

IBTEX No. 243 of 2017

December 06, 2017

USD 64.42 | EUR 76.27 | GBP 86.51 | JPY 0.57

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
18023	37700	74.69
Domestic Futures Price (Ex. Gin), November		
Rs./Bale	Rs./Candy	USD Cent/lb
18920	39576	78.40
International Futures Price		
NY ICE USD Cents/lb (Dec 2017)		72.58
ZCE Cotton: Yuan/MT (Jan 2018)		15,150
ZCE Cotton: USD Cents/lb		88.24
Cotlook A Index - Physical		83.15
<p>Cotton & currency guide:</p> <p>Market was quiet on Tuesday's trading session both at domestic and global market. The domestic spot price of cotton in India traded at Rs. 38750 per candy ex-gin while price for new crop J-34 was slightly lower at Rs. 3978 per maund. Therefore, the futures contracts of cotton trades at MCX were also stable. For reference, MCX December future ended the session at Rs. 18920 down by Rs. 70 from previous close. More on the cyclone update the concern about the storm approaching Gujarat and Maharashtra appears to have settled somewhat.</p> <p>The weather system has now been downgraded from a cyclone to a tropical storm, and the prediction is that the heaviest of the wind and rain over the next two days will be confined to coastal areas, with minimal implications for cotton fields.</p>		

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Broadly market was quiet and the excessive gains in the futures price noticed this week has somewhat eased as stated above the December closing price was slightly lower than the previous close.

Further on the Indian market, according to the first set of arrivals data compiled by the Cotton Corporation of India for 2017-18, arrivals from the current crop since the beginning of the season amount to the lint equivalent of 6,929,450 bales (of 170 kilos); this compares with 4,662,100 recorded at the equivalent point last year. Most of the arrivals so far have been registered in Maharashtra, Gujarat and Telangana.

Coming to the world market, ICE cotton was relatively stable but moved in both side with March making a settlement at 72.51 cents per pound and the same is seen trading at 72.59 cents per pound. Market is holding strong resistance at the recent high of 73.50 cents and until that is cleared cotton price may continue to either trade sideways or may slip down towards a strong support of 71 cents. On the trading front, volume was 29,083 contracts on Tuesday. Even though cancelation talk continued, it seemed to be more of an inquisitive nature rather than talk of actual cancelations. Thursday's USDA Weekly Export Report may shed some light on the rumors.

Meanwhile cash sales continue, though seemingly at a slower pace. Inquiries have remained good. Price has been a sticking point. The well-sold crop to date has reduced some of the buying and selling urgency.

Overall we expect ICE cotton to remain steady and the upcoming weekly export sales data and the USDA monthly report shall give a fresh understanding on the market in the near future.

Currency Guide:

Indian rupee depreciated by 0.07% to trade near 64.43 levels against the US dollar. Rupee has weakened amid sell-off in global equity market amid uncertainty about Brexit and Trump administration. We are also seeing some position squaring ahead of RBI decision later today. RBI is expected to keep interest rate unchanged at 6% but focus will be more on future stance. Rupee may trade in a narrow range ahead of RBI decision but some depreciation is likely to weakness in equity market. USDINR may trade in a range of 64.3-64.6 and bias may be on the upside.

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

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INTERNATIONAL NEWS

Will Cambodia Become a More Challenging Place to Source Apparel?

Cambodia has been enjoying a relative climb up the manufacturing value chain, according to the World Bank, but the country's now facing a deteriorating political climate that has the potential to plague its growing garment industry.

Ahead of upcoming political elections next year, Cambodia's parties have grown increasingly divided and tensions are high. The country's current prime minister Hun Sen, of the ruling Cambodian People's Party (CPP) has faced recent criticism for clamping down on the opposition, on independent media outlets and on nongovernmental organizations.

Cambodia's Supreme Court voted last month to dissolve the opposition Cambodia National Rescue Party (CNRP) and ban more than 100 of its members from politics for the next five years, allegedly for collaborating with the U.S. to overthrow the Cambodian government. Most recently, Sen jailed opposition leader Kem Sokha, reportedly for the same treasonous acts.

U.S. relations with Cambodia have grown tense in recent months, as the U.S. imposed visa sanctions on the country for refusing to allow reentry to persons the U.S. is trying to deport. In November, Sen also accused the U.S. of trying to topple his government.

The opposition party has concerns that the ruling CPP isn't allowing for democracy and fears next year's elections will be illegitimate as a result. The pushbacks against the CNRP also come as the party was gaining favor in the country.

