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IBTEX No. 104 of 2017 May 24, 2017

USD 64.91 | EUR 72.55 | GBP 84.15 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19983	41800	**82.10**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
20980	43885	**86.20**

International Futures Price

NY ICE USD Cents/lb (July2017)	77.22
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**87.45**
Cotlook A Index – Physical	**89**

Cotton guide:

Yet another day cotton price slipped at ICE platform for both July and December contract. The July future ended the session lower at 77.22 cents down by 115 points from the previous close.

Market has been incessantly declining for the past seven consecutive trading sessions from the recent high of 87.18 and now back to the level where actual rally had started.

Now market would be more cautious with 76.17 being very critical support levels to watch for.

For knowledge; last time market had respected the 100-day SMA where price had rebounded and today morning cotton for the aforementioned contract is seen trading at 77.18 cents near the same moving average.

We will be careful and need to watch the market behavior very critically incase cotton might rebound. There are two possibilities coming out at the current juncture. A) Price may respect the 100-day SMA and rebound sharply later today's trading session. B) Market may break down the suggested support level of 77 and fall down all the way straight to 76.17 levels.

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

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INTERNATIONAL NEWS

TPP Will Forge Ahead and the US Won't Rejoin It

Though TPP remains dead for the United States, it's still very much alive for the 11 remaining Pacific Rim countries that have agreed to carry it forward.

At a meeting in Vietnam Sunday, Pacific Rim trade ministers committed to pressing ahead with the TPP without the U.S.

As New Zealand trade minister Todd McClay said, according to the Associated Press, "It's clear that each country is having to consider both economic values and strategic importance of this agreement, but in the end there is a lot of unity among all of the countries and a great desire to work together to come up with an agreement among 11 that not only delivers for all of our economies and the people of our countries, it's also open to others in the world to join if they can meet the high standards in the TPP agreement."

Source: vampfootwear.com- May 22, 2017

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EU Grants Duty-Free Treatment to Sri Lankan Apparel

The European Union has reinstated Sri Lanka to its GSP+ program, a special arrangement under the Generalized Scheme of Preferences aimed at encouraging sustainable development and good governance.

As a result, effective May 19 all textile, apparel, and other products from Sri Lanka may enter the EU duty-free provided they comply with the applicable GSP origin rule (which is generally fabric-forward in the case of apparel).

Sri Lanka was removed from GSP+ in 2010 due to its failure to address reported human rights violations. In 2015, the new Sri Lankan government set out a path of major reforms aiming for national reconciliation, respect of human rights, the rule of law, and good governance principles as well as sustainable economic development.

The EU said in a statement that it will continue to rigorously monitor Sri Lanka's progress in these areas in close cooperation with all stakeholders.

In addition to Sri Lanka, GSP+ currently includes Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, Paraguay, and the Philippines.

Source: strtrade.com- May 24, 2017

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Japan to help India increase exports by improving textile quality

Japan is a major textile importing country with almost 97% of their textile requirement being sourced through imports in which India accounts for just 1.24% and hence it is looking to expand its share of the Japanese textile market by getting its government to pitch in and help Indian exporters by improving the testing standards and better understanding the requirements of their customers.

Kick-starting the initiative, the Centre held a workshop in association with Japanese quality regulator QTEC. Subrata Gupta, joint secretary in the textiles ministry said that the idea is to change the "mindset" and "enhance" the quantum of textiles exports to Japan.

The association with QTEC is important in view of the fact that India's exports have been going down compared to countries like Bangladesh and Vietnam. For instance, it could only notch up $40 billion in revenues from textile exports as against a target of $47.5 billion set in 2015-16.

The association with QTEC is expected to not only expose Indian exporters to quality expectations from Japanese buyers but also help the textile ministry give a push to overall exports.

Ajit B Chavan, secretary, textiles committee said that once the Indian exporters understood the requirements of the Japanese market would not be difficult to facing the competitors although the Chinese presence is likely to be an obstacle .

This is the first of many other measures they plan to increase exports to Japan, which is one of the major textile importing countries. It's a market which has tremendous potential for India.

Source: yarnsandfibers.com- May 23, 2017

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Australia and Peru to begin negotiating free trade agreement

Australia plans to start negotiating a free trade deal with Peru as part of a new Australian push to open Latin American markets for beef, wheat and wine exports.

Trade Minister Steven Ciobo and his Peruvian counterpart, Eduardo Ferreyros, planned to begin negotiations Wednesday, the Australian minister said.

He said Australian exporters are at a competitive disadvantage in Peru because exports from the United States, Canada and the European Union enjoy duty-free access under various trade deals.

