

IBTEX No. 258 of 2017

December 28, 2017

USD 64.20 | EUR 76.51 | GBP 86.20 | JPY 0.57

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
19362	40500	80.52
Domestic Futures Price (Ex. Gin), December		
Rs./Bale	Rs./Candy	USD Cent/lb
20060	41961	83.43
International Futures Price		
NY ICE USD Cents/lb (March 2018)		78.95
ZCE Cotton: Yuan/MT (Jan 2018)		14,710
ZCE Cotton: USD Cents/lb		86.65
Cotlook A Index - Physical		88.60
<p>Cotton & currency guide: Cotton is at season's high. Indian cotton S-6 has reached to Rs. 41000 per candy ex-gin (more than 81 cents/lb). The US ICE future kissed almost 79 cents/lb front month contract. Other varieties of cotton prices are also high amid high Cotlook A index. Domestic futures price trades at MCX initially witnessed price correction however later realigned with the ICE future price trend.</p> <p>However there are no fresh reasons in the market while the old factors continue to weigh on price. The story of crop damage due to pink bollworm remains in lime light in India. Excessive cold weather in the US and low micronaire is still a concern. Cash sales are high in the US. Speculative positions are adding up day by day as the year end comes closure.</p>		

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There may be chance of rebalancing of portfolio where commodities weights are high. Unfixed on call sales could push more rise in price.

From pricing front ICE cotton is moving into a new normal range and matter of time left for it to cross 79 and then move into 80s territory. For now we see 76 and 74 are two key support levels. Until these supports are crack down it would just continue to gain.

Domestic cotton for physical price looks almost excessive and has no effect from the daily cotton arrivals in the market. On the domestic futures side the front and the next month contracts are trading comfortably above Rs. 20000 per bale much higher than the average parity.

This morning ICE cotton is seen trading down marginally at 78.64 cents down by 0.40% from previous close. We expect on today's trading session the cotton to trade in the range of 78 to 79.20 cents. On the domestic front the January future is expected to trade in the range of Rs. 20300 to Rs. 20600 per bale and recommend buying on dips for the day.

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

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INTERNATIONAL NEWS

Pakistan: No word yet on GSP renewal by US

In a potential test case of how economic relations with the United States will fare for Pakistan following the exchange of angry words recently between the two governments, the Generalised System of Preferences (GSP) scheme (allowing duty free access for Pakistani goods) will expire on Dec 31 and needs reauthorisation to continue.

A senior official in the Ministry of Commerce told Dawn that Pakistan has not received any word so far regarding the reauthorisation of the said scheme.

“We are in contact with trade officials of US government over the extension of the scheme,” the official added.

But the chances for regaining the US GSP status seem low owing to some new regulations that the United States Trade Representative (USTR) introduced in October. Also, the political decision – whether the US Congress will further approve reauthorisation of the scheme – is another important area to be considered in the next couple of months.

On Oct 25, USTR announced to implement the 15 eligibility criteria of the GSP established by the US Congress. Most of these include respecting arbitral awards in favour of US citizens or corporations, combating child labour, respecting internationally recognised worker rights, providing adequate and effective intellectual property protection, and providing the United States with equitable and reasonable market access.

According to the official, the USTR will review the compliance of the eligibility criteria by 120 beneficiary developing countries and territories.

“We are mostly compliant in all these areas,” the official said.

However, it is not clear whether the eligibility criteria will be reviewed before reauthorisation of the scheme or it will be done afterwards.

The beneficiary 120 countries have also established a GSP alliance in Washington, according to the official. This alliance is also in contact with Washington, he added.

In 2015, when the GSP scheme was revived with retrospective status, it was estimated to get maximum utilisation of available concessions. However, data shows the utilisation of the scheme is very limited over the past years.

Official data available show that in the FY16 Pakistan's GSP exports stood at \$247 million, up from \$180.5m in the previous year.