The strained political climate has provoked concerns over trade relations, and even the trade benefits Cambodia currently enjoys.

In a press briefing from the State Department following the dissolution, spokesperson Heather Nauert said, "We are gravely concerned that the Cambodian Government's decision to dissolve the Cambodia National Rescue Party, the CNRP—not only does that set back Cambodia's

democratic development, it unnecessarily damages Cambodia's relationship with the United States and others in the international community, it weakens Cambodia's economic growth and prosperity, and isolates the country further from democracies in the region."

This comes just after an August meeting where the U.S. and Cambodia discussed furthering their partnership under the Trade and Investment Framework Agreement (TIFA) in order to facilitate trade.

What's more, the European Union has alluded to rethinking Cambodia's trade status under its Everything But Arms (EBA) program, which allows Cambodia's garments and other exports to enter the EU duty free.

What it means for the garment sector

On Friday, the Garment Manufacturers Association in Cambodia (GMAC) sent a letter to the United Nations seeking continued support for its garment sector, which is the country's largest export industry. There's concern among manufacturers there that foreign buyers will cut back on sourcing from Cambodia in light of its political issues.

"We are just worried there might be some misunderstanding by the U.S. or EU about the decisions of our government," GMAC deputy secretary-general Kaing Monika told the Phnom Penh Post. "What we are trying to say is to caution people not to misunderstand the situation in Cambodia."

The letter reportedly went on to point out that Cambodian workers are happy with their recent 11 percent wage hike to \$168 per month, which they will earn as of January, likely pointing out that no labor unrest is expected among the already existing tension.

Monika seemed to think the EU would not pull Cambodia's trade privileges as part of EBA, but that it would not be entirely detrimental if it did.

"Even if we're going to lose it, we could still survive," he told the Phnom Penh Post. "It would just demote a level of competitiveness. I think it would be an opportunity as well for the country to reform in order to survive."

For the year to October, the U.S. imported \$2.18 billion worth of textiles and apparel from Cambodia, a 2.42% percent decline from the same period in 2016.

According to the World Bank's latest economic update on Cambodia, the country's exports of clothing and other textile products expanded in the first six months of the year, reaching \$3.3 billion, but that level of expansion may not continue.

"The value of exports grew at 5.4 percent year-on-year (y/y), down from 8.4 percent in 2016 with declining unit prices caused by rising competitiveness from other textile exporters," the report said.

"Cambodia's external competitiveness is being constrained by rising real wages and high logistics costs." Growth in footwear, among other non-apparel related industries, has at least helped offset the deceleration.

Separate from its present political woes, World Bank says the growth outlook for Cambodia is favorable, with real growth expected to reach 6.8% this year, and 6.9% next.

"Growth will continue to be propelled by export diversification and underpinned by healthy inflows of FDI. Rising government spending including public investment is also expected to drive growth," the report noted.

"The recovery in global trade is expected to strengthen. There are promising signs of diversification in the manufacturing sector, with the entry of high-value-added manufacturers..."

Source: sourcingjournalonline.com - Dec 05, 2017

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Egyptian delegation to visit Brazil to discuss trade

A delegation of Egyptian companies will visit São Paulo in Brazil for two days—December 7 and 8—to discuss trade with several companies, including Elktob Textiles and Almatex, which offer cotton yarn and fabrics.

The visit, organised by the Egyptian Commercial Services, will include authorities from the trade promotion organisation of the Arab country. On December 7, the visiting Egyptian delegation will attend meetings with representatives of various Brazilian government agencies and individual sector associations, a news agency reported.

The next day, the delegation will take part in a seminar on the free trade agreement signed by Mercosur and Egypt, which went into effect in September this year. There will be a business matchmaking with the Brazilian companies, after the seminar, which is being organised by the Arab Brazilian Chamber of Commerce.

During January-October 2017, Brazil imported cotton and cotton yarn worth \$6.7 million and another \$3 million of apparel from Egypt, according to the data from Brazil's ministry of development, industry and foreign trade.

Source: fibre2fashion.com - Dec 06, 2017

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USA: Walmart becomes part of Cotton Leads programme market

Walmart has become part of the Cotton Leads programme, supporting responsible production practices by cotton growers. Walmart joins more than 480 companies worldwide which recognise the environmental gains cotton growers in Australia and the US are achieving and their commitment to meet the challenge of growing cotton through sustainable practices.

