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USD 65.06 | EUR 76.58 | GBP 85.88 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18501	38700	**75.84**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
18180	38028	**74.53**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	67.74
ZCE Cotton: Yuan/MT (Jan 2018)	14,950
ZCE Cotton: USD Cents/lb	**87.15**
Cotlook A Index – Physical	**77.6**

Cotton & currency guide: The gone by week was quite interesting for cotton that it broke down the entire four weeks consolidation phase and made a weekly low to end the week at 66.88 cents per pound. This was the 9th weekly low for cotton December price at ICE platform. Market has predominantly turned bearish any uptick should be a selling opportunity.

With the start of the this week early in the Asian market ICE cotton for the same contract is seen trading higher by more than 1% at 67.63 cents back into the consolidation phase however, believe the structure still seems on the weaker side and recommend selling on higher level. The only concern that we are seeing is since it has not breached the 66.64/66.40 support area possibly fall in the price could be restrictive and on-call sales/purchase action by the millers may be aggressive in the form of fixation of contracts to again push the price on the higher side. Note, unless 68.50 to 69 is breached we shall not see major rebound or strong buying in the counter.

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The other aspects related to cotton market globally are to be watched critically. A) The cotton pipeline in the US post the hefty exports in the last season may have emptied the supply. This could be a threat if the supplies of new crop are on a slower pace. However, while we assess the flow of new supply in the country seems strong. As per the data the US supplies (harvests) are seems to be strong amid clear weather. B) The December and March spread at ICE has narrowed down to only 0.18 cents. In fact this has been narrowing down since end of September from a spread of 1.50 cents to close to now zero. We believe this could be the effect of tight supply condition in the US pipeline and challenging deliveries in ICE October contract. The same is expected to witness on the December contract until the pipelines are filled with new amicable supplies the December premium may be faded. The same is now being felt on the contract while there is uptick of the interest in the March 18 contract. Unless the US cotton pipelines are filled with an aggressive term the spread may continue to narrow down and possibly in the near term it may also turn into invert.

On the technical perspective the weakness continues to weigh on the market. The weekly CFTC report suggests that managed funds long liquidation has fallen by 3490 contracts in the week ending last Tuesday and the net long positions stand at 48682 contracts. By the end of the week the market also began to draw some new hedge selling as the US crop movement picked up and some growers made sales. With the export interest to come in the near future and the unfixed On-Call sales increasing on a daily basis the cotton may see 64 to 66 would offer as long term support.

On the domestic front in India, on the occasion of Diwali Holiday most of the physical markets were shut in the last week and then the average daily arrivals were around 50 to 55K bales. We believe this week it would be the resumption of market and the arrivals are expected to increase sharply. The effect is already witnessed on the futures price. The November and December price in the last week have slipped to end at Rs. 18020 and Rs. 17950 per bale respectively. Overall we expect market to remain choppy to lower this week and broadly recommend selling on rise. Since ICE cotton is trading positive this morning with USD/INR slightly on the weaker side above 65 initial positive moves could be seen on the domestic futures contract.

The trading range for the day for November future would be Rs. 18100 to 17900 and for this week it may trade in the range of Rs. 17780 to Rs. 18240 per bale.

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

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INTERNATIONAL NEWS

Trump's Trade Policies Come Under Fire as Hurting US Standing

Driven by the Trump administration's hard line stance on global trade, the U.S. is set to lose its position and credibility on the world commercial stage.

Whether it's the potential of killing trade deals like the North American Free Trade Agreement and the Korea-U.S. FTA, or "the mistake" of pulling out of the Trans-Pacific Partnership, expert panelists at the Sourcing Journal Summit Tuesday said the U.S. is taking a back seat to countries like China and hurting U.S. industry in the long run.

Steve Lamar, executive vice president of the American Apparel & Footwear Association, said, "The administration is focusing on trade deficits and trying to promote manufacturing in the United States, but I would say the focus really tends to ignore all of the jobs that are created by the global value chains that exist throughout the United States and in our industry, as well."

Lamar said apparel and footwear importers generate many jobs in the U.S., but the White House ignores that and concentrates its policies on trying to create jobs that existed years ago.

What's NAFTA's fate?

On the current talks to renegotiate NAFTA, Lamar said, "The U.S. is still proposing very troublesome provisions" relating to areas such as a sunset clause that would have NAFTA turn off after five years, and tougher rules of origin on a variety of products, including apparel and textiles, as well as on investment and government procurement.

In a meeting with Canadian Prime Minister Justin Trudeau ahead of the fourth round of NAFTA talks last week, President Trump's response to a question from the press of "Is NAFTA dead?" was: "We'll see what happens."

Lamar said, "The president seems to be pushing what I call a 'my way or the highway approach'– my way meaning the things that he wants to see

happen and if you don't agree with those things I'm willing to walk away and withdraw from the agreement."

Lamar said Trump doesn't seem to care about the ramifications or true negotiations, but is willing to let the agreement fail if he doesn't get everything he wants.

Speaking from the Oval Office after a meeting with Canadian Prime Minister Justin Trudeau, Trump said, "If we can't make a deal it will be terminated and it will be fine. They're going to do well, we're going to do well. Maybe that won't be necessary, but it has to be fair for both sides."

Gail Strickler, president of global trade at Brookfield Associates, said looking at overall trade policy, "You have to look at what it's doing to the overall credibility of the United States" and what it's going to do about the U.S. global standing."

She continued, "My concern now is the United States as a global trading partner and who the hell is going to invest foreign direct investment of billions of dollars to take advantage of the U.S. market knowing that the U.S. is willing to walk away from trade-level agreements that people spent years negotiating, from promises that we made, and that many of the brands in this room…have to think about in their strategies."

The business community needs to speak out, Strickler said noting that U.S. Chamber of Commerce president and chief executive officer Thomas J. Donohue "finally did" at a gathering of business leaders in Mexico City.

"We've reached a critical moment and the Chamber has had no choice but to ring the alarm bells," Donohue said. "Let me be forceful and direct. There are several poison pill proposals still on the table that could doom the entire deal."

Strickler, a former assistant U.S. Trade Representative, said, "This administration seems to think that trade deficit is the buzzword. Whether that is part of their dog-whistle politics for their base or whether they actually believe it, which I find kind of hard to understand, they are willing to walk away from trade deals like NAFTA and KORUS."

Strickler said she doesn’t think the Central American Free Trade Agreement would be next because there is a trade surplus for the U.S. and noted that true changes in NAFTA have to pass through Congress. She also questioned whether the business community “is going to get louder” and lobby against the anti-trade policy.

Kimberlie Freund, senior international trade analyst at the chemicals and textiles division of the U.S., International Trade Commission, said the domestic textile industry wants to get rid of tariff preference levels (TPLs) that allow inputs that aren’t from the NAFTA region to be used in finished goods such as clothing.

Adding to that, Lamar said one of the big fights in the NAFTA talks is over TPLs and if they should stay in place. The domestic textile industry considers them loopholes, he noted, while AAFA argues that “they are negotiated as part of the fabric of the agreement.” If they were removed, it would take away the flexibility that companies rely upon to produce goods in the United States, Mexico and Canada and ship them back and forth, and to comply with yarn forward provisions of the pact that qualify goods from tariff-free imports.

He said he understood the textile industry’s stance against TPLs, but that the reality is they are also utilized by apparel companies that manufacture in places like Los Angeles that need some foreign inputs, or they would have to shift their production and U.S. jobs would be lost.

There are more than 200,000 apparel and textile jobs still in the U.S. that are dependent on NAFTA, Lamar said, “and if you make it harder to trade or get rid of NAFTA outright, those jobs are at risk.”

Made in America

But in a broader aspect, if Trump decides to pull out of NAFTA, “you’re looking at a larger economic problem. That’s the kind of change that could put us back into a recession or a depression if NAFTA is looked at as a precursor of what’s to come.”

He said the domestic textile industry should be demanding that the White House not get rid of NAFTA, since 50 percent of all industry exports are part of the agreement.