The official said the utilisation is improving and it will further improve following the depreciation of Pakistani currency.

Maximum products exported under this scheme are jewellery, polyethylene terephthalate in primary forms, glucose and glucose syrup; national flags and other made-up articles of textile materials; mixtures of spices; electric table, desk, bedside or floor-standing lamps.

Pakistan's major exports, textiles and apparel, footwear, handbags, luggage and leather products are not eligible for the GSP scheme, being a Non-Least Developed Country.

Non-GSP exports to USA stood at \$3.4 billion in the year 2016-17. GSP-based exports account for 5 per cent of Pakistan's total exports to the USA, which clearly reflects lesser utilisation of the preferential facility.

The revival of GSP programme was a fresh opportunity for Pakistani exporters to explore the US market more deeply and to reverse the diversion of exports to Asia and Europe.

The commerce ministry and its implementing arm Trade Development Authority of Pakistan have to market the facility for non-textile products. One of the main problems is lack of awareness of exporters to avail the facility especially in Balochistan and Khyber Pakhtunkhwa.

Many Pakistani goods are eligible for GSP duty-free including most manufactured items, inputs used in manufacturing, carpets, certain agricultural products, various chemicals, minerals and marble.

Earlier, the US Congress had suspended the facility for Pakistan after the expiry of the programme on July 31, 2013. However, the GSP facility was renewed through Dec 31, 2017 effective retrospectively between Aug 1, 2013 and July 28, 2015.

Source: dawn.com- Dec 27, 2017

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USA: Companies optimistic about growth: McKinsey global survey

Respondents to McKinsey's latest global survey on economic conditions are optimistic about growth improving worldwide and in their own countries and are confident about their companies' prospects. Majority of respondents said trade will rise between their own countries and the rest of the world. Expectations for companies' growth and demand have also soared.

Among possible risks, overinflated asset prices are an increasingly worrisome threat to global growth, while in respondents' home countries, concern about heightened equity prices is on the rise, said a McKinsey press release citing the survey.

Respondents in developed Asia are the cheeriest about the state of the global economy — and much more so than they were in the previous survey.

Fifty-one per cent of respondents expect global conditions will improve in the next six months, compared with 42 per cent in the previous survey and 28 per cent who said so a year ago.

When asked for the first time about the global economy's growth rate, an even larger share— 72 per cent — expect it will increase over the next six months. By contrast, only 14 percent predict the global growth rate will contract.

Fifty one per cent expect trade levels will increase in 2018 — up from 32 per cent a year ago. Respondents in emerging economies are more optimistic about their countries' trade prospects than their developed-economy peers.

However, concerns about asset bubbles have continued their rise. Thirty one per cent of respondents identified asset bubbles as a risk to global growth in the next year, continuing that risk's steady climb up the list since last December, when only 8 percent of respondents cited it.

Fifty seven per cent of respondents said conditions at home improved in the past six months, and 49 per cent predicted conditions will improve in the next six months. An even higher share, 65 per cent, predict that the growth rates of their home economies will increase in the next six months. Those in India are the most optimistic.

Compared with the previous survey, respondents focused on the same risks to domestic growth but in a slightly different order of likelihood. At the top was domestic political conflicts, followed by transitions of political leadership and asset bubbles.

Concern about equity bubbles is most acute in India and in North America. Fifty-two percent and 48 percent in these regions, respectively, cite equity bubbles, compared with 27 percent of all respondents. Sixty one per cent of private-sector respondents said they expect an increase in demand in the next six months and 67 per cent expect their companies' profits will rise

Source: fibre2fashion.com- Dec 27, 2017

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Egypt: Home Textiles exports hit \$664M in 11 month, up 4.8%

Exports of home textiles rose 4.8 percent, reaching \$664 million in the January-November 2017 period compared to \$443 million during the corresponding period of 2016, the Egyptian Home Textiles Export Council (HTEC) announced in a statement on Wednesday.