“Australians traditionally look north to Asia when expanding offshore, but there are also massive opportunities to our east in Latin America,” Ciobo said in a statement.

Australia has a free trade deal with Chile that began in 2009.

Australia has agreed to join Chile, Peru and Mexico in the Trans-Pacific Partnership, but that trade grouping has been jeopardized by President Donald Trump’s decision to pull the United States out.

Australia last week started negotiating a free trade deal with Hong Kong. That would complement Australia’s pact with mainland China, which took effect in 2015.

Australia also has free trade deals with the United States, Japan, South Korea, Singapore, Thailand, Malaysia, the ASEAN group of Southeast Asian nations, and New Zealand.

Source: seattletimes.com - May 23, 2017

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Disagreements surface over China-backed trade deal

Disagreements between Asian countries over a China-backed free trade deal surfaced at talks on Monday, raising questions over a target for concluding negotiations by the end of the year.

The Regional Comprehensive Economic Partnership (RCEP) would create a free trade area of more than 3.5 billion people, bringing together China, India, Japan, South Korea, Australia and New Zealand as well as Southeast Asian nations.

The RCEP talks, which began in 2012, have been given new impetus by the U.S. withdrawal from the Trans-Pacific Partnership (TPP) Agreement.

But officials involved in the talks say the target to complete the discussion stage by year-end may be hard to meet given disagreements over several issues. India in particular is reluctant to give up on tariffs, they say.

"They are concerned that major tariff elimination will cut revenue and their competitive position, especially against China," said one official who did not want to be identified as the talks were private.

Another official also said India's position posed the biggest challenge in Monday's ministerial talks.

The main focus of RCEP is reducing tariffs although not as many would be cut to zero as under the TPP agreement.

Coverage of services and the digital economy are more modest than for the other agreement and it would have no protection for labor rights or the environment. Moreover, while it might have provisions for greater freedom of movement, this is one of the potential sticking points in discussions.

"We are making progress but there's still a long way to go," New Zealand Trade Minister Todd McClay told Reuters. "There is a renewed desire to find a way to a high quality outcome. But it's going to take a lot of hard work to get it done by the end of the year."

Monday's meeting in Hanoi followed heated discussions there at the weekend at the first gathering of trade ministers from Asia Pacific Economic Cooperation (APEC) countries since U.S. President Donald Trump's switch to an "America First" agenda.

APEC countries failed to come out with their usual joint statement after the United States rejected language on fighting protectionism which Asian countries wanted to include.

Members of the TPP trade deal, which does not include China, agreed on the sidelines of the meeting to pursue it despite Trump's decision to abandon the agreement in favor of bilateral arrangements with Asian countries.

The RCEP and TPP trade deals are not mutually exclusive and some countries would be members of both. But the U.S. withdrawal has put major doubts over the future of the TPP agreement.

RCEP, on the other hand, benefits from the backing of China, whose regional dominance has gained greater momentum with the policy shift in the United States and its own Belt and Road initiative to extend its global influence. China has increasingly positioned itself as a global free trade champion.

"We are at the stage where it has become important for all of us to show political willingness to move RCEP discussions forward especially in light of the trend in some parts of the world where the threat of protectionism is really considerable," Philippines trade minister Ramon Lopez said.

Source: reuters.com- May 22, 2017

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Pacific Alliance looks to Asia as NAFTA, TPP face uncertainty

Pacific Alliance countries are in talks to expand the trade bloc outside Latin America and into high-growth Asia as the future of established deals, such as NAFTA and the evolving Trans-Pacific Partnership (TPP), hang in the balance, officials from Mexico and Chile told CNBC at the sidelines of the Asia-Pacific Economic Cooperation (APEC) meeting in Hanoi, Vietnam.

Talks aimed at widening the six-year old "Alianza del Pacifico" (Pacific Alliance), the world's eighth-largest economic block and exporter, are at an exploratory stage, but have taken on an more urgency since U.S. President Donald Trump withdrew from the TPP, leaving the remaining members scrambling to rescue the deal or forge new partnerships.

Mexico's economy minister said though member states were committed to resuscitating the TPP, with or without the U.S., they didn't want to squander years of effort building trade relations with Asia.

"It is in the best interest of Mexico to be linked to the Asian economies," said Mexican Economy Minister Ildefonso Guajardo. "We are now creating a new membership...in order to not waste the negotiating capital we have invested in TPP."

Deborah Elms, executive director of the Asian Trade Centre, said though Pacific Alliance members are trying to widen the appeal of the bloc, it was "big on rhetoric, short on deliverables."