"Getting rid of TPP was a huge mistake that's going to haunt us forever, but if you look at some of the other changes that the president has been threatening haven't occurred…in part because the industry has spoken out," Lamar said, citing the derailing of the Border Adjustment Tax.

Freund noted that U.S. apparel manufacturing has increased to 2.8% of all goods sold at retail from 2 percent in 2010.

"We're seeing new investment of textiles and even in apparel," she said. "There's been a lot of cotton yarn investment coming from countries such as China and India, and in apparel."

Lamar said there's a falsity that says "we don't make anything in the U.S. anymore, but we actually make quite a bit. And when you look at that 2.8 from 2 percent, that's significant."

"We're not going to get back what we lost," he said. "What we should think about is what we want to be making in the future, what are the things we can compete at competitively," from using technology to cut costs to using advantages the U.S. might have in energy or infrastructure.

Around the world

In other trade areas, Strickler said she thinks a TPP 11, without the U.S., will go forward, while Japan and the European Union are negotiating an FTA. China is also working on its own global trade agreement, RCEP.

As for the African Growth & Opportunity Act and the U.S. review of certain country's eligibility over their desire to ban U.S. used clothing exports, Strickler said, "I have never been as horrified or embarrassed as I was when the president announced that he wants to review eligibility over several countries' refusal to allow any more U.S. garbage to be shipped to their shores."

The East African countries of Rwanda, Kenya, Uganda, Tanzania, South Sudan and Burundi have been trying to phase out imports of secondhand clothing and shoes over the last year. The countries claim the enterprise undermines their efforts to build domestic textile industries and they want to impose an outright ban by 2019.

In March, USTR threatened to remove four of the six East African countries included in the Africa Growth and Opportunity Act, a preferential trade deal intended to lift trade and economic growth across sub-Saharan Africa. Burundi and South Sudan, gripped by upheaval, had already been expelled from the trade deal because their governments were accused of perpetrating state violence.

In June the U.S. initiated a review of AGOA eligibility for Tanzania, Uganda and Rwanda, which came about when the East African Community decided to ban imports of secondhand clothing. The U.S. Secondary Materials and Recycled Textiles Association, which initiated the petition for review with the USTR, said the move to curb incoming used clothing is a barrier to U.S. trade, which goes against certain requirements under AGOA.

Strickler said to punish countries such as Tanzania and Rwanda that have used AGOA to help lift their standard of living is "absurd" and should go against basic U.S. beliefs.

Freund said the AGOA countries are small suppliers but have been steadily growing in recent years. Countries such as Tanzania have been building up their industry.

Source: sourcingjournalonline.com- Oct 20, 2017

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China's Stable Economic Growth Driven by Service Sector and Online Sales

China's gross domestic product growth remained robust in the third quarter, increasing 6.8% year-on-year, easing marginally from the 6.9% growth recorded in first and second quarters this year, compared to a year earlier.

On a quarterly basis, GDP growth was up 1.7% in the third quarter compared to the second quarter, which had increased 1.8% from the first three months of the year.

This level of growth is considered the "new normal" for China, which for many years had posted GDP gains in the 9 percent to 10 percent range. In

2016, China's GDP grew 6.7% for the first three quarters of the year compared to the previous year.

In 2016, China set its economic growth target at between 6.5% and 7 percent for the year, making it the lowest in more than 30 years. China's 13th Five-Year Plan, released in March 2016, set the annual economic growth target at an average of 6.5% through 2020.

Rajiv Biswas, Asia Pacific chief economist for IHS Markit, noted that China's new growth engine continues to be household consumption, which contributed 64.5% of total GDP growth in the first three quarters of 2017– 2.8% higher than the same period of 2016.

Exports also performed well in the first nine months of 2017, rising by 12.4% year-on-year, propelled by growth in shipments of mechanical and electrical products, which increased 13 percent and accounted for 57.5% of total export value.

Industrial production also accelerated, with value-added rising 6.7% in the first three quarters of 2017 compared to the same period a year ago. The high-tech sector has led manufacturing growth, posting a 13.4% gain in value-added.

"Sustaining such rapid growth of high-tech manufacturing indicates that the Chinese government's Made in China 2025 policy is succeeding, which is critical to the vision outlined by President Xi in his speech to the 19th Party Congress to transform Chinese enterprises into world class, globally competitive firms," Biswas said. "However, fixed investment continued to moderate, growing at 7.5% year-to-year in the first three quarters of 2017, easing by 0.7 percentage points compared to growth in the same period of 2016."

In the apparel and textile industry, the policy includes moving away from a low-cost manufacturing model to one of producing value-added merchandise and an upgrading of factories through state-of-the-art technology and machinery. There's also a concerted effort to manufacture more for the domestic market instead of relying on imports to serve consumers.

The service sector has been the leading engine of the economy in 2017, Biswas noted, growing at an 8.3% clip and accounting for 52.9% of total value-added in GDP for the first three quarters of 2017.

Retail sales have remained strong, rising 10.4% through September. Online retail sales have boomed in 2017, increasing 34.2%, a rate of growth 8.1% higher than the same period last year. Online retail sales of physical goods rose 29.1% and accounted for 14% of total retail sales of consumer goods. Online sales of services, which includes fast-growing segments such as travel, hotels and entertainment, soared 52.8% in the first three quarters.

“The robust GDP growth rate of China in the first three quarters of 2017 has been an important factor underpinning global economic growth momentum and the upturn in world commodity prices, as well as helping to drive rapid export growth from the rest of APAC to China,” Biswas said.

“China’s strong growth performance is a key factor contributing to stronger world growth, with IHS Markit forecasting that world growth will strengthen from 2.5% year-on-year in 2016 to 3.1% in 2017. IHS Markit forecasts that China’s GDP growth rate will remain strong in 2018 at 6.5%, with world GDP growth forecast to rise to a pace of 3.3%, as U.S. GDP growth improves while Eurozone economic expansion remains robust.”

However, Biswas cautioned that China’s policymakers will continue to walk a difficult tightrope in 2018 due to significant medium-term imbalances in the Chinese economy, including overcapacity in many sectors of heavy industry such as steel and coal, concerns about the lending and collateral of shadow banks, and rapid growth in corporate debt since 2010.

“Consequently, the risk of a China economic slowdown or downside risk scenario of a hard landing remains a significant risk to the medium-term global outlook,” Biswas added.

“The rest of the Asia-Pacific is particularly vulnerable to the risk of a China slowdown, as China’s share of total exports has risen sharply over the past decade for most major APAC economies.”

Source: sourcingjournalonline.com- Oct 20, 2017

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Egypt: Home textiles exports up 3% in 9 months

Exports of the home textiles sector increased by three percent in the first nine months of 2017 to reach $375 million, compared with $365 million in the same period last year, the Egyptian Home Textile Export Council (HTEC) said Sunday.

The council aims to increase its exports to some $600 million by the end of 2017, recording an increase of 14 percent, head of the HTEC Saeed Ahmed said.

He added that the home textiles sector will participate in the Heimtextil exhibition, the International Trade Fair for Home and Contract Textiles, in Germany in January 2018, with some 38 Egyptian companies.

He said that the event is the world's biggest textile exhibition, which makes it a good opportunity to sign new export contracts with companies at the exhibition.

Heimtextil is the biggest international trade fair for home and contract textiles, and will be held in Frankfurt from 9-12 January 2018.

While home textiles exports increased in the first nine months of 2017, furniture exports declined by 10 percent in the same period, the Egyptian Furniture Export Council's (EFEC) said last week.

Source: egypttoday.com- Oct 22, 2017

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Egypt's Duty-Free Apparel Production Making a Comeback After Years of Political Turmoil

As President Trump starts whittling away at the various free-trade agreements the United States has with different countries, Egypt is revving up its promotion of its special industrial zones where apparel can be made and exported duty-free to the United States.

Known as Qualifying Industrial Zones, these designated areas have been manufacturing clothing for more than a decade for some big-name U.S. companies since Egypt started production in the zones in 2005.

One advantage for U.S. manufacturers looking to produce in these special areas is that there is not a yarn-forward or fabric-forward stipulation as in other free-trade agreements—meaning the yarn and fabric do not have to be made in the region to recieve duty-free benefits.