HTEC announced its intention to participate with 40 Egyptian companies in the Heimtextil International Trade Fair for home textiles which is set to be held in Frankfurt, Germany during January 9 to 12, 2018.

Chairman of HTEC said that Egypt will also participate in the Carpet Domotex International exhibition, which is scheduled to be held in Hanover from January 13 to 17, 2018.

Egyptian non-petroleum exports during the period of January-November 2017 increased by 10 percent, registering \$20 billion, against \$18 billion in the same period of 2016, the General Organization for Import and Export Control (GOEIC) said in mid-December.

Industry and Trade Minister, Tarek Kabil, told Egypt Today in September that exports could rise from \$2 billion to \$3 billion in 2017 year-on-year and that his ministry was aiming to cover 50 percent of the trade balance deficit by 2020, with more focus on raising exports.

Kabil assigned in November Egyptian export councils to prepare sectoral plans that will include ways to increase Egypt's exports globally.

Source: egypttoday.com- Dec 27, 2017

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Vietnam: Textile industry dyeing for capacity

In a document to the Vietnamese government that was accessed by VIR, general director of Eclat Fabrics Vietnam (EFV) Hung Cheng-Hai claimed that although EFV has invested in high technology and highly experienced experts, its factory in the southern province of Ba Ria-Vung Tau has not run at full capacity due to the low rate of textile dyeing.

Eclat Fabrics, which has several well-known clients including Nike, Adidas, and Lululemon, received an investment certificate to develop the \$40 million facility in 2007.

However, according to the EFV document, "The limited rate of dyeing has made barriers for our business."

In 2006, to protect the Thi Vai River against heavy pollution, the Vietnamese government instructed Ba Ria-Vung Tau to ban five industrial manufacturing sectors along the river, including dyeing, tanning, starch processing, latex processing, and chemical production.

In 2007, however, the Ba Ria-Vung Tau Department of Natural Resources and Environment approved the environmental impact statement for the EFV project. The Ba Ria-Vung Tau Industrial Parks Management Authority then issued an investment certificate to the company to develop the project, setting dyeing at 10 per cent of the output.

Since then, provincial environmental authorities have expressed concern that, if the factory dyes 10 per cent of its fabrics, the discharged wastewater could pose a high risk for the aquatic environment of the Thi Vai River in the future.

The Thi Vai River begins near Nhon Tho village in the southern province of Dong Nai's Long Thanh district, then runs through Ba Ria-Vung Tau's Tan Thanh district and Ho Chi Minh City's Can Gio district before pouring into the East Sea. Its total length is some 76 kilometres and its total basin area is some 300 square kilometres. Many of the companies operating in the two provinces have been found to be discharging untreated wastewater into the river.

Like many developing countries, Vietnam is undergoing rapid industrialisation. This has created prosperity but has taken a toll on the country's natural environment and public health.

Urbanisation and the rapid formation of industrial zones have caused rivers and waterways and their surrounding basins to become polluted at alarming levels.

The EFV factory is not the only case of dyeing coming into conflict with local authorities for environmental reasons.

The Hong Kong-backed TAL Group asked the government and the Vinh Phuc People's Committee to grant investment certificates for a \$350 million textile and garment dyeing project, but Vinh Phuc reported that the project was expected to discharge large volumes of wastewater flowing through highly populated areas, with potential adverse effects for agricultural production, aquaculture, and daily life.

Assessing investment in industries of high pollution risk in Vietnam, especially textile-dyeing projects from China, Phan Huu Thang – former director of the Foreign Investment Agency under the Ministry of Planning

and Investment – said that China is now paying the price for the rapid development of its textile industry with heavy pollution.

He argued that Vietnam should be careful with textile-dyeing projects, to avoid falling into the same trap of environmental degradation.

