imports over the same period increased more than $7.2 billion. The last time the exports showed a positive year-on-year growth was in June 2014.

The largest decline in exports between FY16 and FY17 was in petroleum products at 8%, followed by the group of products classified as "other manufactures" at 4%. Exports of food products dipped 3% and those of textile products fell 2%.

Although raw cotton, cotton yarn and cotton cloth registered a decline in exports, there was an increase in shipments of knitwear, bed wear and readymade garments.

Similarly, there was an increase in exports of fish and fish preparations, spices, sugar and other food items while shipments of more commonly exported products such as rice, fruits, meat and meat preparations fell.

Exports of sports goods, leather gloves, leather footwear, cutlery, guar and guar products, pharmaceutical products and other chemical products also increased.

Exports to the US edged down 1% between FY16 and FY17, exports to China fell 15% and to the UK they inched down 0.6%. On the other hand, exports to Germany, Belgium and the Netherlands rose.

The GSP Plus status awarded by the European Union to Pakistan may have averted the decline in exports to the 28-nation bloc.

Similarly, exports to Turkey rose 16% and shipments to Thailand increased more than 40%. Exports to Indonesia and South Korea increased more than 21% and 34% respectively. Pakistan is in the process of negotiating a free trade agreement (FTA) with Turkey and the above East Asian economies. Although export promotion in major destinations is essential, Pakistan must complete the negotiations for FTA.

Products can be classified as raw material, intermediate goods and consumer goods. Exported raw material and intermediate goods require further processing by foreign trading partners before being sold as consumer goods. Furthermore, tradable goods consist of either agricultural or industrial goods.

Although products may undergo transformation through different stages of production, the industrial consumer goods are likely to involve greater value addition and product differentiation than agricultural consumer goods.

Product classifications

Data from UN Comtrade is used to analyse exports according to product classifications. Exports of every product classification within agricultural and industrial sectors posted a decline in value between calendar years 2015 and 2016, except for industrial consumer goods, which edged up 0.6%.

Considering products that are frequently traded, a positive export growth was reported in textile products and mineral products, which are industrial consumer goods.

Similarly, positive growth was noted in exports of intermediate industrial goods such as chemical products and paper products.

On the other hand, exports of several products fell sharply in the agricultural sector, except for raw material of animal, vegetable fats and oils and agriculture-based chemical consumer products.

Although exports of industrial textile products to the EU increased across all three product classifications, the largest increase, in dollar terms, was reported in consumer textile products.

Other industrial consumer products that showed positive export growth were mineral products and base metals.

On the other hand, exports of textile products to the US decreased across all three product classifications. However, there was an increase in exports of consumer goods of base metals and of precious and semi-precious stones to the US.

ECC allows sugar export, but defers decisions on CPEC and circular debt

An increase was reported in exports of agricultural consumer goods, industrial consumer goods in textile industry as well as in medical and surgical instruments to China. On the other hand, there was a significant decline in exports of intermediate goods in the textile industry to China.

Export potential

The International Trade Centre (ITC) estimates the export potential by market and product for each exporter. According to its estimates, Pakistan has an untapped export potential of $13 billion. There is potential in home textile products, apparels, leather products and cereals such as rice.

Furthermore, the ITC indicates the potential in cement, instruments used in medical science, polyethylene terephthalate, tubes of iron or steel and vegetable fats and oils.

Pakistan has untapped potential in exports to important destinations such as the US, China, Germany, the UK, the United Arab Emirates, France, the Netherlands and Spain along with several other trading partners.

On the other hand, Pakistan exports more than its potential to Bangladesh and Afghanistan.

In essence, the government needs to adopt a holistic approach aimed at developing both the agricultural and industrial sectors in order to increase exports of the country.

It is essential to have an agricultural policy that increases the supply of raw material to agro-based industries, both domestic and foreign, such that it can help domestic textile producers regain lost competitiveness in the world market.

Furthermore, there is a need to diversify the range of value-added traditional industrial goods, such as consumer textile and leather products, as well as of non-traditional industrial goods.