“Cotton is a major ingredient in many of our apparel and home textile products,” explains Ken Lanshe, Walmart's vice president, General Merchandise, Technical, Quality and Sustainability.

“Through the Cotton Leads programme, Walmart hopes to learn from and collaborate on efforts that US cotton farmers are taking to be responsible and sustainable producers.

Our support for the Cotton Leads programme aligns with Walmart’s goal to sell products that sustain the environment.”

Walmart joins more than 480 companies worldwide which recognise both the environmental gains cotton growers in Australia and the United States continue to achieve and their commitment to meeting the challenge of growing sustainable cotton.

“The Cotton Leads programme is at the forefront of the world’s efforts for sustainably-sourced cotton,” says Mark Messura, senior vice president Global Supply Chain Marketing at Cotton Incorporated, a founding member organisation of the Cotton Leads programme.

“Joining with Walmart in the Cotton Leads programme brings the scale and commitment of an industry leader together with the leaders in cotton sustainability and responsibly-sourced cotton.”

Dr. Jesse Daystar, chief sustainability officer at Cotton Incorporated, notes, “Our leading efforts in the US and Australia are rooted in science, measurement and best practices. Companies that join the Cotton Leads programme are aligning themselves with an objective and valid approach to the sustainability challenge.”

Cotton Australia CEO Adam Kay states, “Whether it’s greenhouse gas emissions or soil health, cotton farmers are always looking to implement best practices and technologies so that we can continue to be careful stewards of the natural resources.”

Source: fibre2fashion.com - Dec 06, 2017

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Sri Lanka targets global apparel hub status

Sri Lanka finance minister Mangala Samaraweera feels his country has tremendous potential to become a hub for design, development and logistics in the global apparel industry.

At the Annual General Meeting of Sri Lanka Apparel Exporters Association, Samaraweera said the government is particularly keen to see the development of local design, innovative product development and research and development. He said Sri Lanka should one day be seen as the hub for design, development and logistics for all major global apparel players which would enable true value-creation in the apparel industry.

The Minister says liberalisation of the shipping and freight forwarding agency sectors would also contribute to more competitive freight rates for Sri Lanka's exporters, including apparel exporters and this measure would in turn help attract international investment to would enable Sri Lanka to become a logistics hub.

A world-class logistics network is also essential to help connect with global value chains. Significant steps are being taken to enhance trade facilitation measures, such as a single window, a trade information portal, etc.

The German Ambassador to Sri Lanka, Jörn Rohde, said in order to achieve this aim, Sri Lanka needed to follow standards of other hub economies in Asia.

He said, when it comes to being a hub, all hub economies have one thing in common, whether it's Hong Kong, Singapore, Taiwan, etc., they have very low corruption indicators, efficient fiscal and legal infrastructure and competitive tax systems. These are precisely some of the benchmarks and Sri Lanka can achieve.

Looking at current benchmark indicators such as the 'Ease of Doing Business' and 'World Competitiveness Report', Sri Lanka ranks 107 (2016) and 71 (2016–2017) respectively.

These rankings clearly show that Sri Lanka has room for improvement. Also, investments will come more than they are coming at the moment.

German investment in Sri Lanka for the last 5 years was EUR 130 million, which is a number that should be increased.

Source: fashionatingworld.com- Dec 05, 2017

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Pakistan: Textile package

The Abbasi-led administration's focus on supporting exporters was recently reflected by the directives issued by the Prime Minister to the Ministry of Commerce and Textiles to formulate a set of recommendations in consultation with the stakeholders designed to facilitate our largest export sector, notably the textile sector.

This directive comes in the wake of the Prime Minister's earlier decision that exporters are no longer required to show a 10 percent increase in exports to be eligible for fiscal and monetary incentives - a requirement that was envisaged to be applicable in the current year as part of the January 2017 export promotion package announced by the then prime minister Nawaz Sharif.

These measures reflect the serious challenges facing the current account that include a widening trade deficit and declining foreign exchange reserves - reserves that were debt-enhancing supported by loans from multilateral development finance institutions which shrank dramatically after the end of the International Monetary Fund's Extended Fund Facility in September 2016 due to a trust deficit that the government would continue on the path to economic reforms that were agreed with the Fund.

Additionally, remittances, though registering a modest increase in recent months, are unlikely to reach the levels of past years due to the continued recession in the Middle East. These are some rather disturbing factors that finally compelled the government to focus on generating foreign exchange revenue from desired sources defined as earnings rather than from borrowing.