Vietnam now has about 4,000 garment and textile companies, including 650 foreign-invested firms. 70 per cent of these are garment companies, 17 per cent are textile companies, 6 per cent are spinning companies, and 4 per cent are dyeing companies.

This demonstrates that Vietnam’s capacity is centred on the final stages of “cut, make, and trim”, while its low capacity in spinning, weaving, and dyeing makes it unable to produce sufficient inputs to supply domestic garment and textile companies.

To create conditions to attract investment into the textile and garment sector without risking adverse impacts on river environments, the Vietnam Textile and Apparel Association has suggested that the government adjust textile-garment planning in the period 2035-2040, and build textile industrial zones of 500 to 1,000 hectares to encourage investment in spinning, weaving, and dyeing.

Source: vietnamnet.vn- Dec 27, 2017

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USA: Cooling fabrics market to be \$3.24 bn by 2025: Report

The global cooling fabrics market size is expected to be worth \$3.24 billion by 2025, propelled by growing focus on fitness, sports, and leisure activities coupled with increasing health consciousness, according to a new report. Increasing research and government incentives are projected to accelerate production of such fabrics, thereby triggering demand.

The market for such fabrics is expected to record a compound annual growth rate (CAGR) of 11.1 per cent from 2017 to 2025, the report by San Francisco-based based market research and consulting company Grand View Research, Inc, said.

Benefits offered by cooling garments like moisture wicking, sweat evaporation, breathability, and ventilation have enhanced the use of such fabrics among athletes.

The demand for such fabrics in military and industrial applications is increasing because of their benefits like temperature regulation, resistance from harmful UV rays and pollutants and protection from excessive heat exposure.

The augmenting demand from healthcare and fashion industries is likely to accelerate the market growth, a press release from the company said citing the report.

Sports apparel segment is expected to denote a CAGR of 11.8 per cent from 2017 to 2025 owing to high product demand from developed as well as emerging nations and may account for 44.5 per cent of the global cooling fabrics market in 2025.

The North American market for such fabrics was valued at \$557.7 million in 2016 and is likely to witness a significant development on account of rising demand in sports apparel as well as protective wear applications.

These fabrics also address sustainability issues by saving energy required to heat or cool the environment around the wearer. North America is the leading market for cooling fabrics owing to the early adoption and augmenting sports and outdoor activities in the region.

Key market players included in the report are Coolcore LLC, Kraton Corporation, Invista, Ahlstrom Corporation, Nilit Ltd, Polartec LLC, Nan Ya Plastics Corporation, Tex-Ray Industrial Co Ltd, Formosa Taffeta Co Ltd, HexArmor, Adidas AG and Nike.

Source: fibre2fashion.com- Dec 28, 2017

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How Vietnam could upgrade its textiles industry to become eco-friendly and sustainable

From Tan Chau “royal silk” silk, used to weave traditional ao dai dresses to bamboo fibres fashioned into lacquer housewares, and more recently T-shirts and linens as well as hill tribe fabrics spun into blankets, cushions and bags by the indigenous groups living in the mountains in the north, Vietnam’s rich culture and history of craftsmanship are part of the nation’s fabric.

Besides its legacy as a fabric maker in Southeast Asia, Vietnam has also become a major player in the global textile industry. In 2016, the nation ranked fifth in the world as a textile and garment exporter, according to local press.

With a workforce of more than 2 million in the textiles industry, and more than 6,000 garments and apparel firms in the nation, textiles also made up Vietnam’s largest export sector last year, according to the Vietnamese Ministry of Labour and the International Trade Administration.

Due to the nation’s rising reputation for quality craftsmanship and skilled workers, and the development of government-supported industrial estates offering appealing tax incentives to foreign investors, international garment makers and manufacturers and international fashion brands are increasingly looking to Vietnam as Asia’s next hub for apparel production.

The garments sector is expected to see US\$31 billion this year in exports, an increase of 10.23 per cent year on year, according to the Vietnam Textile and Apparel Association. Vietnam is also the only country that has maintained two-digit growth in the textiles sector, according to such reports.