Lastly, as China-Pakistan Economic Corridor (CPEC) projects are likely to improve the transportation network, it is essential that industrial and trade policies are adopted to ensure facilitation of exporters not only in Pakistan, but also in important export destinations by lowering the trade costs and barriers.

Source: tribune.com.pk- July 31, 2017

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NATIONAL NEWS

Sharp rupee appreciation challenge for domestic home textile sector: Report

An appreciating rupee has been posing a major challenge to sustaining growth of domestic textiles industry, which has seen a low turnaround in the past few quarters, mainly due to high raw materials prices.

Major players in this segment, including Bombay Dyeing, Trident and Welspun, have seen a sharp turnaround in their profitability over the past six quarters, despite challenges in domestic demand. This is on account of demonetisation first, and then the recent implementation of the goods and services tax (GST) regime.

Bombay Dyeing, for example, has seen its profitability increasing to Rs 211.36 crore on a turnover of Rs 447.50 crore for the March 2017 quarter. In the January-March 2017 quarter, however, the profitability had seen over 90 per cent growth over the year-ago period. The company had reported a loss of Rs 52.97 crore in the October-December quarter of 2016. Similarly, Trident and Welspun had also reported a fall in their profitability in the January-March quarter of 2017.

"The Indian textiles industry is currently facing challenges in the form of currency risk, increasing competition from China on unfavourable currency and higher raw material costs. We believe that cotton prices are likely to soften from September quarter of 2017-18 as we expect higher supply due to liquidation of inventory and enhanced cotton sowing in India," said Sumant Kumar, an analyst with Emkay Global Financial Services.

Interestingly, China's yuan has fallen by around 4 per cent in the past three months, even as the Indian rupee has appreciated by around 4 per cent in the same period. The recent currency movement has given China an advantage over India, as observers see a weakness in the rupee against the major global currency.

Experts believe the currency risk for the Indian home textile players is likely to be moderate in the coming year. Moreover, India will continue to enjoy cost advantages in home textiles on lower labour cost, better availability of cotton and favourable government policy.

“We, therefore, believe that Indian home textiles industry will recover and mitigate short-term risks like higher raw material costs and currency volatility,” said Kumar.

The profitability increase in the Indian home textiles sector has reflected in their respective stock price movement also. Share price of Bombay Dyeing, Trident Ltd and Welspun Enterprises are shy of their respective 52-week highs.

Bombay Dyeing stock closed on Friday at Rs 83.30 apiece against its 52-week high level of Rs 92.95 apiece. Similarly, share prices of Trident and Welspun Enterprises closed at Rs 83.95 apiece and Rs 135.95 apiece against their 52-week highs of Rs 92.30 apiece and Rs 149.30 apiece respectively.

India, China and Pakistan together account for 80 per cent of all bed and bath linen imported by the United States; India has an edge with a 54 per cent market share in bed sheets and 42 per cent in terry towels in 2017 (as of March).

In bed sheets imports by US, India’s share has increased 12 percentage points since calendar year 2009, while Pakistan's share has fallen by 3 percentage points during this period. China’s, meanwhile, has remained flat at 24 per cent.

In the US’ bed sheet imports, India’s share doubled from 27 per cent in calendar year 2009; China’s fell from 29 per cent to 20 per cent, and Pakistan’s from 26 per cent to 16 per cent.

“India is well poised to gain from long-term growth in the global home textiles market, as it leverages the twin benefits of lower cost of production and significant share of global installed capacity,” said a report from Emkay Global.

Even India’s Ministry of Textiles is pushing the Commerce Ministry to pursue the proposed free trade agreement (FTA) with the European Union to boost India’s textile trade. Meanwhile, India’s home textiles industry is estimated to grow at a CAGR of 8.3 per cent during 2014-21 from $4.7 billion in 2014 to $8.2 billion in 2021.