Instead, special requirements are that 10.5 percent of the product's value must come from Israel, such as the zippers, buttons, fabric, trim or packaging material.

And at least 35 percent of the value of a product must have local input (24.5 percent Egyptian and 10.5 percent Israeli). The 35 percent minimum content can include costs incurred in Israel, Egypt or the U.S.

The U.S. Trade Representative first set up these industrial zones in the Middle East in 1996 to promote better cooperation and economic ties between Egypt, Jordan and Israel. "The importance of the QIZs is that it is a political program that is strongly supported by the United States, Israel and Egypt," said Ashraf El Rabiey, who manages the industrial zones in Egypt. He was speaking along with other Egyptian apparel and textile industry experts at a recent webinar organized by the **U.S. Fashion Industry Association** in Washington, D.C.

Jordan was the first to use these zones with its factories set up along the border to partner with operations in Israel. Many of the factories had Asian investment and guest workers from primarily Asian countries. For four years, the program made up about 30 percent of Jordan's total GDP growth.

Then, in 2010, a free-trade agreement between Jordan and the United States went into effect, meaning the duty-free status for products was available throughout all of Jordan. However, apparel from these zones continues to be manufactured.

Since launching its industrial zones, Egypt has seen several major U.S. companies—such as **Levi Strauss & Co.**, **Walmart**, **Phillips-Van Heusen**, **Gap Inc.**, **Nike** and **JC Penney**—produce there.

Top items made in the 15 special zones set up around Cairo, Alexandria and other areas are pants, T-shirts, shorts, tank tops, shirts, underwear, jackets and towels.

In recent years, El Rabiey said, more flexibility has been added to the program. "Not every shipment has to have an Israeli 10.5 percent content. If you bring in 10.5 percent in Israeli goods per quarter, that qualifies. So you can send some shipments with no Israeli content and other shipments with more," he said.

When the zones were first established, many companies experienced double-digit growth in export sales, but then in 2011 the Arab Spring brought protests, riots and coups to the region. Between 2011 and 2016, production fell in those zones until this year. "Since January 2017, exports are coming back up," El Rabiey said. "The first nine months, they jumped 9 percent."

Waleed El-Zorba, managing director for **Nile Holding Co.**, which owns several textile companies, said Egypt has a number of advantages as a clothing and textile maker.

First, spinning and weaving of textiles has been around since the days of the pharaohs. Egypt grows some of the best long-staple and extra-long-staple cotton in the world, used in high-end clothing, towels and sheets.

The Ottoman ruler Mohammed Ali, who is considered the father of modern Egypt, rose to power in 1805, and the textile industry grew quickly under his reign. In the early 1800s, he set up 29 textile factories in upper and lower Egypt to clothe his armies for his war against the Ottoman Caliphate. Machinery was imported from Europe to make textiles and clothing made of cotton, silk and linen.

Today, Egypt has more than 1,500 garment factories and 1.5 million textile and garment workers. "There is a high level of quality to the Egyptian product," El-Zorba said. "We have strong laundries in Egypt to achieve a high level of fashion washes that are in demand."

The average monthly salary for a skilled worker is $110, and electricity costs are around 3.5 cents to 4 cents a kilowatt-hour compared to three to four times that amount in the United States. It takes about 12 days to ship a container of clothing from Egypt to New York, and the lead time for a woven garment is 75 to 120 days.

The longer lead time for woven garments is because Egypt sources much of its fabric from international mills. But El-Zorba said the industry is trying to change that. "We are seeking verticality in Egypt," he said. "That is a big project we are taking on in the industry."

Source: apparelnews.net- Oct 19, 2017

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Cotton quotes drop in Brazilian market in October

Despite slight oscillations, cotton quotes dropped in the Brazilian market in the first fortnight of October, as sellers were either more active in the spot market or retracted, the Center for Advanced Studies on Applied Economics (CEPEA) said in its fortnightly report. New trades were hampered as most buyers bid lower quotes than offer prices.

Between September 29 and October 13, the CEPEA/ESALQ Index dropped 1.8 per cent, closing at 2.3718 BRL ($0.7527) per pound on October 13.

Some textile companies were focused on closing new trades for delivery in late 2017 and early 2018. As for the exportation contracts, only a few were closed, mainly for the next three months, the CEPEA report said.

In September 2017, Brazil's cotton exports amounted to 132,700 tons, up 95.2 per cent compared to the previous month, according to data from The Secretariat of Foreign Trade (SECEX). Cumulative exports in the first nine months of 2017 totalled 371,000 tons, which is 30 per cent lower than the quantity exported in the same period of 2016.

Meanwhile, the first survey conducted by National Company for Food Supply (Conab) regarding 2017-18 crop, released on October 10, estimates that area under cotton is likely to increase anywhere between 5.5 per cent to 15.4 per cent.

As a result, production is projected to increase somewhere between 1.61 million tons and 1.75 million tons, i.e. between 5.1 per cent and 14.9 per cent increase over 2016-17 crop. The average yield is, however, likely to see a slight drop of 0.4 per cent from the previous season to 1,622 kg per hectare.

In Mato Grosso, the main cotton producing province in Brazil, cotton area is forecast to increase by 10 per cent in 2017-18 compared to the previous season, according to Conab. Likewise, in Bahia, the second largest cotton producing state in Brazil, the sown area may total from 245 to 271 hectares, 21.8 per cent to 34.6 per cent up compared to 2016-17 season.

Source: fibre2fashion.com- Oct 18, 2017

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Pakistan: Textile exports up by 7.91pc in first quarter

Pakistan's textile exports went up by 7.91 percent during first quarter (July-September) of the current fiscal year.

Pakistan exported textile goods worth $3.3 billion during July-September period of the FY2018 as against $3 billion of the same period of the last year.

Handsome growth in textile exports pushed the overall exports to $5.2 billion during July-September of FY2018 from $4.7 billion of the corresponding period of the previous year, according to PBS.

Textile exports had shown increase after a long due to the Prime Minister's incentives package to boost exports. All Pakistan Textile Mills Association (APTMA) had recently met with Prime Minister Shahid Khaqan Abbasi and asked to formulate a long-term policy on textile exports to attract investment in the sector and boost the sliding exports.

"Textile exports can further increase if government approves our recommendations," said a representative of APTMA while talking to The Nation. He further said that Prime Minister had assured us to consider our recommendations for approval.

The PBS data showed that exports of readymade garments grew 15.97 percent to $608 million in July-September on annual basis. Exports of knitwear posted a growth of 9.35 pc to $647.7 million in July-September of the FY2018. Meanwhile, a rise of over 7.19 pc was noted in bedwear exports that amounted to $567 million.

On the other hand, exports of cotton yarn fell by 3.44pc. Similarly, exports of cotton carded dropped by 100 percent in the first three months of 2017-18.

Meanwhile, exports in food sector increased by 17.52 percent to $742.4 million during July-September of FY2018. When looked separately, it was revealed that following food commodities' exports recorded negative growth: rice by 31.95 percent; fish 17.64pc, wheat 100pc, oil seeds, nuts and kernals 60.67pc, sugar 100pc and all other food products by 6.11 percent.

Meanwhile, exports of fruits declined by 24.37 percent, vegetables 0.99pc, tobacco 18.86pc, spices 9.81pc and meat and meat preparations 15.6 percent during July-September.

According to the PBS, the exports of petroleum and coal products increased by 100 percent; manufacturing products by 8.39 percent, while the exports of leather products enhanced by 3.95 percent during July-September of the current financial year.

Source: nation.com.pk - Oct 21, 2017

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Ethiopia plans commercialisation of Bt cotton

Ethiopia, after adopting a law that allowed experimenting with the transgenic Bt cotton in laboratory and fields, has entered the final stage of field trials after four years of experiment with four different samples of this cotton variety taken from India and Sudan. It plans to supply transgenic cotton seed varieties to the global market in the long run.

According to the Ethiopian Institute of Agricultural Research (EIAR), the field trials show that Bt cotton could reverse the influence of insects that greatly affect crop productivity in the country.