Attempts to engage a larger membership may be motivated by obstacles preventing cross-border trade within their own region, Elms said.

"For countries like Chile, they live in a difficult neighborhood," she explained. Mercosur, the far older South American economic and political bloc, "has been stuck and protectionist forever.

This has left Chile unable to craft a sensible trade strategy in the region. They have instead struck out on their own and signed agreements with anyone else who is willing and started down the Pacific Alliance path to help them cope with their problem."

Chile's head of international trade, Paulina Nazal Aranda, said the Pacific Alliance may name new countries that may join the bloc at its summit next month in Cali, Colombia.

"It's well known that New Zealand and Australia are in the top list for us to initiate this kind of process," Nazal said. Both counties are "perfect candidates," she said, as "they have high quality standards" and negotiations can be completed "in the short term."

Though concrete benefits may be hard to discern immediately, Australia's Minister for Trade, Tourism and Investment, Steven Ciobo, told CNBC that his country had held "good discussions" with the Pacific Alliance over the past 12 months.

This was part of a broader plan to pursue "bilaterals, plurilaterals and multilaterals," Ciobo said. "All I can say to you is watch this space."

New Zealand is also looking eastward toward South America.

"I've formally written to the Pacific Alliance members requesting that New Zealand become an associate member," New Zealand Trade Minister Todd McClay said in an interview with CNBC on Sunday. "We see South America, along with Mercosur, with Europe, with Asia, our relations with the U.S. as very important to New Zealand trade policy."

Source: cnbc.com- May 22, 2017

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Inaugural summit to boost trade among India and the Commonwealth

Business leaders and high-level policymakers will join forces for the first India-Commonwealth Small and Medium Enterprises (SME) trade summit.

Three hundred Indian firms and more than 100 businesses from across the Commonwealth will be in one room in Delhi on the 30 and 31 May 2017 to enhance trade and investment partnerships.

“The Commonwealth has some of the fastest growing countries in the world. In fact, growth over the past two decades is more than double that in the European Union,” said Deputy Secretary-General Deodat Maharaj. “But intra-Commonwealth trade amounts to only 17 per cent of Commonwealth members global trade, and services trade has a much smaller share, only one-quarter of the total intra-Commonwealth trade. This is where the summit could help.”

Growth in the Commonwealth has accelerated over the past two decades recording 5 per cent in 2015 compared to less than 2 per cent in the EU. Since 2005 the share of the Commonwealth in the world’s gross domestic product (GDP) has increased and has overtaken the share of the EU. The growth in the Commonwealth is also supported by strong favourable demographics.

The Commonwealth Secretariat’s head of trade competitiveness, Rashmi Banga said, “The summit will bring together high-level policymakers and business leaders from Commonwealth member states to identify existing trade and investment opportunities.

“It’ll be an ideal opportunity for them to discuss ways to harness the huge untapped potential as well as common interests and concerns on topical trade issues.”

Among the topics to be discussed are Brexit, deepening intra-Commonwealth trade, trade facilitation in services and cross-border e-commerce.

“What’s exciting and different about this summit,” continued Mr Maharaj, “is that the high-level policymaker’s plenary sessions will be followed by business-to-business meetings between Commonwealth companies. Desks will be allocated to registered firms for business meetings with interested trade partners. They’ll be pitching to one another for bilateral business opportunities.”

A Commonwealth SME cooperation framework will be discussed by high level policymakers and association heads, leading to a declaration on the possible way forward.

Business will be focused in sectors. For example, textiles and clothing; gems and jewellery; leather and leather products; agro-processed products; low-tech machineries and mechanical appliances; packaging; and information and communication technology; to name but a few.

At the same time, the Technology Platform will give opportunities to Commonwealth businesses to make a presentation of their latest inventions that they want to sell. Companies are being encouraged to share low-cost technologies, and green technologies in particular, within the Commonwealth.

The Innovation Platform, sponsored by the Haydn Green Institution for Innovation and Entrepreneurship (HGI), in partnership with University of Nottingham in the UK, will provide an opportunity to Commonwealth businesses to present their ground-breaking ideas. This is the ideal showcase for start-ups, young entrepreneurs and students to try to commercialise their innovative ideas.

The summit is the first, and a unique, opportunity for Commonwealth countries to bring their strengths together, to deepen their trade and investment engagement and increase their share of the global trade pie.

Source: thebahamasweekly.com- May 23, 2017

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Pakistan: Textile, clothing exports record nominal decline

Pakistan’s textile and clothing exports fell 0.92 per cent year-on-year to $10.29 billion in July-April mainly because of lower proceeds from raw material and low value-added products, such as cotton yarn and fabrics.