But for an industry notorious for its carbon emissions, production of industrial waste, and an unpleasant sweatshop image, the sector is seeing major growth at a time when corporate social responsibility is also of increasing major importance.

Earlier this year, hundreds of residents from Hai Duong held a five-month long protest at the Pacific Crystal Textiles mill, operated as a joint venture between Hong Kong-based apparel makers Pacific Textiles and Crystal

Group. Local residents complained of bad smells and accused the factory, which counts Japanese clothing giant Uniqlo among its clients, of polluting local water with factory discharge and demanded that the firm adopt more environmentally-friendly standards.

The pivotal question is whether Vietnam can see to the development and growth of its textiles industry in a sustainable, eco-friendly way.

Apart from government-implemented measures such as stricter green laws, and increased fines of up to US\$88,000 issued to organisations for acts of pollution, some apparel makers who seek to redeem the industry, believe Vietnam has potential to lead the way to greener practises in Asia.

After the [Savar building factory fire and collapse] in Bangladesh a few years ago, I wanted to show the world how a perfect factory looks,” says Thomas Hebestreit, CEO of Royal Spirits Group, a Hong Kong-based apparel supplier and parent company of Deutsche Bekleidungs Werke (DBW), a newly opened factory in southern Vietnam.

“The garment industry is famous for its sweatshops. We wanted to show the outside world that it’s possible to do garment manufacturing for people still under the best conditions.” DBW is according to Hebestreit one of the rare factories providing air conditioning throughout its premises.

The 18,000 square metre facility opened in November this year and is equipped with solar panels to provide up to 20 per cent of the overall energy required for operations during the droughts experienced in the dry season.

The building is certified under internationally recognised LEED and Lotus standards. Hebestreit says he hopes the new factory will be recognised for its eco-friendly and sustainable operations.

The lack of clean water supply in Vietnam, as well as the production of waste water, is another major environmental concern. Cutting back on water usage altogether during the production cycle is a priority for the industry.

Recycling the water used to wash fabrics is a way factories try to be more eco-friendly, said Vincent Cheng, director of JG Consulting, a management

consulting company that works with apparel firms on improving production efficiency and quality.

“There’s a process where they can reuse the water [used to wash the textiles] for something like washrooms ... There’s also something called ozone wash, where instead of using chemicals to strip the colour from textiles, they use ozone [which requires less water],” he says, adding that Phong Phu Joint Stock Company is one Vietnamese garment maker that employs this method.

Maxport, a well-known manufacturer for Patagonia, Nike, Arc’teryx and Lululemon, is another facility that has incorporated sustainable practises into their production base in Vietnam.

From the start of building their infrastructure they built eco-friendly features into the building itself. Some of the buildings don’t rely on air conditioning, they plant trees around the factory so when the wind blows it creates a cooling effect from the trees,” says Cheng, adding that the factory is built on an elevation, which helps the process.

Ultimately, foreign garment makers who are new to the nation have an easier time implementing eco-friendly and sustainable processes to their factories because they come onto the scene knowing what their clients want.

“In Vietnam, foreign investors have a chance to start things over again. And they have these [environmentally minded] outdoor apparel customers, so when they go to Vietnam they already have this mindset [to be eco-conscious],” says Cheng.

“[But] a lot of the times it’s not you say and they do,” he cautions. “The management and clients need to have that commitment.”

Source: scmp.com- Dec 27, 2017

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Uzbekistan, Korea to sign preferential trade agreement

Uzbekistan and South Korea are planning to conclude an agreement on preferential trade, the Uzbek Ministry of Foreign Trade reported.

The meeting with Korean Ambassador to Uzbekistan Kwon Yong Woo took place at the ministry on December 26.

Issues of practical implementation of the deals signed during the visit of the Uzbek President Shavkat Mirziyoyev to Korea on November 22-25 were discussed.