Results from the field trials indicate that Ethiopia will have a Bt cotton variety in its farmlands soon, an Ethiopian press agency reported recently.

A workshop on Bt cotton was recently organized in Addis Abba that was attended by representatives from Sudan, Burkina Faso, South Africa, India, Australia and the United.

Attendee Sanjay K. Gupta, president of Hyderabad-based JK Agri Genetics Ltd., which has invested at the Hawassa Industrial Park, said his company would open a new cotton factory there and make huge investments in the country.

The expansion of the textile manufacturing industries and industrial parks In Ethiopia has shown a rising demand for cotton. EIAR feels the country is on the right track to commercialise Bt cotton.

EIAR deputy director Adugna Wakjira said that to transform the nation's economy based on agriculture to an industrialised one, textile and garment sectors have been given priority. At the end of the second growth and transformation plan years (GTP-II), there is a plan to generate about $1 billion from this sector.

Source: fibre2fashion.com- Oct 20, 2017

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China a strategic outlet for Italian textiles

With the unprecedented increase in the number of visitors at the 12th edition of Milano Unica Shanghai, China can be considered as a strategic outlet for Italian textiles, said Ercole Poala, president of Milano Unica. The exhibitors' satisfaction at the fair showcased Milano Unica as the strategic supporter of high end Italian mills in the Chinese market.

"This market is constantly changing, and changes in numbers are always to be expected. The decrease in visiting clients was very slight if compared to the exceptional outcome of October 2016. This confirms China as a strategic outlet for Italian textiles: Milano Unica Shanghai is, by all means, the fair that controls one of the few markets that provide, each edition, new potential clients truly interested in Made in Italy productions," said Poala.

"The global market is increasingly focusing on few big clients while our pipeline, rich and yet fragmented among small-medium sized mills, need new energies. China, together with Hong Kong, is the first outlet in the world for Italian textile export and represents the best opportunity that Milano Unica offers abroad. However, few Italian mills were daring enough to grasp this exceptional opportunity so far," added Poala.

"Milano Unica and Italian Trade Commission renew the invitation to participate in the March 2018 appointment. Over time, this difficult yet constantly growing outlet becomes more approachable with all its opportunities," said Massimiliano Tremiterra, director of ICE Shanghai.

Conceived, organised and driven by entrepreneurs, Milano Unica offers international visibility to the world of textiles in a highly qualified context, in line with the quality of its products. The three-day Milano Unica Shanghai concluded recently.

Source: fibre2fashion.com- Oct 20, 2017

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Exports to APEC: "A golden opportunity" for Vietnam

"We will continue to conquer the markets in the US, Australia, and Japan to increase export revenue in the coming time when the production lines in new manufacturing plants will be ready to run at full capacity," Phan Trung Kien, director of Phuc An Nhien Food Co., Ltd. (Ho Chi Minh City), said when talking about exploiting potential export markets.

The three markets mentioned by Kien currently account for 70% of the total export value of vermicelli, dried rice noodles, dried mussel, and rice paper products made by Phuc An Nhien.

The APEC currently makes up 60% and 80% of Vietnam's total export and import value, respectively.

In many other enterprises, the contributions of these major markets to overall exports also follow similar patterns since the export structure of Vietnam largely concentrates on a handful of specific markets, such as the US, Japan, Korea, and China, that is, on large-scale economies in the APEC. Over the first nine months of this year, Vietnam has reported eight commodity groups which achieved an export turnover over US$1 billion to the US market.

Textile and garment exports reached US$9.25 billion, up 9.5% compared to the same period last year, and accounted for nearly 30% of the total export value to the US. The US is the largest market for Vietnamese textile and apparel imports.

In 2016, the export turnover of this commodity group to the US hit US$11.45 billion, up 4.6% against 2015, making up 48% of the total textile and garment export turnover of the whole country.

Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association (Vitas), said that the growth of textile and garment exports largely stems from major markets in APEC economies, namely the US, Japan, and the Republic of Korea (ROK).

Meanwhile, footwear exports to the US in the first nine months reached US$3.76 billion, up 13.7% compared to the same period last year and accounted for 12% of the total value of Vietnamese goods to the US.

In 2016, total exports reached US$175.9 billion. Of this, four markets, including the US, Japan, the ROK, and China, contributed US$86 billion.

Specifically, exports to the US grew to US$38.1 billion, up 10%; Japan brought in US$14.6 billion, up 3.4%; the ROK yielded US$11.5 billion, up 29%; and exports to China hit US$21.8 billion.

Phone and components exports, despite decreasing by 7.4% on-year, maintained a turnover of US$2.89 billion.

Seizing the chance to boost export activities

According to the Ministry of Industry and Trade (MoIT), APEC's 21 member economies account for 59% of the world population and more than 50% of the total GDP and 57% of global trade, making it an exceptionally sizable and potential market for Vietnamese enterprises.

Promoting trade liberalisation and trade facilitation in the APEC has opened up great opportunities for the business community in Vietnam, especially small- and medium-sized enterprises.

Tran Thanh Hai, deputy director of MoIT's Import-Export Department, said that in recent years, the Vietnamese business community has been taking full advantage of these opportunities to effectively access and exploit the Asia-Pacific market, brought about by the country's cooperation with the APEC.

In particular, Vietnam's export turnover to APEC's member economies has been increasing steadily, from US$98.37 billion in 2014 to over US$119.69 billion in 2016.

According to MoIT, 13 out of the 15 free trade agreements signed by Vietnam involve 18 APEC member economies. Seven APEC member economies, namely the US, China, Japan, the ROK, Hong Kong-China, Malaysia, and Singapore, are among Vietnam's top 10 export markets.

Over the first eight months of this year, the export value of aquatic and fishery products to the ROK reached over US$475 million, an increase of 27% compared to the same period last year.

As Vietnam's traditional seafood export markets are increasingly demanding, the ROK market appears to be more open to Vietnamese exporters.

Nha Trang Seafood-F17 JSC said that over the first half of this year, the company's export value to the ROK hit US$20 million out of a total US$95 million gained from overseas exports.

F17 employs about 2,000 workers. Its net revenue in 2016 reached VND1.107 trillion (US$48.77 million), up 37.9% on-year.

"The ROK continues to be a key market for the company's strategy to increase its exports in the 2017-2018 period and the next few years," the representative of F17 said.

Source: vietnamnet.vn- Oct 22, 2017

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Pakistan govt notifies 50% duty drawback on exports

The Pakistan government has notified the 'Duty Drawback of Taxes Order 2017-18', effective immediately. The announcement is in pursuance of the Prime Minister's Package of Incentives for Exporters approved by Economic Coordination Committee (ECC) of the Cabinet to provide duty drawback of taxes collected from manufacturing cum exporter units.

As per the notification issued by the Textile Division, ministry of textile and commerce, the Order extends to the whole of Pakistan including Export Processing Zones. The duty drawbacks under the Order shall be allowed for exports GDs filed on or after July 1, 2017 to June 30, 2018.

While "50 per cent of the rate of drawback shall be provided without condition of increment, the remaining 50 per cent of the rate of drawback shall be provided, if the exporter achieves an increase of 10 per cent or more in exports during performance year (FY 2017-18), as compared to the base year (FY 2016-17)," the notification said.

"The actual rate of drawback against the remainder 50 per cent shall be determined on the basis of annual performance of the exporter, but in order to improve her/his cash flow, the disbursement shall be allowed on

the performance during July-December 2017, subject to submission of a bank guarantee that the exporter will return the excess amount, in case his/her annual exports are less than the amount of drawback paid to him/her," it added.

Further, an additional 2 per cent drawback shall be allowed for exports to non-traditional markets i.e. Africa, Latin America, non-EU European countries, Commonwealth of Independent States and Oceania.

The manufacturing cum exporting units availing the drawback have to be registered with the Textile Division and use Textile Division's online portal to follow subsequent Circular issued by State Bank of Pakistan.