Reports suggest that the list of suggestions by the textile associations are exhaustive and maybe a challenge for the government to implement given that any fiscal and/or monetary incentive given to the textile sector would

have negative implications on the government's revenue collection capacity which, in turn, would compromise the budget deficit target.

In this context, one must view the demand of the textile association to allow zero rating on packing material and withdrawal of customs duty and sales tax on cotton that was a component of the January package but was later withdrawn.

The long standing demand of all exporters with respect to the inordinate delays in the payment of sales tax refunds and rebates by the Federal Board of Revenue has been an unwritten policy that all administrations have tacitly supported with the objective of showing revenue collections that are much higher than is in fact the case.

Repeated demands and repeated directives by the country's chief executives, including Nawaz Sharif and now Shahid Khaqan Abbasi, have not produced the desired results. While one can fully support this recommendation made yet again by a section of exporters yet given that the country is likely to experience a budget deficit close to what it inherited in 2013, around 8 percent, due to this being an election year it is doubtful if this proposal would be implemented.

However, the textile association's recommendation to implement a uniform price for natural gas and LNG would imply either: (i) a constitutional amendment that would no longer allow first priority to the province where the gas wellhead is located which, in effect, has implied that the domestic gas available to Sindh and Khyber Pakhtunkhwa is much cheaper than the LNG available to the industrialists of Punjab - a proposal that is unlikely to generate a two-third parliamentary support; or (ii) give a heavy subsidy on LNG to industrialists in Punjab which again may not be economically or indeed politically viable. Thus with respect to this recommendation, it is clear that the government may find that its hands are tied though one would hope that it learns a valuable lesson from this notably that the availability of a new fuel source is not enough to appease the consumers, the price at which it is available is also a critical element.

Source: fp.brecorder.com- Dec 06, 2017

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NATIONAL NEWS

Highlights from mid-term review of foreign trade policy 2015-20

The Centre on Tuesday released the mid-term review of the Foreign Trade Policy (FTP), with the focus expected to be on policy measures to boost the exports of goods and services and to increase employment generation and value-addition in the country.

The mid-term review of FTP is aimed at mid-course correction. It was to be announced on July 1, together with the implementation of the GST regime. But the announcement was postponed to take into account feedback from the export sector regarding GST-related issues.

Highlights from the review released by Alok Chaturvedi, Director General of Foreign Trade

- The value of new incentives is Rs. 8,000 crore
- The FTP would focus on micro, small and medium enterprises, labour-intensive segments and agriculture sector.
- Incentives for goods exports is Rs. 4,567 crore, and for services exports is Rs. 1,140 crore.
- This is in addition to the recently announced incentives to ready-made garments.
- Self-certification scheme for duty-free imports
- FTP is a dynamic document and regular changes are made to increase value addition in the country, generate more employment and boost exports
- Today's announcement includes a 2% increase each in incentive rates of the Merchandise Exports from India Scheme and Services Export from India Scheme.
- Trade accounts for 45% of the country's GDP. FTP incentives now cover 8,000 of the total 12,000 lines of items.
- Of these incentives, Rs 749 crore for leather and footwear, Rs 1354 crore for agriculture and related items, Rs 759 crore for marine exports, Rs 369 crore for telecom and electronic items, Rs 921 crore for handmade carpets, Rs 193 crore for medical and surgical equipments, Rs 1140 crore for textiles and ready made garments.

- A new trade data analytics division under the Directorate General of Foreign Trade will analyse real time data to help fine tune policy.

Source: thehindu.com- Dec 05, 2017

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Higher export relief for labour-intensive sectors

The mid-term review of the Foreign Trade Policy (2015-20) has brought in additional relief worth ₹8,450 crore annually for the labour-intensive and micro, small and medium enterprises (MSME) sectors.

A BOOSTER PACK

- Merchandise Export from India Scheme incentives increased by 2 per cent for labour-intensive/MSME sectors
- Services Export Incentive Scheme incentives increased by 2 per cent for select sectors
- Total increase of ₹8,450 crore (including garments/made-ups) in existing incentives of ₹25,000 crore
- Validity of scrips under the incentive schemes increased from 18 months to 24 months
- GST rates on transfer/sale of scrips reduced to zero
- Self-declaration allowed for duty-free inputs for export production
- Professional team to help exporters have greater ease of trading across border
- E-wallet for exporters to be launched from April 1, 2018

Exports in 2016-17 remain lower than in 2013-14

Year	Exports			Imports (\$ billion)		
	Goods	Services	Total	Goods	Services	Total
2013-14	314.14	151.8	465.94	450.21	78.7	528.9
2014-15	310.35	158.1	468.45	448.03	81.6	529.63
2015-16	262.29	154.3	416.59	381.06	84.6	465.66
2016-17	276.54	163.1	439.64	382.74	95.7	478.44

Exporters of labour-intensive items, such as leather and footwear, agriculture and marine products, handmade carpets, telecom and electronics components, and medical and surgical equipment, will now be eligible for 2 per cent higher incentives across-the-board under the popular Merchandise Export from India Scheme (MEIS), under the review released by

Commerce and Industry Minister, Suresh Prabhu on Tuesday.