Data released by the Pakistan Bureau of Statistics on Monday showed the decline in export proceeds was also evident in rupee terms.

Exports of value-added products grew during the 10 months in terms of both value and quantity.

Product-wise details show exports of readymade garments rose 5.34pc while those of knitwear dropped 0.17pc in July-April. Exports of bed-wear edged up 5.01pc while those of towels fell 4.38pc.

In primary commodities, exports of cotton yarn witnessed a year-on-year decline of 3.68pc while those of cotton cloth and yarn (other than cotton) dropped 5.73pc and 29.48pc, respectively.

Exports of made-up articles, excluding towels, increased 1.18pc and those of tents, canvas and tarpaulin grew 56.22pc. Proceeds from art, silk and synthetic textile exports declined 29.70pc while exports of raw cotton also recorded a year-on-year decline of 47.58pc.

One reason for the decline in Pakistan's textile exports is that the preferential access to the European Union under the GSP+ scheme hasn't boosted proceeds due to a slump in demand.

In April, the value of exported textile and clothing products fell 0.41pc year-on-year to $1.025bn.

Overall export proceeds in July-April were down 2.29pc to $16.91bn.

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

Jan 15 onwards, the government has not only increased the rebate to 7pc for readymade garments, but also allowed cash support of 4pc on yarn and grey cloth under a Rs180bn package announced by the prime minister.

Food, oil imports: Pakistan's food, oil and machinery import bill rose nearly 31pc year-on-year to $23.71bn in the first 10 months of the current fiscal year.

The share of these products in Pakistan's total import bill in July-April was 55pc, which is putting more pressure on the country's balance of payments. The trade deficit is widening as the overall import bill has been on the rise since the start of 2016-17.

Overall petroleum imports increased 31.3pc to $8.76bn. Of these, imports of petroleum products went up 32.42pc to $5.49bn in the 10-month period. An increase of 6.63pc was recorded in the import bill of petroleum crude.

The import bill of liquefied natural gas surged 129.17pc while that of liquefied petroleum gas recorded growth of 35.59pc.

The second biggest component in the import bill was food commodities whose imports rose 16.68pc year-on-year to $5.09bn in the first 10 months of 2016-17.

This increase has been attributed to massive imports of palm oil worth $1.55bn followed by 'other' food items $1.70bn, pulses $834.45 million and tea $452.28m. Imports of dry fruits and milk products also grew during the period under review.

The import bill of machinery surged 39.25pc to $9.85bn mainly because of power-generating machinery, followed by office, textile, construction and electrical machinery.

However, negative growth was witnessed in the import bill of the telecom sector because of an increase in the import duty on mobile phones and other apparatus.

Economic managers are trying to control the impact of an increase in capital goods' imports under the China-Pakistan Economic Corridor.

The State Bank of Pakistan (SBP) recently imposed 100pc cash margin on the import of a number of items. This means banks now require importers to furnish foreign currency for the full purchase amount in advance on about 400 imported consumer goods, including vehicles, mobile phones and home appliances.

Source: dawn.com- May 22, 2017

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Switzerland: Textile machinery segments shipments vary in 2016: report

Shipments of new textile machinery segments in 2016 vary, according to the 39th annual International Textile Machinery Shipment Statistics (ITMSS), by the International Textile Manufacturers Federation (ITMF). The report covers six segments of textile machinery, namely spinning, draw-texturing, weaving, large circular knitting, flat knitting, and finishing.

Deliveries of new long-staple spindles and open-end rotors soared by nearly 111 per cent and 66 per cent, respectively from 2015 to 2016. The number of shipped short-staple spindles decreased in 2016 by 12 per cent compared to the previous year. The number of shipped draw-texturing spindles fell by 14 per cent and shipments for new circular knitting machines by 3 per cent year-on-year. In contrast, deliveries of electronic flat knitting machines soared by 99 per cent in 2016. In the segment of finishing machines (fabrics continuous), the number of stenters increased in 2016 year-on-year by 22 per cent.

Shipments to China, the world's largest investor in open-end rotors, increased its investments significantly by around 92 per cent in 2016. In contrast, regions such as North America and South America recorded annual percentage declines of 72 per cent and 53 per cent, respectively. The world's second and third largest investors in 2016 were India and Turkey.