Source: fibre2fashion.com- Oct 21, 2017

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Indonesia: Govt wants Mitsubishi to invest more in garments, petrochemicals

Industry Minister Airlangga Hartarto has expressed hope that Japan-based Mitsubishi Corporation invests further in Indonesia and seeks more partnerships with local industries, saying the giant company has the potential to boost competitiveness and productivity among the country's manufacturers.

During a meeting with Mitsubishi executives in Tokyo on Wednesday, Airlangga invited the company to pour in more money in the garment sector as Indonesia was revitalizing its textile industry by boosting the production capacity of rayon fiber.

"Rayon has become the new basic material [for textiles] and Indonesia will produce rayon fiber from forest pulp in large quantities," he said in a statement on Thursday.

Exports of textiles and textile products reached US$11.78 billion in 2016, 8.2 percent of Indonesia's total shipments.

Meanwhile, investments in textiles and textile products reached Rp 7.54 trillion (US$557.8 million) last year, contributing 1.16 percent to the country's gross domestic product.

Airlangga said he also expected Mitsubishi to invest more in the petrochemical sector as its subsidiary, Asahi Glass, which operates in Indonesia under the name Asahimas Flat Glass, started to expand its caustic soda and glass factory.

Mitsubishi Corporation senior executive vice president Eiichi Tanabe said the company was looking to expand its business in infrastructure and the automotive sector as well as consumer goods, such as food products, as it partners with Japanese convenience store Lawson and retailer Uniqlo, both of which are popular in Indonesia.

Source: thejakartapost.com- Oct 19, 2017

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Pakistan: Textile exporters stress value-addition

Pakistan Textile Exporters Association has termed their switching focus towards value-addition in textile industry a need of the hour, in view of the sustainable growth that hinges upon value-addition.

"Value-addition is the key to success and the government must focus on capturing greater share in regional and international trade through it," Chairman PTEA, Shaiq Jawed, said in a statement on Friday.

He said that countries all over the world encourage value-addition to earn more foreign exchange. The textile exports of Bangladesh are touching $30 billion although they do not grow cotton, and only produce finished textile products with imported raw material.

All emerging economies have done the reforms by removing such impediments, which have helped them increase their exports. "So we need to follow their footsteps and take our industry in the right direction to achieve our national goal," he said.

PTEA chairman was of the view that regional peers are rapidly multiplying their exports just because of the edge they have on the cost of doing business.

High cost of production and un-competitiveness are major hurdles in exports growth and pragmatic incentive schemes need to be announced to reduce the cost of production and create a level playing field.

"Textile industry is unable to tap its potential in accordance with capacity," he said. Appreciating the government's efforts in uplifting the exports, he said that internal challenges are hindering the exports growth.

Severe cash flow crunch has squeezed the productivity resulting in reduced exports as billions of rupees are blocked in sales tax, income tax, customs rebate and textile policy incentive schemes.

With such a huge shortage in working capital, how textile exporters could even compete with rival countries, he lamented.

Source: dawn.com- Oct 21, 2017

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NATIONAL NEWS

Exporters yet to receive GST refunds despite govt's reassurances

It looks to be a cheerless Diwali for people working in India's export industry as their long wait for Goods and Services Tax refunds continues, despite protests and complaints to the government. The new tax regime, which rolled out on July 1, subsumes all indirect taxes that businesses earlier paid to the state and Central governments.

Before the introduction of the Goods and Services Tax, exporters enjoyed upfront tax exemption, since exports were "zero-rated" or exempt from tax. In the new regime, however, they need to pay taxes on the goods they manufacture or purchase. These taxes can be claimed as refunds only after the goods have been exported out of India.

Since July, the government has collected around Rs 67,000 crores from exporters in the form of Integrated Goods and Services Tax, which is levied on the inter-state movement of goods. But exporters say the government has not processed the refunds. In the absence of refunds, exporters say they are facing working capital shortages, which means they have less money to invest in their businesses.

On October 6, the Goods and Services Tax Council – the top decision-making body for the new tax regime – announced that refunds owed to exporters for July will be cleared by October 10, and for August after October 18. Revenue Secretary Hasmukh Adhia said Rs 5,000 crores to Rs 10,000 crores would be available as refund. But exporters say they are still waiting for the refunds.

Said Suranjan Gupta, additional executive director of the export body Engineering Exports Promotion Council: "We provided the commerce ministry with details of exporters and refunds due to them but nothing has happened so far. Barely 1% of people have received the refunds that were due by now."

A major exporter, who did not wish to be identified, echoed this view. "The refunds are simply not being credited to any bank account and the government can say whatever it may to the press but exporters are still

suffering," he said. "They [the government] care about managing headlines more than managing business sentiment in this country."

Missed deadlines

Spurred into action by the protests over delayed refunds, the Goods and Services Tax Council had set up a committee headed by Adhia in September to look into the problems exporters were facing in the new tax regime.

A solution seemed to have been reached on October 6 when the council announced, "Within the next 4 days, that is by October 10, 2017, the held-up refund of integrated GST paid on goods exported outside India in July would begin to be paid. The August backlog would get cleared from October 18, 2017, and refunds for subsequent months would be handled expeditiously."

Exporters took this to mean that if refunds for August started coming in from October 18, then the government would have finished making payments for July before that date. But those deadlines seem to have been missed.

"They have started the process of providing refunds but a lot of people are not getting it," said Gupta of the Engineering Exports Promotion Council. "The refunds are not coming at the pace they should."

On October 8, Adhia assured exporters that all refunds would be paid by November-end. However, he added that these would include input tax credit – a tax deduction businesses are allowed on the basis of the taxes they pay while buying inputs to provide goods and services – which would take some time to be cleared.

In the face of the sector's struggles, Adhia said that manufacturing exporters, or businesses that manufacture goods for export, would no longer have to pay taxes, for the remaining six months of the financial year.

"For a period of six months, we are actually reverting to the pre-GST scenario." Once this period was over, the government would launch an e-wallet for exporters where a notional credit would be made to their accounts based on their recent turnover, he said. They could then use this credit to pay their Goods and Services Tax liabilities.

Manual process

However, exporters continue to be worried, and a change in the rules made earlier this month has added to their concern. Under the new rule, exporters will receive refunds in the bank accounts they have registered with the Central Board of Excise and Customs instead of the accounts mentioned in their Goods and Services Tax registration forms. The change was supposedly made to speed up payments. But exporters fear it will only delay the process further.

"The customs department will take its own time to finalise the list of people who need to be given refunds and provide it to the bank to credit the refund amount," said Gupta.

Ajay Sahai, director general and chief executive officer of the Federation of Indian Export Organisations, which promotes India's international business, explained how the process would work: "In the shipping bill you have IGST [integrated GST] that you have paid to the government. Customs department will verify if the shipment has gone, then it will clear the refunds. They will put it in a tabular sheet and sum total it. They will authorise banks to debit their account once tabulated. The money will flow to the bank account."

Sahai said that while this may cause additional trouble to some exporters, who would have to ensure their bank account in both the Goods and Services Tax registration and Central Board of Excise and Customs registration is the same, most people would not face this problem.

"Everyone I know seems to have a CBEC account and as long as the money comes, I don't care in which account it comes," he said. "I have to pay bonuses to employees for the festive season. The government should just focus on releasing it [the refunds] quickly."

However, he said he did not expect the held-up payments to be made any time soon. "Since the GST Network cannot handle it online, the manual system will just take more time and ensure that Diwali goes dry," he explained.

Exporters' Woes

- Before introduction of GST, exporters enjoyed upfront tax exemption
- In the new regime, however, they need to pay taxes on the goods they manufacture or purchase
- Since July, the govt has collected around Rs 67,000 cr from exporters in the form of IGST
- Exporters say the govt has not yet processed the refunds
- On October 8, Revenue Secretary Hasmukh Adhia assured exporters that all refunds would be paid by November-end
- Under the new rule, exporters will get refunds in the bank accounts they have registered with the CBEC instead of the accounts mentioned in GST registration forms
- The change was supposedly made to speed up payments
- But, exporters fear it will only delay the process further

Source: business-standard.com- Oct 19, 2017

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GST dents Diwali biz of Surat textile units, sales 15-20% of typical season

The latest revision in Goods and Services Tax (GST) rates that were announced on October 6 may have come a tad late, with the Surat textile market sitting on a huge inventory, say traders.