A number of services such as accountancy, architecture, legal, education and restaurant, too, will get similar relief under the Services Export from India Scheme (SEIS).

The incentives come at a time when exporters are struggling under the new Goods and Services Tax (GST) regime introduced in July. Prabhu said the government was committed to redress the problems. “It is not a one-time exercise but an ongoing effort. We will continuously revisit issues, identify challenges and address them on a real-time basis,” the Minister said.

Acknowledging that exporters had suffered due to problems in GST implementation, Prabhu said the government would sort it out together with exporters. “No new legislation can be made perfect in one go. I ask exporters to bear with us and be our partners in dealing with the problems,” he said, adding that a number of problems had already been sorted out.

Exporters who were upset by the drop in goods exports in October 2017, and were expecting a further fall over the next few months due to lower duty drawback rates (of input tax reimbursement) and slow refunds, seem more optimistic now.

“The higher incentives should start reflecting in export numbers from January. However, we are disappointed that a number of sectors were left out. Problems for exporters exist across sectors and the relief should have been for all,” said Ganesh Kumar Gupta, President, FIEO.

Other initiatives like the extension of validity of MEIS scrips from 18 months to 24 months and the provision of zero GST on sale of scrips will help the industry in a big way, Apparel Export Promotion Council Chairman Ashok Rajani said.

The MEIS is the most popular incentive for exporters, under which identified sectors are given duty exemption scrips that are fixed at a certain percentage of the total value of their exports. The scrips can be used to pay duties on inputs, including Customs duties.

An e-wallet system to address the liquidity problem being faced by exporters is likely to be operational from April 1, 2018, PK Das, Member, CBEC, assured exporters.

Finance Secretary Hasmukh Adhia pointed out that Input Tax Credit and IGST refunds for exporters were being expedited and stressed that the GST regime will be beneficial for exporters in the long run.

The government has also introduced a new, trust-based self-ratification system to allow duty-free inputs for export production on the basis of self-declaration.

With exports of goods lower than \$300 billion in the last two years, the government is under pressure to give the sector a major boost. Exports in 2016-17 were \$276.54 billion, compared with \$314.14 billion in 2013-14.

The review of the FTP (2015-2020) was due earlier this year, but was delayed due to the implementation of the GST in July and the problems faced by exporters under the new dispensation taking centerstage.

Source: thehindubusinessline.com- Dec 05, 2017

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The Govt Will Provide Rs 8,450 Crore Additional Export Incentives

India's commerce ministry on Tuesday released the mid-term review of its foreign trade policy focussed on boosting the country's micro, small and medium enterprises, labour intensive sectors and the agricultural sector.

The revisions in the trade policy are expected to aid exports and generate employment too, said Directorate General of Foreign Trade, Alok Chaturvedi, in the media presentation.

The mid-year review was slated for release on 1 July. It was deferred as the government sought to factor in feedback from exporters following implementation of the Goods and Services Tax.

The five-year policy, announced in 2015, aims to nearly triple India's exports to \$900 billion by 2020 and increase the nation's share of global exports to 3.5 percent from 2 percent then.

Incentives

The government will provide additional incentives for merchandise and services exports to the tune of Rs 8,450 crore annually. This is an increase of 34 percent from the existing sops.

Incentives in the Merchandise Exports From India scheme have been increased by 2 percentage points to 4 percent for all labour-intensive sectors. The additional annual incentives for labour intensive and MSME sectors would be Rs 4,567 crore.

1 Leather Sector: Rs 749 crore

2 Handmade carpets: Rs 921 crore

3 Agricultural products: Rs 1,354 crore

4 Marine products: Rs 759 crore

5 Telecom and electronic components: Rs 369 crore

6 Medical Equipment: Rs 193 crore.

The MEIS incentives for the two sub-sectors of textiles – readymade garments and made ups – will get additional incentives of Rs 2,743 crore.