Source: business-standard.com- July 30, 2017

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Maharashtra to develop integrated textile park at Malegaon

Maharashtra government will develop an integrated textile park on the sprawling 345 hectare of land in Malegaon. The government took a decision to hand over the land to the state undertaking Maharashtra Industrial Development Corporation (MIDC) on Thursday.

State industries minister Subhash Desai told DNA, "The proposed park will be developed on the theme of Cotton to Cloth, Farm to Fashion. The integrated textile park will house units from weaving, spinning, garmenting segments. The investment of Rs 1 lakh crore is expected, and 10,000 jobs will be created there."

He also informed that the objective is to strengthen linkages that would take into account farmers who produces cotton, to spinning of yarn, to ready-made garments in industrial units, complete with innovative design and marketing. The MIDC will develop common effluent treatment plant at the Malegaon integrated textile park.

Desai said investors will get both physical and fiscal incentives envisaged in the state's textile policy. The government's strategy is to ensure increased participation by the investors in the state's textile industry.

The capital subsidy is given to self-financing textile projects — spinning mills, cotton ginning, processing and printing units, which will get 35 per cent capital subsidy, technical textiles and composite units, which will be given 30 per cent capital subsidy, and powerlooms and other textile related units, which will get 25 per cent capital subsidy. The state government has already reduced the premium on MIDC land to encourage investors to invest in these parks.

Similar integrated textile parks were proposed at Amravati, Majalgaon, Chikhli, Akola, Naldhana, Parbhani, Yavatmal, Aurangabad and Nanded.

Source: dnaindia.com- July 30, 2017

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GST impact on textiles: Subsidy for garment makers cut to XS size as government reduces benefits under remission of state levies

TIGHTER FIT

2.9-3.9%

■ Rate fixed for remission of state levies before GST

0.39%

■ Current RoSL rate, as GST has subsumed key state levies like CST

₹1,555 crore

■ Budgeted outlay for RoSL scheme in FY18

The government will offer only a tiny fraction of the subsidy amount it used to pay to apparel players earlier for the remission of state levies (RoSL) under the duty drawback scheme, thanks to the goods and services tax (GST) regime that has subsumed key indirect taxes at the states' level.

RoSL, under which garment exporters get refunds from the Centre against all the levies they pay at the states' level, is the most important scheme (with fiscal significance for the government) in the Rs 6,000-crore garments package announced last year. The government has budgeted Rs 1,555 crore for the RoSL scheme in 2017-18.

Before the introduction of the GST, garment exporters used to get refunds to the tune of 2.9-3.9% of the freight-on-board value of products under the RoSL scheme. The government has decided to reduce it to an interim rate of 0.39% (up to September 2017), as most of the state levies, including central sales tax, have been scrapped in the GST regime, said a senior textile ministry official.

However, only two state levies (value-added tax on petroleum products and electricity charges) will continue under the GST regime as well, on the basis of which the interim refund structure has been based, he added.

Last year, the government initially provided around Rs 400 crore for RoSL and some of the claims pertaining to 2016-17 are being settled this year.

Garment exporters, however, have asked the government to review the interim rate, saying the reduction in relief will adversely impact apparel exports.

The Apparel Exports Promotion Council (AEPC) said they have asked the finance ministry to restore the RoSL rate at 3.9%. It also wants the overnment to allow input tax credit on the GST paid on job work and stock transfer where drawback isn't available.

Recently, the textiles ministry made it mandatory for exporters to give a declaration and certificates in a prescribed format for seeking the duty drawback.

However, in a letter to GK Pillai, chairman of the drawback committee of the finance ministry, AEPC chairman Ashok G Rajani said the declaration and certificates will raise exporters' compliance burden, as well as transition cost.

This is because GST has been rolled out only from this month and the offices are not yet fully ready to provide additional certificates.

Recently, Rajani said as many as 80% beneficiaries of the RoSL scheme are exporters with a turnover of less than Rs 10 crore per year. Apparel exports have been registering double-digit growth since the start of the disbursement of RoSL (around December last year).

During March and April, garment exporters were able to increase production by around 30% and employed at least 5% more workers during the same period, according to Rajani.