While the market may have gone on vacation, the peak Diwali season dispatch was only 15-20 per cent of normal.

As against a typical Rs 10,000-12,000 crore worth of business during Diwali through dispatch of 1,500 trucks daily for a fortnight, the same has been down to mere 15-20 per cent, say traders who will take a call on a strike on October 25 once they resume work after the festival.

"This is the first time we are seeing such a Diwali this year. In the last fortnight or so, which sees peak of Diwali dispatches, business has been merely 15-20 per cent of a typical season," Tarachand Kasat of the Surat-based GST Sangharsh Samiti and a leading textile trader told Business Standard.

In the last few years, Surat has been dispatching textile goods through 1,500 trucks daily for a fortnight worth Rs 60 lakh each. However, the impact of GST has led to orders drying up this year, bringing down the daily dispatches substantially.

According to local textile traders, not only have orders dried up during Diwali, especially from North and Central India wholesalers, but also resulted in an inventory worth hundreds of crores of rupees lying in Surat. "Surat could be sitting on an inventory of at least Rs 500-800 crore which is unusual," said a leading trader on condition of anonymity.

As a result, around 150 wholesale textile markets stayed away from celebrating Diwali festival by decking up their offices. "The otherwise lit up textile markets during Diwali are gloomy this year. Traders have deliberately shunned lighting up their offices across 150 of the total 250 textile markets," Kasat added.

The powerloom industry which has shut shop for Diwali vacation is unsure how many units could resume production post festival. "Many weavers are yet to decide whether to resume production or not. We may see an extended vacation in powerloom industry this Diwali," said Nikhil Godiwala, a powerloom owner in Surat.

As for traders, Kasat said that while the community intends to resume work from October 25, it will decide on whether to call for a strike depending on the business scenario.

"The October 6 revision in GST for textiles has not fully addressed the issue in Surat synthetic textile market. With only 15-20 per cent business this Diwali, this is one of the worst festive seasons that one has seen. We will decide on whether to call for a strike or not once the market resumes," Kasat said.

There are 650,000 powerlooms, 150-200 wholesale textile markets, 20,000 manufacturers including 10,000 weavers, 75,000 traders, 450 processing units, and 50,000-60,000 embroidery machines in the Rs 50,000 crore synthetic textile hub of Surat. However, this year the synthetic fabric production in Surat had fallen from 40 million metres per day to 20-25 million metres per day in the first three months of GST rollout.

Source: business-standard.com- Oct 18, 2017

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JNPT gets 12 bids to move containers under 'direct port delivery' scheme

Jawaharlal Nehru Port Trust (JNPT), has received 12 initial bids from transporters on a tender for evacuating import containers from the four terminals of India's busiest container port to five locations and their nodes.

The tender is part of a plan to speed up imports through the direct port delivery (DPD) programme and, thereby, cut transaction cost and time.

The tender — a first of its kind in India — involves selecting as many as seven big road transporters who will deploy some 2,665 tractor trailers (TTs) — both owned and aggregated — for evacuating containers landing at the port to locations in Gujarat, Ahmednagar, Nashik, Aurangabad, Nagpur, Indore and Hyderabad, Goa, Bengaluru and near Mumbai over distances ranging from 40 km to 1,100 km. The bids are being scrutinised on technical and financial parameters, a spokesman for JNPT said.

In the DPD process, the port is eliminating one key stakeholder — container freight stations (CFS) — and its role is now assumed by other stakeholders — terminals, shipping lines and transporters, according to JNPT.

"The transporter will play a critical role in the success of the DPD model. In fact, the role goes much beyond the scope of a normal transporter. The transporter has to co-ordinate with terminals for efficient fleet deployment. It has to take the responsibility of cargo, insurance, prevent theft/damage to container, and ensure safe delivery," JNPT said.

The four terminals at JNPT currently provide containers to the trucks on the best pick model — 33 CFSs and 50 ICDs (inland container depots) are linked to the port.

"It would not be possible for the terminals to stack containers client-wise as the number of DPD clients is very high. JNPT has limitations to achieve higher percentages of DPD due to constraints in yard area for segregation," the spokesman said.

According to the transport solution proposed by JNPT, all DPD containers will be distributed route-wise. Port terminal operators will arrange DPD import boxes route-wise in separate stacking area.

JNPT will not enter into any direct commercial arrangement with the transporter. It will be mandatory for importers to hire the selected transporters for taking the DPD import delivery by entering into a commercial arrangement with them. The successful transporter will have the exclusive right to clear the DPD containers from the port for the corresponding route for which it is selected.

Importers will not be allowed to use their own fleet.

The transportation arrangement will be for an initial period of three years with a provision to extend it by two years.

Source: thehindubusinessline.com- Oct 20, 2017

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India's exports to Bangladesh bounce back, record 13% growth in FY17

After a subdued show for two consecutive years, India's exports to Bangladesh reported a robust growth in 2016-17. The growth is attributed to a significant rise in export of equipment and high-value machinery for project implementation in Bangladesh.

According to the Commerce Ministry, exports to Bangladesh touched $6.8 billion in the fiscal year ending March 2017, recording 13 per cent growth. Total bilateral trade had hit an all-time high of $7.5 billion, up 11 per cent.

Bangladesh is the ninth largest importer of Indian goods. According to the Ministry, Indian exports increased by a modest 4.6 per cent ($6.4 billion) in 2014-15 and dropped by 6.4 per cent ($6.03 billion) in 2015-16.

Data confusion

There is, however, difference in trade data between India and Bangladesh.

This is due to difference in accounting period (Bangladesh follows July to June accounting year) and difference in estimates between Bangladesh's Bureau of Statistics and the central bank.

According to the Bureau of Statistics, Indian exports dipped in the two preceding years before reporting 16 per cent growth to $5.7 billion (converted from Bangladeshi Taka) during the 11-month period from July 2016 to May 2017.

All statistics, however, show Bangladesh witnessed a marginal dip in exports in 2016-17, after a five-year long growth spell between 2011-12 and 2015-16. While Indian exports meet 11-12 per cent of Bangladesh's total import needs, India shares less than two per cent of Bangladesh's export basket, which primarily includes ready-made garments.

According to Selim Raihan, Executive Director of South Asian Network on Economic Modelling (SANEM) and a professor of Dhaka University, India and Bangladesh are yet to optimise trade potential vis-a-vis the significant bilateral cooperation.

One of the major reasons behind is the poor and costly trade logistics. Nearly half of the total trade (in value terms) is routed through Petrapole-Benapole land border by costly road transport. The non-containerised road cargo undergoes repeated loading and unloading operations at the border.

To add to the woes, the border infrastructure is far from adequate especially on the Bangladeshi side leading to congestion. In a recent study, SANEM indicated that Indian export consignments wait for 17-20 days to complete the customs procedure at the Bangladeshi gate of Benapole.

Poor trade logistics is reducing the price competitiveness of both Indian and Bangladeshi exports. According to Raihan, capacity augmentation at Petrapole-Benapole can increase bilateral trade significantly.

New initiatives

Indian observers believe conversion of road traffic to less costly rail, containerisation of cargo and multi-modal transport can reduce the trade logistics costs.

India recently approved ₹40 crore, in the third line of credit worth $4.5 billion to Dhaka, to help Bangladesh build a transhipment facility at Ishwardi that connects Gede-Darshana rail-link. It will help increase rail cargo by road. A parallel effort is on by both the countries to run container trains between Kolkata and Dhaka.

But the most promising news is from shipping sector. Though India and Bangladesh opened direct shipping last year; the cargo volume didn't grow to the expected levels due to congestion at Chittagong port in Bangladesh.

In a recent trend, Bangladeshi shipping lines started moving containerised cargo from Kolkata to the inland river port at Pangaon, barely 20 km from Dhaka. The port is equipped with container handling facility. Indian authorities are bullish that popularising this route can reduce trade costs significantly.