Global shipments of single heater draw-texturing spindles (mainly used for polyamide filaments) jumped by 608 per cent from over 1'200 in 2015 to nearly 8'500 in 2016. With a share of 57 per cent Asia is the region where most of the single heater draw-texturing spindles were shipped to, followed by Western Europe with a share of 24 per cent and South America with a share of 19 per cent.

In the segment of double heater draw-texturing spindles, global shipments fell by 17 per cent on an annual basis to over 268'000 spindles.

Asia's share of worldwide shipments amounted to close to 84 per cent. Thereby, China remained the largest investor accounting for 58 per cent of global shipments.

In 2016, worldwide shipments of shuttle-less looms increased by 4 per cent to 84’700 units. Thereby, shipments of air-jet and water-jet shuttle-less looms increased by 15 per cent (to 22’900) and by 6 per cent (to 31’800), respectively. In contrast, rapier/projectile shuttle-less looms decreased by 6 per cent to around 30’000 units.

Global shipments of large circular knitting machines fell slightly by 3 per cent to a level of around 26’200 units in 2016. Also for this category, Asia is the world’s leading investor. 87 per cent of all new circular knitting machines were shipped to Asia in 2016. With 43 per cent of worldwide deliveries, China was the single largest investor. India and Bangladesh rank second and third with 4’200 and 2’200 units, respectively.

In 2016, the segment of electronic flat knitting machines soared by 99 per cent to around 139,600 machines, the highest level ever. Asia received the highest share of shipments (94 per cent). China remained by far the world’s largest investor for flat knitting machines in 2016. Thereby, Chinese investments increased from 35’500 units to 101’550, a global share of 73 per cent.

In the segment fabrics continuous shipments of some machine types increased in 2016 like dyeing-lines (CPB), sanforizing/compacting machines or stenters. In contrast, shipments of washing machines (stand-alone), bleaching-lines, mercerising-lines and relax drying/tumbling machines decreased. In the segment fabrics discontinuous shipments of air-jet dyeing and jigger/beam dyeing machines fell, whereas those of overflow dyeing machines rose.

Source: fibre2fashion.com- May 23, 2017

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NATIONAL NEWS

Textile sector to create 1 crore jobs, package for knitwear soon: Smriti Irani

New Delhi-The textile sector in the country aims to generate over 1 crore jobs, this will be possible since the sector is likely to experience a fresh boost under the new and ongoing initiatives of the government, Smriti Irani, Union Minister for Textiles announced recently.

Also the ministry is in process of formulating a package for the knitwear sector in the country as there have been reports of financial stress in the sector due to outdated technology and lack of automation making it difficult for the Indian industry to compete in the international market.

The Minister during a press conference on the completion of the three years of the government highlighted the achievements of her ministry. She informed that the textile ministry has successfully sanctioned over 19 new textile parks. This includes the setting up of garments industry in the North-Easters region of the country.

She further informed that there have been investments of more than 6,400 crores in her sector which has helped generate over 50,000 fresh jobs. So far over 45 million people find employment in the textile sector.

Commenting upon policy formation, the Minister said that under the 'Mygov.in' initiative of the Government, the policies are now made taking in consideration valuable inputs from different stakeholders through the e-portal.

Irani further spoke of the Integrated Skill Development Scheme (ISDS) of the government that aims to skill the workforce in the sector. In the last three years, 7.75 lakh individuals have been trained in partnership with government and industry.

She also spoke of the Textile India Summit scheduled for next month that aims to connect the Indian textile industry with the international businesses and other stakeholders. The summit will take place in Gandhinagar and Prime Minister Narendra Modi will inaugurate the event.

Source: knnindia.co.in- May 23, 2017

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Maharashtra state passes State GST bill

The Maharashtra Assembly has passed unanimously the State Goods and Services Tax (GST) Bill at a specially convened session of the state legislature. The three-day special session was convened to discuss and ratify the GST bill, to pave the way for its national roll-out on July 1. The Bill was passed on Monday, the last day of the special session.

"All political parties had unanimity over the GST Bill. Today (Monday), this supreme House has unanimously passed this bill. I thank the House for this," chief minister Devendra Fadnavis said, according to an agency report.

The Assembly passed two more bills, besides the State Goods and Services Tax Bill, during the session – that related to the compensation to local authorities and a bill on the existing laws to be repealed when the GST comes into effect, the report said. Maharashtra Finance Minister Sudhir Mungantiwar stated that the state government would ensure GST did not hamper financial autonomy of local self governance bodies, according to the report.

"The government has accepted the responsibility of compensation to local bodies for five years for the loss of revenue due to abolition of octroi and local body tax due to GST," he said.