Source: financialexpress.com- July 30, 2017

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Trade policy forum meeting between India, US unlikely to be held this year

In what may contribute to growing uncertainty in trade ties between India and the US, the annual bilateral trade policy forum (TPF) meeting between the two countries is unlikely to be held this year, amid a growing feeling in the US that such high-level talks have not delivered intended results.

Established in 2005, TPF seeks to resolve outstanding bilateral issues between the two countries and promote trade and investment through focused discussions under various working groups such as on agriculture, tariff and non-tariff barriers, services, investment and innovation.

The 10th TPF was held in New Delhi between India's trade minister Nirmala Sitharaman and then US Trade Representative (USTR) Michael Froman in October last year.

"The US is yet to appoint senior officials in its trade department including deputy USTR with whom details could be discussed. Since the Trump administration is focused on domestic issues right now, we don't think the TPF meeting which is usually held in October can take place this year," an Indian commerce ministry official said on condition of anonymity.

The two sides in the recent past have been engaged in trade disputes at the World Trade Organization over issues such as solar panels, poultry and steel while the US has repeatedly complained against India's "trade restrictive" policies in pharmaceuticals, information technology and intellectual property rights, among others. India has maintained that it abides by the internationally acceptable standards in all such matters.

In a letter written to president Donald Trump ahead of Prime Minister Narendra Modi's visit to the US last month, four US senators said high-level discussions under strategic and commercial dialogue (S&CD) and TPF have not resulted in the elimination of major trade and investment barriers or even deterred India from imposing new barriers, urging Trump to raise the matter with Modi.

"As a result of India's persistent failure to enact market-based reforms and resolve significant and discriminatory impediments to trade and

investment, the US and India economic relationship severely underperforms," they wrote.

In turn, Trump, during his meeting, urged Modi to do more to relax trade barriers. "It is important that barriers be removed to the export of US goods into your markets and that we reduce our trade deficit with your country," he said, seeking a trade relationship that is "fair and reciprocal".

India had a trade surplus of $20 billion in 2016-17 with exports of over $42 billion to the US during the same financial year.

Indian observers were disappointed as the joint statement after the bilateral meeting did not acknowledge India's concern regarding H1B visa restrictions.

"The United States and India plan to undertake a comprehensive review of trade relations with the goal of expediting regulatory processes; ensuring that technology and innovation are appropriately fostered, valued, and protected; and increasing market access in areas such as agriculture, information technology, and manufactured goods and services," the joint statement said.

Biswajit Dhar, professor of economics at the Jawaharlal Nehru University said the trade relationship between the two countries under the new US establishment is likely to be a problematic one with Trump's sole focus on increasing exports.

"India needs to tell the US government that it is not manipulating its policies to favour any particular country, rather letting the market forces work.

If the US companies are not able to export more to India, then they need to think over their competitiveness. India cannot put any voluntary export restraint on its shipments to the US to reduce its bilateral trade surplus," he added.

Source: livemint.com- July 31, 2017

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Hyderabad blues

The recent RCEP meeting there was an example of how talks should not be conducted

India has become rather secretive about its negotiating stance in the Regional Comprehensive Economic Partnership (RCEP) — a trade bloc of 16 countries (Asean plus Japan, China, South Korea, India, Australia and New Zealand) which accounts for over 40 per cent of the world's population and output.

If the outcome of the Hanoi meet held about two months back was unclear, the recently concluded Hyderabad meet has left stakeholders in the dark. Surely, this is no way to conduct discussions on tariff lines for farm and industry products, e-commerce, intellectual property, the opening up of services and government procurement, impacting the livelihoods of millions of people.

Apart from an observation by the commerce secretary to a section of the media (the commerce minister was not present at the meeting) that 'there was enough political will to expedite the conclusion of the talks', perhaps indicating that India wouldn't walk out, no specifics were forthcoming.