Source: thehindubusinessline.com- Oct 23, 2017

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IGST refunds for exporters start, but at a slow pace

In some relief to exporters, tax officials have begun clearing pending refunds of Integrated Goods and Services Tax (IGST), albeit at a slow pace.

According to official data, of the total IGST claim of ₹753 crore in July, only ₹132 crore were sanctioned for refund in the first 10 days.

The slow pace of IGST refunds is significant given that the GST Council, in its last meeting, had announced that all pending refunds for July and August would be cleared at the earliest — those for July would start by October 10 and for August by October 18. The issue has now been raised by the Finance Ministry as well as exporters, who have urged tax officials to expedite refunds.

"The Board is according utmost priority to the early sanction of the remaining export claims," said Vanaja N Sarna, Chairperson, Central Board of Excise and Customs, in a recent letter to field formations, stressing that these must be cleared at the earliest. The matter is also understood to have

been taken up by Revenue Secretary Hasmukh Adhia in a recent review meeting with officials.

Adhia had earlier this month said that pending refunds to exporters would be cleared by November-end. About ₹67,000 crore has been collected as IGST from which refunds to exporters are estimated at about ₹2,000 crore for July and August.

Exporters claim that the refund process is getting delayed at the field level. “Data at major ports such as Chennai and JNPT show that refunds are low. There are technical glitches that are creating problems,” said an industry expert.

According to Ajay Sahai, Director General and CEO of the Federation of Indian Export Organisations: “The refunds are on the lower side of our estimates. We hope that all refunds for July and August will be cleared by the end of this month.” Though there is no GST on exports, exporters have to pay IGST, which is refunded.

However, refunds were initially stalled due to procedural confusion, and exporters complained they were facing cash-flow problems. After a series of measures by the CBEC, a committee led by the Revenue Secretary also recommended some measures to the GST Council. Accordingly, the Council, in its meeting on October 6, relaxed norms for exporters.

Source: thehindubusinessline.com- Oct 23, 2017

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14 companies to invest Rs 3,000 crore in Telangana’s textile park

Fourteen companies have so far come forward to set up units with a total investment of over Rs 3,000 crore in the proposed Kakatiya Mega Textile Park in Telangana’s Warangal district, an official statement said. Chief Minister K. Chandrasekhar Rao will on Sunday formally lay the foundation stone of the project. Coming up on 2,000 acres, the textile park — claimed to be India’s largest — is expected to generate 66,000 jobs, including 22,000 directly. The project’s first phase will come up on about 1,200 acres at Shayampet and Chintapalli villages.

Hours ahead of the foundation stone-laying ceremony, the state government signed Memorandums of Understanding (MoUs) in Warangal town, in the presence of Industries Minister K.T. Rama Rao with various companies and organisations in the textile sector. Youngone Corporation of Korea will set up a unit with an investment of Rs 1,000 crore. Nandan Denim (Chiripal Group) will invest Rs 700 crore.

An advanced testing laboratory will be set up to ensure zero liquid discharge to control environmental pollution. Telangana is one of the largest producers of long staple cotton at around 60 lakh bales per annum.

The state was third in the country in cotton production during 2015-16. The state is known for skilled textile workers but due to absence of industry, they migrate to other states for earning their livelihood, said an official statement.

Source: financialexpress.com- Oct 22, 2017

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Export sops get ready

The Centre plans to work out export incentive packages worth Rs 15,000 crore in the coming weeks as global trade picks up. The packages will be compliant with the World Trade Organisation norms.

The officials of the finance and commerce ministries will meet to discuss the measures and this could be announced as part of the Foreign Trade Policy review next month, a senior commerce ministry official said.

Union commerce minister Suresh Prabhu in a communication to finance minister Arun Jaitley has listed out the incentives. The officials of the two ministries will meet to work out the fine print.

The proposed measures include allowing the scrips earned under the popular Merchandise Exports from India Scheme (MEIS) to be used to pay the Goods and Services Tax (GST), increasing incentive rates and interest

subsidy rates for labour-intensive sectors, reducing the GST rate on MEIS/SEIS scrips and infusing more capital into the Export Credit Guarantee Corporation of India.

The country would have to phase out export subsidies at it has breached an income threshold stipulated by the WTO to end such sops. According to the special and differential provisions in the WTO's Agreement on Subsidies and Countervailing Measures, when a member's per capita gross national income (GNI) exceeds $1,000 per annum (at the 1990 exchange rate) for the third straight year, it has to phase out its export subsidies. There is, however, no clarity on the time frame to end such subsidies.

Twin compliances

Officials said the Merchandise Exports from India Scheme (MEIS) is being redesigned to make exports GST and WTO compliant.

Duty-drawbacks are basically taxes foregone and that is considered a "prohibited subsidy" by the WTO.

The five-year foreign trade policy (2015-20) provides a framework to boost the exports of goods and services, besides the creation of more jobs.

Exports are showing signs of picking up as they soared 25.67 per cent to $28.61 billion in September, the highest growth in six months on the back of expansion in the the shipments of chemicals, petroleum and engineering products.

Exports had grown 27.5 per cent in March. Imports, too, rose 18.09 per cent to $37.6 billion in September.

Source: telegraphindia.com- Oct 23, 2017

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Caution advised on Sept's export cheer

Though exports rose 25.7 per cent in September, economists and exporters advise caution in celebrating the return of sustained trade growth.

Despite issues over liquidity, exports grew at a six-month high in September over a year before, maintaining the momentum of 13 months of rise even under the Goods and Services Tax (GST) regime. However, experts say the rise did not reflect the supply-side issues faced by industry.

October's easing in GST rules might take till November or December to reflect in the charts, they add. This includes the government continuing the duty drawback scheme through revised rates post October and easing the filing of GST documents.

"While I am happy at the high growth shown in September, it should be kept in mind that exporters tried to push out built-up stock till September 30, when the old duty drawback scheme was to be stopped," said Ganesh Kumar Gupta, president of the Federation of Indian Export Organisations.

Also, goods shipped by merchant exporters in labour-intensive sectors such as handicrafts, carpets and non-apparel textiles did not see considerable rise, he said. He felt export growth in October might be one or two percentage points more than the 9.59 per cent growth in October 2016.

The two primary sets of commodities that led the export rally, engineering goods and refinery products, did so on the basis of rising international commodity prices. In the third month into GST, export growth picked up mainly owing to rising global crude oil prices, which pushed up processed petroleum export by nearly 40 per cent, apart from a broad-based improvement in export of major foreign exchange earners such as engineering goods which rose by a high 44 per cent.

"This is not reflective of a sustained recovery in export capabilities, as prices might change anytime. If we see export grow at about these levels for a succession of three months, we can expect a sustained rise and see annual export top $300 billion in the financial year," said Madan Sabnavis, chief economist at CARE Ratings.

The rupee's consistent rise is also expected to dampen export growth and reduce competitiveness. While weakened in September, with foreign investors pulling out capital, the reverse is expected in October.

As of Monday evening, the currency was 64.74 to the dollar. Also, as compared to rupee, the currencies of competing developing nations such as Vietnam and Indonesia have seen a sharper depreciation, Sabnavis said.

On the bright side, September saw non-oil and non-gold import rising 19.8 per cent, marginally down from a little over 20 per cent in August, signalling the industrial sector might continue to show high growth for a consecutive month.

On this note, experts say outbound trade is tipped to rise over the next four to six months as the Foreign Trade Policy review, set to be issued in early November, makes structural changes and global demand for Indian export picks up. "For the past couple of years, global GDP growth has consistently been more than trade growth.

Apart from protectionism, collapse in commodity prices had been a prime reason. With prices now elevated and the economic outlook of major economies such as the United States, European Union and China looking better, exports might rise over the next couple of months," said Devendra Pant, chief economist at India Ratings.

Source: business-standard.com- Oct 20, 2017

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Quality cotton prices may stay above Maharashtra floor price until January

Prices of quality cotton crop are likely to remain above the minimum floor price set by Maharashtra until early January, offsetting the impact of increasing supplies of the summer-sown textiles fibre.