Incentives for services exports have been increased 2 percent for certain notified sectors. The estimated additional annual

incentive is around Rs 1,140 crore. The notified areas include business, legal, accounting, architecture, engineering, education, hospitals and restaurants.

The validity period for duty credit scrips too has been increased to 24 months, from 18 months earlier. This is to “enhance their utility” in the GST framework. The GST rate for the transfer and sale of such scrips has been reduced to zero from 12 percent earlier.

“These announcements are expected to help the exporters in this moment of crisis,” said Abhishek Rastogi, Partner at Khaitan & Co., in an emailed media statement.

GST Reforms

The new indirect tax regime has led to many teething issues for exporters, leaving them with a working capital crunch. Exporters have to pay Integrated GST while exporting goods, and could not claim refunds because of frequent changes made by the government in return filing procedures.

The review said that the issue of working capital blockage due to upfront payment has been addressed. It reiterated earlier announcements made by the GST Council in this regard.

Exporters can now import raw material or capital goods, as well as source them from domestic suppliers, without the upfront payment of GST. Additionally, an e-wallet service would be launched from April 1, 2018 to make these schemes operational. Merchant exports will have to pay a nominal tax of 0.1 percent for procuring goods from domestic suppliers for exports. Gold too can now be imported without paying IGST

Focus On New Markets

The mid-year review said there will be increased focus on increasing Indian exports to under-tapped and un-tapped markets in “high potential regions” like Africa.

There will also be more engagement in the Latin America and Caribbean region by boosting exports through easy access to credit facilities.

The focus areas include agro-processing, manufacturing, mining, textiles, consumer goods, infrastructure development and construction

Duty Free Import Of Raw Material

The review has also allowed duty free imports of raw material for producing export goods. It has introduced a new “trust based” self-ratification scheme where exporters will declare what they have imported to use as raw materials. This will lead to “immense ease of trading,” said Alok Chaturvedi.

New Agricultural Export Policy

The policy will also focus on increasing shipments of “agricultural value added products” through “stable and open” exports.

This includes “effective handling” of technical barriers to trade issues and sanitary standards in domestic and target markets.

It will also focus on creating cold chains and transport logistics facilities from farms to ports and airports.

Policy interventions will be used to promote organic exports.

Boost to SEZ Suppliers

Supply of goods and services to Special Economic Zones will be treated as zero rate under GST. Suppliers would get tax refunds based on the pattern of actual exports. Earlier, the tax refunds were dependent on the states.

Analytics And Help Centre

The DGFT has set up a “contact” portal on its website for complaints, resolution, queries and feedback on foreign trade and exports. Each request will be assigned a reference number so that it can be monitored.

The review also facilitates setting up of a new analytics division under the DGFT for data-based policy actions.

The team will process trade information from the various trade data sources and “identify specific actions” to address export interests of India.

New Logistics Division

A new division will be set up under the commerce ministry to develop an action plan for the logistics sector, which was recently granted infrastructure status by the government.

The division will look at improving existing procedures, identify bottlenecks and gaps for the integration of technology in the sector.

It also proposed to create a National Logistics Information Portal to be an online marketplace for bringing together logistics service providers with buyers and government agencies on a single platform.

This is expected to bring down overall costs and increase the speed of the movement of goods.

Other Highlights

- PAN card to work as Import Export Code.
- Regional offices empowered to take a call on extending benefits.
- Exporter can shift capital goods within facilities.
- Export Promotion Capital Goods permissions can be clubbed.
- No customs duties, Integrated Tax & GST Compensation Cess on imports from specific warehouses and exhibitions held in India.
- Motor cars, liquor, books and tea can be sold from domestic tariff areas.
- Export benefits can be transferred within units with applicable duties & taxes.
- Customs to clear damaged goods can be taken back for replacement.
- Second-hand goods imported for repair exempted from taxes.
- Replacement Goods to be issued export licence.

Source: thequint.com- Dec 05, 2017

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Foreign Trade Policy mid-term review may focus on job creation, improving trade logistics

Job creation and improving trade logistics are likely to be key focus areas in the mid-term Foreign Trade Policy review and may also seek to address GST-related concerns of exporters, government sources said.

The FTP review, to be unveiled later on Tuesday, may accord special priority to improving logistics for trade to help bring down the costs, sources told *PTI*.

One key focus will be boosting employment creation in labour-intensive sectors like textiles and leather while addressing exporters' concerns on GST-related issues, sources added.