This is disconcerting in view of reports in the wake of the Hanoi meeting, which were neither confirmed nor denied by the Government, that India had agreed to 80 per cent free tariff lines (with a deviation of 6 per cent either way) against the demand of 92 per cent. This set off alarm bells in sections of industry and farmers' organisations, which turned out in large numbers at the 'alternative' groupings in Hyderabad.

The earlier three-tier formula of offering 80 per cent free tariff lines to Asean (keeping the FTA status quo), 65 per cent to Japan and Korea and 42 per cent to China has evidently been dropped. There are no indications that India has secured any gains on services, supposedly its bargaining chip for allowing more market access.

The Centre must explain the progress of its talks and the rationale of its positions. It should take stakeholders into confidence — ranging from business chambers, big and small, farmers' organisations and dairy cooperatives — before it sets off for the next round of talks in September.

Fears pertain in particular to opening up industrial sectors to China — India's largest trading partner with whom it already runs a trade deficit of over $50 billion, or about half of India's total trade deficit — besides the dairy sector to Australia and New Zealand.

That India's FTA experience with Asean has not been a happy one has been acknowledged by the commerce ministry and the *Economic Survey 2015-16*. India's trade deficit with Asean has tripled to about $15 billion after the FTA was signed in 2010, whereas exports at about $25 billion are virtually stagnant, after rising to well above $30 billion in the intervening years. Imports of not just palm oil and coal, but chemicals, iron and steel, rubber, plastics and chemicals have impacted vast sectors of the economy.

This is not to argue against trade liberalisation per se, but to negotiate market access on our terms. While spurring competitive forces, India needs to put a better price on its large market and skilled workforce.

Source: thehindubusinessline.com- July 31, 2017

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How to make GST work for small firms

How will the Goods and Services Tax change matters for the 5-crore plus informal and small enterprises? Will they grow and join the formal sector? Or will the businesses shrink as tax exemptions come down? Many small businesspersons feel that expanding the scope of concessions offered is necessary for survival and growth.

The GST package for small firms has two options. Those with annual turnover of up to ₹20 lakh (10 lakh for north-eastern States, Himachal Pradesh, J&K, and the UK) may remain outside the tax net. For slightly bigger firms with turnover less than ₹75 Lakh (50 lakh for the NE, HP), the GST allows a low tax option called the composition scheme by which firms can pay tax at a low 1-2 per cent and file four returns a year. This looks good as a regular dealer pays an average of 18 per cent GST and files 37 returns a year.

Many are not happy with this package. They feel these concessions come with so many conditions that they are no more an option for a growing firm.

Restricting conditions

1 *Low exemption limit*: Is the ₹20-lakh annual turnover limit for opting out of the GST net adequate? Consider an example. A grocery shop owner selling goods of value ₹2 lakh a month would not qualify for the exemption as his annual turnover crosses ₹20 lakh.

Now, guess his take-home income. Considering 10 per cent margin on sales, his monthly income would be a low ₹20,000. Forget his expenses on electricity, other charges, and taxes that reduce his income further. Do we expect a person earning about ₹15,000 a month to join GST as a regular dealer and file 37 returns online every year?

2 *No composition scheme to service sector*: So, shopkeepers, motor garage owners, transporters, storage and warehouse owners, and everyone else except restaurateurs do not have the low tax option.

The service sector comprises 70 per cent of all MSME units. They are big employment and value creators. The irony is that many of them, whether a shopkeeper or garage owner or laundryman, already face stiff competition from app-based service providers flush with VC funds.

3 *No export-import business*: Even if a firm's annual turnover is less than ₹20 lakh, it must register as a regular dealer to export or import. No registration would lead to loss of business for a lakh small firms that contribute over 40 per cent of India's exports.

4 *No sale on e-commerce websites*: A small firm must register as a regular dealer to sell. This condition will affect more than 50,000 entrepreneurs selling through eBay, Flipkart or Amazon, and other e-commerce websites. They could be housewives, students, small traders, retired army personnel, small craftspersons, or manufacturers.

Low risk and low investment make selling on e-commerce sites safe and attractive.