Source:fibre2fashion.com- May 24, 2017

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RCEP: India upset over slow progress on services talks

Negotiations not keeping pace with discussions on goods'

India, which is in talks for the proposed mega-regional Free Trade Agreement (FTA) along with 16 other Asia Pacific nations, has expressed disappointment over the inadequate progress in talks on services trade liberalisation especially for facilitating easier movement of professionals for short-term work in these countries.
Slowdown, job losses

Following economic slowdown and the consequent job losses, most countries in the grouping have turned protectionist when it comes talks on norms to ease temporary movement of skilled workers, official sources said, adding that India fears that the issue is getting mixed up with immigration.

The negotiations for the FTA, officially known as the Regional Comprehensive Economic Partnership (RCEP), started in November 2012. It includes the 10 ASEAN member States and six nations that have existing FTAs with ASEAN — India, China, Australia, New Zealand, Japan and South Korea.

These nations have a combined GDP of about $24 trillion and a population of around 3.6 billion.

“Progress in negotiations on services is not keeping pace with the kind of progress seen in goods negotiations,” said Commerce Minister Nirmala Sitharaman, who led the Indian delegation to the third RCEP Inter-sessional Ministerial Meeting on 21-22 May 2017 in Hanoi, in which trade ministers of 15 other RCEP countries participated. Official sources said the talks are likely to stretch into the first half of 2018 as several aspects of goods, services and investment have not yet been negotiated. So far, four ministerial meetings, three inter-sessional ministerial meetings and 18 rounds of the Trade Negotiating Committee (TNC) at the technical level have been held. The nineteenth round of TNC meeting is scheduled in Hyderabad from July 18-28.

In return for eliminating or reducing tariffs on goods, India wants RCEP member countries to work toward liberalisation across all modes of services, including movement of professionals.

India, a leading services supplier with a large pool of skilled workers, is keen that the FTA ensures easier temporary movement of such professionals as well as an ‘RCEP Travel Card’ for business people.

Source: thehindu.com- May 24, 2017

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GST's tariff troubles

One of the main areas of litigation under the Central Excise Act is classification of goods under the detailed but over-exhaustive Central Excise Tariff. Among other things, tax tribunals and courts in India have debated at length whether parts of an air-conditioner are air-conditioners and whether a saree should be classified as a saree or a ready-made garment.

The devil was always in the details in winning these classification battles. A question that was popping up now and then was whether it was necessary to go down to the minutest detail in classifying tariff items.

Those many tariffs

Some months ago, the GST Council came to an agreement on four rates of GST; namely, 5 per cent, 12 per cent, 18 per cent and 28 per cent. The transition to GST provided an excellent opportunity to lawmakers to substantially shorten the Central Excise Tariff and fit the shortened tariff into these four rates. An easy way to do so would have been to fix GST rates on the Chapter Headings instead of going into the detailed contents of each Chapter.

Like in most other things in the GST law, the lawmakers have decided to use existing laws as the foundation on which to frame GST instead of thinking afresh. In fact, they have made it even more exhaustive by adding a classification list of more than 800 services classified into about 100 groups.

The new tax rates have generally pleased most people since essential items such as sugar, edible oil, normal tea and coffee attract a GST rate of 5 per cent while items such as cereals and jaggery have been exempted. Hair oil, toothpaste and soaps will be taxed at 18 percent, much lower than the present 28 per cent. The council was unable to come to an agreement on the rates of taxes for two highly sensitive sectors: gold and textiles.

While there was a general expectation that the tax rate on services would be 18 per cent, the council has allocated services among the four main rates of taxes. The other aspects of the service tax law such as exemptions and reverse charge have been carried over to the GST regime.

List of concerns

Wood features in all categories of taxes. Firewood, fuelwood and wood charcoal come in at 0 per cent; wood in chips or particles, sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms are taxed at 5 per cent; hoopwood, split poles, piles, pickets and stakes of wood (pointed but not sawn lengthwise), wooden sticks roughly trimmed but not turned, bent or otherwise worked, are at 12 per cent. Wood in the rough, wood sawn or chipped fall in the 18 per cent bracket and particle board, Oriented Strand Board and similar board (for example, wafer board) of wood or other ligneous materials fall in the 28-per cent bracket. The question is how many tax officers can identify with wooden sticks that are roughly trimmed but not turned or stakes of wood that are pointed but not sawn lengthwise?

Hair-splitting on such intricacies can lead to some unique situations; the prasadam given in temples is not taxed but the vessel in which the prasadam is given is taxed at 18 per cent. This has also resulted in errors: Tender coconut water put up in unit container and bearing a registered brand name appears in both the Nil and 5-per cent categories.