They further said the FTP review may build upon the GST related reforms, with the trade analytics division under the Directorate General of Foreign Trade (DGFT) helping with policy inputs.

Exporters have been voicing concerns about challenges on account of the GST implementation, with some even suggesting that they should be kept out of the ambit of the new indirect tax regime and the drawback refund be expedited as it was blocking their working capital.

The mid-term review was earlier supposed to be released before 1 July, when the GST was introduced. However, it was put off as the government wanted to factor in exporters' feedback regarding the GST.

Entering the negative terrain after more than a year, exports contracted by 1.12 percent in October, primarily due to liquidity problems faced by exporters following the GST rollout.

The five-year FTP was announced on 1 April, 2015, and set an ambitious target of India's goods and services exports touching \$900 billion by 2020. It also aimed at increasing India's share of world exports to 3.5 percent, from 2 percent.

Source: firstpost.com- Dec 05, 2017

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Cotton shortage hits ginners in Maharashtra

Cotton ginners in Maharashtra are finding it difficult to source cotton this season as more than 50% of the crop in the state has been affected by pink bollworm. Out of about 150 ginning units in the state, only 100 are active but even these are working at 50% capacity, top officials of the Khandesh Gin/Press Factory Owners Association indicated.

The state is staring at a loss in production of cotton crop this year due to the pink bollworm pest which is reported to have affected more than 50% of the crop. The bleak crop would in turn hit the availability of good quality cotton to the ginners.

Pradeep Jain, president of the ginners association said the season could be short this year and good quality cotton may only be available only until December. Thereafter, farmers may be required to uproot their crops and burn it to ensure that the worms do not proliferate, he added. Jain said that it take a couple of years to overcome the issue.

A team from the Nashik Agricultural Directorate visited Jalgaon this week to identify the seriousness of the issue. The start was good in June-August when the crop was sown. The first attack in August was not that serious. Thereafter, the pink bollworms matured and affected the crop. The ginners association, which has been attempting to export cotton, found their samples rejected by parties. ”

The quality has been badly affected. Reddish and yellow lines in the cotton has affected both productivity and quality,” Jain said. The state agriculture department has already written to the Centre to denotify BG II as it has lost its efficacy to fight the pest. Dr CD Mayee , president of the board of directors of the South Asia Biotechnology Centre (SABC), said that the attack of pink bollworm is in the range of 10% to 40% in some pockets of Maharashtra, Madhya Pradesh, Gujarat and Karnataka.

“The crop has already been harvested in the north and therefore this region does not have any problem. It is more prominent in central India, including Vidarbha region of Maharashtra, which is a dry land and where there was a drought in the initial stages of the crop. This was followed by unseasonal rainfall, thus affecting flowering which in turn lead to higher chances of infestation,” Mayee explained.

“During the last three-four years, there has been an erosion of resistance to BG II, which is obvious because the same product cannot have resistance for 16 years to the pink bollworm,” Mayee had said earlier. Pink bollworm is a small, thin, gray moth with fringed wings – the most damaging of all pests that attack cotton crop in the country. The female moth lays eggs on cotton balls and larvae emerge only to destroy entire fields by chewing through the cotton lint to feed on seeds.

A research report by Dr K R Kranthi, former director of Central Institute of Cotton Research (CICR), shows that pink bollworm has developed resistance to Bollgard-II Bt cotton not only in Maharashtra but other cotton-growing states as well. Bollgard-II is the Bt hybrid variety that was introduced in 2010. “There are only two benefits of Bt cotton. One, it controls bollworm, due to which the yield is protected. Two, it reduces use of insecticides meant for bollworm control. Currently, cotton growers do not get either benefit,” Kranthi had said earlier.

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Regional Comprehensive Economic Partnership (RCEP): India pushes for greater market access, ASEAN irked

The Regional Comprehensive Economic Partnership (RCEP) leaders who met on the sidelines of the 31st ASEAN Summit in Manila recently have expressed their commitment to resolve differences and conclude the ASEAN+6 country free trade agreement (FTA) by 2018. Indian Prime Minister Narendra Modi, during his three-day visit to the Philippines, has also extended his support for a “balanced outcome” of the RCEP negotiations.



RCEP is a proposed FTA between 10 ASEAN countries and their six FTA partners, namely Australia, China, India, Japan, South Korea and

New Zealand. It accounts for 25% of global GDP, 30% of global trade, 26% of FDI flows and 45% of the total population. From India’s point of view, RCEP is critical. In fact, RCEP countries account for almost 27% of India’s total trade.