No wonder e-commerce is propelling an entrepreneurship boom in small cities. The e-commerce provisions have not become operational yet.

5 *No sale to other States*: A composition dealer cannot sell to other States. Earlier, large firms purchased from small firms of the same State to avoid paying Central Sales Tax, which was payable on purchases from other States.

But under GST, large firms are free to source from any State as they get input tax credit on such supplies. So small firms face double trouble. They may lose their existing customer base. Also, they cannot supply to other States.

6 *Loss of orders from large firms*: If one regular GST-registered firm buys from another GST-registered firm, the seller pays the tax and the buyer gets the input tax credit. But, if such firm buys from an unregistered firm or a composition dealer, the buyer has to pay tax. As this increases the buyer's compliance burden, he would avoid a non-registered firm.

Reluctant dealers

An inspector will knock on the doors of a garage owner with sales of ₹2 lakh a month unless he registers as a regular dealer. Others may expect a similar fate. Why then are small firms reluctant to enrol as regular dealers? There are two reasons for this.

For one, tax liability shoots up on registration. Consider an example. Pre-GST, a small firm making a product that attracted central excise duty @12.5 per cent and VAT @ 5 per cent paid only VAT as manufacturers with turnover below ₹1.5 crore were exempt from central excise. Now, if such a firm registers as a regular dealer, his liabilities shoot up from 5 per cent to 18 per cent. For large firms, tax liabilities remain more or less the same.

For another, there is the high cost of regulatory compliance. A regular GST dealer must file 37 returns for each State in which it operates. He also must keep records, meet audit requirements. The small turnover does not justify high compliance costs. Also, most dealers are not tech savvy. In order to enter the GST regime, they need expert help and a mind-set change.

Way out

Two actions will help small firms. One, an increase in the GST exemption limit from the current ₹20 lakh to ₹1 crore will free them from the tax burden so that they focus on growth and job creation. This step would be broadly tax neutral if we factor the earlier available ₹1.5-crore central excise exemptions.

Two, free small firms to do all the business large firms are allowed to do. Concessions should extend to exporters, inter-State sales and transactions on e-commerce websites.

Source: thehindubusinessline.com- July 31, 2017

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Whitefly pest sighted in Punjab cotton producing districts

With whitefly sighted in the cotton belt districts of Punjab due to the prevailing hot and humid weather conditions, the Agriculture Department has asked farmers to keep a vigil, besides running awareness and training campaigns to combat the threat.

"The next 15-20 days are critical. We have noticed whitefly in the State's cotton belt and if the current hot and humid conditions with dry spell continue, then there is a reason to worry," Punjab Agriculture Department Director Jasbir Singh Bains told *The Hindu* .

Mr. Bains, however, said the pest is currently below the economic threshold level and the situation was not alarming, but farmers should keep a vigil on the crop.

In Punjab, cotton is mostly grown in Bathinda, Faridkot, Mansa and Muktsar districts and after sighting the pest across these regions, the agriculture officials and experts are gearing up to deal with the situation.

With the State farmers planting more cotton this season, Chief Minister Capt Amarinder Singh had last week ordered the Agriculture Department to launch an aggressive campaign to prevent damage to the crop.

Increased area

The area under cotton in Punjab has increased to 3.82 lakh hectare this season against 2.85 lakh hectare last year.

“We have deployed 500 scouts and 50 field supervisors to conduct a survey twice a week in each cotton growing village. Besides, awareness and training camps for farmers are also being held,” said Mr. Bains.

He added that certain trees and vegetable fields serve as host plants for the whitefly, on which the officials are keeping a watch and farmers should not panic at this stage.

To combat the whitefly threat, an inter-State consultative and monitoring committee has also been set up under the chairmanship of Punjab Agriculture University vice-chancellor. Farm scientists from Haryana and Rajasthan are members of the committee.

India Cotton Association president Rakesh Rathi said that cloudy weather without rain increases growth of whitefly and jassid as well.

Source: thehindu.com- July 31, 2017

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