There was a school of thought that litigation under GST was a couple of years away. With the GST tariff in its present form, it is certain that litigation will commence from the very start itself.

Source: thehindubusinessline.com- May 24, 2017

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RCEP negotiations may drag on beyond 2017

Talks on the proposed Regional Comprehensive Economic Partnership (RCEP), which had earlier targeted a 2017 deadline, may drag on to the next year. This is because the member nations are yet to agree on tariff reduction for goods while discussions on services have hit a wall.

While the members had supported finalising the broad contours of the agreement by the end of the year, a senior government official said most chapters on goods trade have not seen full discussions. With even lesser progress made on services and investment talks, it is informally understood the discussions would spill over into 2018, the official, who wanted to remain anonymous, said.

RCEP is a proposed free trade agreement (FTA) between the 10 countries of the Association of Southeast Asian Nations (Asean) and six others with which this bloc has FTAs — Australia, China, India, Japan, South Korea, and New Zealand.

Negotiations, which formally began at the end of 2012, have been pushed by the Asean nations, which want to achieve meaningful progress on RCEP before the end of the year since 2017 is the 50th anniversary of the bloc's founding. The last ministerial meeting ended in Vietnam on Monday.

The members are expected to make their second round of offers on tariff reduction before the next meeting, scheduled to be held in Hyderabad on July 18-28.

India is willing to offer reduction on 80 per cent of all tariff lines with a six per cent deviation for nations, the official mentioned above said. Under this scenario, India may offer reduction in tariffs on 86-74 per cent of goods for nations, taking into account the gamut of trade with them.

Other nations have supported keeping the deviation to one-two per cent. But, richer nations such as New Zealand and Australia want a reduction on up to 92 per cent of all goods items.

On services trade, where India is primarily interested in securing greater market access and easing restrictions in the sector, it is especially looking at opening up issues under Mode 4, which deals with cross-border migration of services professionals.

On this note, the Commerce and Industry Minister said in Vietnam that Indian companies had created more than 100,000 local jobs in the RCEP countries, apart from cost savings and enhanced competitiveness, even with limited expatriate presence.

Discussions on services trade have affected by global protectionism in the sector.

The issue of investor state dispute settlement remains the most contentious issue for India regarding talks on investment.

For India, RCEP presents a decisive platform to influence its strategic and economic status in the Asia-Pacific region. Expected to be the largest regional trading bloc in the world, accounting for nearly 45 per cent of the global population with a combined gross domestic product of $21.3 trillion, it will also bring the biggest economies of the region into a trading arrangement.

Deadline to be missed
RCEP member nations had decided on a 2017 deadline for reaching a consensus on broad issues
But tariff reduction for goods is yet to see discussions on a majority of chapters
The scope of services trade talks is also under pressure

ource: business-standard.com- May 24, 2017

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Maharashtra cotton ginners repeat mentoring effort with farmers to improve cotton production

A year ago, around this time, cotton ginners in Maharashtra had begun an effort in the state 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. Where the yield was usually 8-10 quintals rose to more than 15 quintals. With sowing expecting to commence by May 30, the Khandesh Gin/Press Factory Owners Association has repeated the effort this year.

This is an effort to increase awareness among farmers and we have succeeded to some extent, Pradeep Jain, president of the Association said.

The logic is if the farmers produce better quality and quantity of cotton, the ginners also stand to gain. What made Jain more happy is the fact that for the first time, Maharashtra overtook Gujarat in terms of cotton production with a record yield of some 1 crore bales. Usually Maharashtra produces70-80 lakh bales. This year some 100 farmers are being taken on board for mentoring by the association that has roped in experts and stakeholders including more seed companies and fertiliser firms to advise farmers.
Our role will be to advise farmers, B D Jain, senior scientist who is coordinating the mentoring effort told FE.

While rainfed cotton seed varieties yield 8-10 quintals per hectare, irrigated cotton seed varieties yield around 35-40 quintals per hectare, he said, adding that the effort would be to focus on irrigated cotton seed varieties. This week, an initial effort has begun and next week onwards we shall chalk out a plan for the entire season on the mentoring effort, he said.

Around 13 talukas of Jalgaon district have been selected where 10-20 farm visits will be conducted. A team of technical experts has been constituted by the association that would advise farmers from time to time about the seed quality, fertilisers, nutrients and pesticides. The cost per acre comes up to `40,000 which will be borne by the farmer but the advice would come from the association. Last year, the association visited the Ahmedabad Textile Industry's Research Association (ATIRA) and Sircot in Mumbai.