Demand from local mills and exporters should keep the prices of dry and quality cotton higher than the minimum price set by the government, traders said.

The Cotton Corporation of India is set to open its procurement centres in major cotton-growing states. However, traders from Maharashtra, the second-largest cotton producer, believe that prices may not drop much below the minimum support price until DecemberJanuary.

“We expect cotton prices to remain between Rs 37,000candy and Rs 38,000candy (each candy of 356 kg) in December,“ said BS Rajpal, a Maharashtra-based trader. At present, prices range from Rs 38,200 to Rs 39,000.

With the arrival of new crop slowing down after the October rains, prices had increased marginally. However, prices stabilised soon as the cotton now available has higher moisture content.

“Cotton prices have been declining gradually. After rising for a short while due to the recent rainfall, prices have again fallen back to their earlier lev els,“ said J Thula sidharan, chairman, Indian Cotton Federation.

Pakistan, a tradi tional buyer of In dian cotton, has currently banned cotton imports from its neighbour.

However, trade sources say that Pa kistani businesses have demanded the resumption of cotton imports from India.

In the medium to long term, Indian traders are keeping an eye on China. As cotton-producing countries expect a bumper crop, a fall in global prices should induce Beijing to procure. That should provide a pricing floor for the Indian output.

Source: economictimes.com- Oct 19, 2017

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Telangana CM to lay foundation stone for Kakatiya textile park

The troubled textile sector in Telangana State is all set to get a booster dose with the Government taking up the Kakatiya Mega Textile Park in Warangal district.

State Chief Minister K Chandrasekhar Rao will lay the foundation stone on Sunday for the Park which will come up over a 2,000 acre campus between Shyampet and Chintapalli villages.

The Government has acquired 1,200 acres of land already from farmers. Touted as the biggest in the country, the Park will house dozens of companies with multi-thousand crore investments and generate over 50,000 jobs in the first phase itself.

The Telangana State Industrial Infrastructure Corporation (TSIIC) is executing the KMTP Project for which IL&FS Cluster Development Initiative (IL&FS Clusters) has been engaged as Project Consultant.

Textile sector dilemma

Despite being among the top three cotton producing states in the country (2015-16) with a long staple cotton production of 60 lakh bales per annum, Telangana textile sector has been going through lot of issues. A majority of the skilled textile workers have been forced to migrated to other states for livelihood.

After bifurcation of Andhra Pradesh in 2014, 75 per cent of the pre-division cotton growing areas have remained in Telangana with only 20 per cent of spinning capacity. This has led to a situation where most of the cotton is going to neighbouring states for value addition and export of yarn.

There are 33 spinning mills with capacity of 10 lakh spindles, but only 20 per cent of the cotton grown in the State is utilised since 80 per cent is going to other states.

The Textile park will facilitate factory sheds to be put up with ready to use facilities for the production of clothes. The KMTP shall be implemented in a phased manner depending on the market demand.

Source: thehindubusinessline.com- Oct 22, 2017

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GST and e-way bills

No clarity on 'approved' or rejected goods

Though the GST was conceptualised as a comprehensive code to replace most indirect taxes, the law is being implemented in instalments. The need for an e-way bill to accompany every supply of goods is an example. As per the latest missive from the GST Council, e-way bills will be introduced in a phased manner by March 2018- till then the exist laws of the individual States would apply.

This would create a great deal of confusion when a truck starts its journey in one State, travels through three other States before completing its journey in a Union Territory. A GST invoice, an e-way bill from the originating State and a delivery challan mentioning the destination seems to be doing the trick at present. However, complications can arise if the goods are sent on approval basis since there would be no invoice. A government circular issued on October 18 (Circular No 10/10/2017-GST) attempts to clarify these issues.

What it says

The circular starts off by referring to communications received particularly from the suppliers of jewellery regarding issue of invoices when goods are sent on approval basis. Though paragraph 5 of the circular states that this clarification would be applicable to all goods supplied under similar situations, it appears that the draftsman has kept only jewellers in mind.

With a special tax rate of 3 per cent, an exemption from the Prevention of Money Laundering Act and now a relaxed scheme for movement of jewellery, jewellers could be one of the few who would not moan the hurdles that GST appears to have imposed.

The circular clarifies that goods which are taken for supply on approval basis can be moved from the place of business of the registered supplier to another place within the same State or to a place outside the State on a

delivery challan along with the e-way bill wherever applicable and the invoice may be issued at the time of delivery of goods.

The person can carry the invoice book with him and issue the invoice once the supply is fructified. All such supplies will be inter-state supplies and attract integrated tax in terms of Section 5 of the Integrated Goods and Services Tax Act, 2017.

Still, there are some questions. To how many suppliers (apart from, maybe, jewellers) can send the invoice book along with the vehicle in which the goods are transported? Even if they do, who would be the person to authorise and issue an invoice once the supply is fructified?

Under the GST law, invoices are supposed to be serially numbered. If invoice books are sent through transporters, maintaining serial numbers could pose a numerical challenge during invoice uploading and subsequent assessments since one set of invoices will be at the head office and the other in a remote location.

The circular assumes that acceptance or rejection of goods sent on approval will be done instantaneously (again, this could be a practice in the jewellery industry). A machining part sent by a supplier to a first time customer would take a few weeks to be approved.

Some parts may be approved while others rejected. The circular is silent on such scenarios. An solution would be to provide for suppliers to issues invoices that are clearly marked “for approval”. These can accompany the goods and can have a validity of, say, 90 days after which they should either be approved or returned.

Source: thehindubusinessline.com- Oct 23, 2017

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GST rate structure needs rejig, says Hasmukh Adhia

Some rejig in the rate structure of the goods and services tax (GST) is required to reduce the burden on small and medium businesses, Revenue Secretary Hasmukh Adhia has said.

The GST, which amalgamates more than a dozen central and state levies like excise duty, service tax and value-added tax (VAT), will take about a year to stabilise, he told PTI.

"There is need for some rejig in rates... it is possible that some items in the same chapter are divided. There is a need for harmonisation of items chapter wise and wherever we find there is a big burden on small and medium businesses and on common man, if we bring them down, there will be a better compliance," Adhia said.

Nearly four months since its introduction, the new indirect tax threw up teething troubles and compliance issues, which the GST Council — the highest decision-making body of the new regime — has addressed through several rounds of changes.

To ease hassles facing medium and small businesses in paying taxes and filing GST returns, it has tweaked various aspects of the new indirect tax regime to make it industry friendly.

The turnover threshold for composition scheme, under which businesses can pay taxes at a nominal rate, has been hiked to Rs 1 crore from Rs 75 lakh earlier. Also, small businesses with up to Rs 1.50 crore turnover have been allowed to file returns and pay taxes quarterly, as against monthly earlier. Also, the GST Council has rationalised rates on over 100 commodities and made refund process easier for exporters.

Adhia, however, said the rejig would require some calculations by the fitment committee, which will decide which items need a rationalisation of rate under the GST regime, which kicked in from July 1.

The GST Council has already cleared an approach paper for items to be considered for rationalisation but it is not binding and the council can always make deviations from the approach paper.

"We are very keen to do it as early as possible, it depends on how much time the fitment committee takes to work on it. They need data, calculate revenue loss. They need various comparisons. But harmonisation has to be done," he said.

The 23rd meeting of the GST Council, chaired by Union Finance Minister Arun Jaitley and comprising representatives of all states, would be held in Guwahati on November 10.

When asked how much time it would take to stabilise the GST system, Adhia said: "It will take one year. Because it is a new system for everybody... There has been a complete overhauling of tax system in GST, so one year is needed. If you see the experience of VAT, there was opposition for one year. People were on streets because nobody knew what VAT is, the last fellow was only paying sales tax. There was more opposition that time than this."

The GST has subsumed over a dozen taxes and transformed India into a single market for seamless movement of goods and services. Introduced in 2005, VAT had replaced the earlier sales tax systems.

VAT was a tax on sale or purchase of goods within a state and was levied by state governments.

Source: business-standard.com- Oct 23, 2017

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