Exports to RCEP countries account for about 15% of India’s total exports and imports from RCEP comprise 35% of India’s total imports. India runs a trade deficit with ASEAN as well as partner countries of RCEP. India’s trade deficit with the bloc has risen from \$9 billion in FY05 to \$83 billion in FY17, of which China alone accounts for over 60% of the deficit. After over 19 rounds of negotiation since 2012, RCEP countries have failed to conclude the mega trade deal.

India's commerce ministry has received a lot of backlash over its "protectionist attitude" in the ministerial negotiation rounds. India's earlier offer of differential tariffs under the three-tier approach for different countries (especially China) was rejected by member nations.

According to media reports, India had offered complete liberalisation on almost 75% of the tariff lines earlier.

However, it was later pressurised to liberalise 90-92% of total tariff lines. On tariff liberalisation, India has been worried about dumping of cheap Chinese goods into the domestic market, which could hurt its manufacturing industry, given China's scale, cost-optimisation and subsidy regime.

Thus, India Inc has urged the ministry to refrain itself from giving larger tariff cuts to China to ensure a level-playing field for the domestic industry. India, however, continues to maintain its tough stance on tariff elimination, intellectual property rights and services trade, cognisant of its experience from previous FTAs.

India's trade balance with previous FTA partner countries has deteriorated post signing of FTAs. For instance, the combined trade deficit with ASEAN, Japan and South Korea has increased from \$16 billion in 2010 to \$23 billion in FY17. Exports, too, haven't seen any exponential growth to FTA partner countries despite tariff cuts. Exports to FTA and non-FTA partner countries have, in fact, grown at a similar pace over the past decade (13% year-on-year). This points to the fact that India has not gained much from its previous FTAs.

One of the most comprehensive trade deals signed by India till date has been with ASEAN 10 countries, where 74% of the tariff lines were liberalised (tariffs reduced to zero) for two-way trade.

India's average import tariffs under the ASEAN-India Free Trade Area (AIFTA) decreased from 11.3% to 4.7%. Of the over 12,000 tariff lines, India offered complete elimination of tariffs on 74% of the lines, 15% were in sensitive track (phased elimination over an extended period of time) and 11% under complete exclusion (no tariff cuts). Apart from the surge in total trade deficit due to tariff cuts, a closer loo

k at the sector-wise trade flows also paints a grim picture. According to the UN's Harmonised system of product classification, products can be grouped into 99 chapters and further into 21 sections like textiles, chemicals, vegetable products, base metals, gems and jewellery, etc (similar to sector classification). The analysis shows that trade balance has worsened (deficit increased or surplus reduced) for 13 out of 21 sectors.

This also includes value-added sectors like chemicals and allied products, plastics and rubber, minerals, leather, textiles, gems and jewellery, metals, vehicles, medical instruments, and miscellaneous manufactured items. The sectors where trade balance has improved include animal products, animal and vegetable fat, wood and articles, paper and paperboard, cement and ceramic, and arms and ammunitions.

The sectors where trade deficit has worsened account for approximately 75% of India's exports to ASEAN. Trade-surplus sectors have also shown only marginal improvement. Overall, it can be concluded that India's quality of trade has not improved under AIFTA.

India has also resisted pressure from the trade bloc on intellectual property rights. Japan and South Korea have been advocating for TRIPS Plus provisions (similar to TPP, or Trans-Pacific Partnership), which are stricter than the level of protection India provides under the TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreement of the World Trade Organisation (WTO). India feels that these provisions can lead to extension of monopoly on drugs and may keep drug prices high. This may be detrimental for the country's generic pharmaceutical industry.

Time and again India has flagged its concerns on the slow pace of services trade negotiations in RCEP. India's strength lies in services trade, and negotiation on this is critical.

India has been pushing for greater market access in services, which has irked ASEAN members. India did not get a fair deal under the AIFTA services pact, after the goods agreement was signed. It expects greater liberalisation in Mode 4 services that facilitate movement of professionals from one country to the other.

Apart from pushing for liberal visa regimes, India has backed greater liberalisation in Mode 3 (commercial presence) and Mode 2 (consumption

abroad) services. In fact, India's proposal for "RCEP business travel card" to make business travel hassle free avoiding visa documentation and long queues at passport control has also failed to find any support from the partner countries.

At this stage, India's best bet would be to offset its loss on account of goods trade by getting greater benefits from market access in services and investment. If that's not what can be possibly negotiated, India might end up signing yet another bad deal, regretting it years later.

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