ATIRA is an autonomous non-profit association for textile research. It is the largest of its kind in India for textile and allied industries and has memberships of ginning, spinning, weaving, process houses and composite textile units. After the visit, the association began to rope in experts and progressive cotton farmers in the Jalgaon region of Maharashtra where there is a high concentration of ginning units. These farmers will act as mentors and educate other farmers, Jain said. Jalgaon has some 4.5 lakh hectare under cotton and around 1,50,000 farmers cultivate the crop. Jain says if productivity improves by even 10-20% the effort will be a success. Maharashtra processes about 80 lakh bales annually.

Source: financialexpress.com- May 24, 2017

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Welcome GST, but is it finally a goodbye to tax sops, exemptions?

The initial idea of the goods and services tax (GST) was to have a uniform tax rate, simplify the compliance structure and thereby curb tax evasion. However, with every meeting of the GST Council, these objectives seem to get more distant.

For instance, contrary to expectations, four tax slabs were announced for services, which made the already complex GST more complicated.

Also, exemptions on a large number of services have been retained, at least for now—a contradiction to the finance minister's statements of keeping minimal exemptions under GST.

Items like alcohol and petroleum, which generate large revenues for states, are currently out of the ambit of GST. Exclusion of these items and real estate, a sector notorious for money laundering, defeats the purpose of GST.

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Sector	Major products	Current exemptions/Tax positions
Electronics	Mobile phones, tablet computers, LED televisions	Exemption on import of various parts for manufacture of mobile phones, tablet computers and LED televisions. Exemption on local procurement of parts for manufacture of mobile phones, tablet computers along with concessional excise duty on clearance of manufactured mobile phones and tablet computers in case input credit on inputs used in manufacture of such products have not been availed
Gems and jewellery	Jewellery, articles of silver jewellery, precious and semi-precious stones, synthetic stones and pearls	Exemption from excise duty on articles of silver jewellery (other than those studded with diamond, ruby, emerald or sapphire), precious and semi-precious stones, synthetic stones and pearls. Concessional rate of duty on articles of jewellery and parts of articles of jewellery in case input credit on inputs used in manufacture of such jewellery and their parts have not been availed
Leather	Raw hides and skins, leather and leather footwear	Concessional rate of excise duty on leather footwear
Medical equipment	Medical, surgical, dental and veterinary equipment	Concessional rate of duty on medical, surgical, dental and veterinary equipment and exemption to parts and accessories of the same
Textile	Yarns, nylon, articles of apparel and clothing accessories	Exemption from excise duty on clearance of certain textile goods such as yarn, nylon and all articles of apparel and clothing accessories (other than those bearing brand name or sold under a brand name and having a retail sale price of Rs1,000 and above) in case input credit on inputs used in manufacture of such products have not been availed
Medicines/ pharma	Bulk drugs, medicines	Exemption from excise duty on medicaments (including veterinary medicaments) used in biochemic systems and not bearing a brand name. Further, bulk drugs such as Streptomycin, Isoniazid, etc. have been exempted from levy of central excise duty

Source: PwC

One hopes that what happened in the case of services exemptions doesn't get repeated with goods too, and that tax exemptions and concessions that are currently enjoyed by the manufacturing sector would be a thing of the past.

An analysis by Gautam Khattar, partner, and Abhishek Singhania, manager (indirect tax) at PwC India, outlined the current tax exemptions and concessions, adding that these benefits will cease to exist once GST is implemented *(see table)*.

Evaluating the impact of waning tax benefits, Khattar said that despite the proposed tax rate being lower for the gems and jewellery sector, it is likely to be higher than the tax rate under the current regime. Also, removal of aforementioned benefits would result in higher prices for these products.

Similarly, prices of leather products, including footwear, will inch up.

As far as the textile sector is concerned, the government has not proposed any GST rate yet. “However, considering the (annual turnover) threshold limit of GST at Rs20 lakh, most people engaged in manufacture of fabrics or dying, printing, traders engaged in purchase and sale of fabrics, will be required to obtain registration and pay GST,” added Khattar.

Apart from item-wise exemptions, clarity is required on what happens to area-based excise exemptions that companies enjoy under the current tax regime, especially pharmaceutical firms.

Meanwhile, a decision on pending GST rules and tax rates for six crucial and contentious items, including gold, is likely to be reached on 3 June.

The clamour to retain tax exemptions by various industry associations started getting louder as the mid-May GST meeting approached. It now remains to be seen whether, in the case of goods exemptions, the government gives in to the pressure again.

Source: livemint.com- May 24, 2017

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