“The need to hold a meeting of a joint working group on the issue of concluding an agreement on preferential trade between Uzbekistan and Korea in the near future was highlighted,” the ministry said.

Kwon Yong Woo noted that the visit of the head of Uzbekistan created a favorable background and prerequisites for a significant activation of multi-format cooperation between the two countries.

During the meeting with the ambassador, an agreement to continue joint work on the timely and high-quality implementation of the memorandum on cooperation in the matter of Uzbekistan's accession to the World Trade Organization and other documents signed during Mirziyoyev's visit to Korea was reached.

In January-October 2017, the trade turnover between Uzbekistan and South Korea has grown by 36 percent, thus reaching \$1.1 billion.

The activity of South Korean investors plays an important role in the development of trade and economic ties between the two countries.

The volume of investments of the Republic of Korea attracted to the economy of Uzbekistan exceeds \$7 billion. Some 461 enterprises with the participation of South Korean capital operate in Uzbekistan.

These enterprises successfully operate in the oil and gas, petrochemical and chemical, machine-building, electrical and textile industries, information and communication technologies, transport, logistics and tourism.

Source: azernews.az- Dec 27, 2017

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Pakistan's PHMA wants removal of import duty on cotton yarn

Pakistan Hosiery Manufacturers and Exporters Association (PHMA) has appealed to the government to withdraw duty on the import of cotton yarn, a raw material for the value-added knitwear sector, following the proposed withdrawal of custom duties on raw cotton import from India. The sharp rise in cotton yarn prices has hit the value-added garment sector hard.

The prime minister's package for textile and apparel exporters announced on January 10 had declared a number of incentives, including withdrawal of customs duty and sales tax on the import of cotton yarn from January 16 this year, but no such step has been implemented so far, according to PHMA chairman Khurram Anwar Khawaja.

He appealed to the government to abolish additional regulatory duty on cotton yarn that should be imported freely from anywhere, a Pakistani newspaper reported.

Source: fibre2fashion.com- Dec 28, 2017

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USA: Driving apparel market to be \$18.56 bn by 2025: report

The global market for driving apparel, including footwear, clothing and protection gear, is projected to rise at 5.3 per cent compound annual growth rate (CAGR) from 2017 to 2025, says a new report. The market, valued at \$12.03 billion in 2016, is expected to reach \$18.56 billion by 2025 end. The protection gear segment held half the market share in 2016.

Asia Pacific is the most attractive market for driving apparel and generates the maximum revenue, says the report by Transparency Market Research (TMR), an Albany-based global market intelligence company providing business information reports and services.



Other main markets for driving apparel are North America, Latin America, Europe and the Middle East and Africa. Key players are Alpinestars S.p.A., Fox

Head Inc., Dainese S.p.A., PUMA SE, Scott Sports SA, ThorMX and Adidas AG.

The rise in use of protection gear and safety accessories among vehicle riders concerned about their safety and soaring interest in motorsports is pushing growth of this market, a press release from the company said citing the report.

However, local manufacturers offering poor quality products at cheaper rates is proving detrimental to the market, the report added.

Source: fibre2fashion.com - Dec 27, 2017

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Prices for UK consumers may rise

As a member of the EU, the UK currently benefits from zero or low rate tariffs on various imports from trade deals that the EU has negotiated with countries.

From the day after the UK leaves the EU, on March 30, 2019, it will no longer be covered by these international agreements, so imported goods will be subject to higher tariffs and potential customs barriers. For consumers this means higher prices.

New or higher tariffs inevitably mean consumers would face higher prices in their everyday shop, as staple products such as fruit, vegetables, fish, and clothing would be hardest hit. Tariff on clothing from Turkey, a major supplier to the UK, could rise from zero per cent to 12 per cent, and fish from Iceland from 3.4 per cent to eleven per cent. Price increases would add to the burden of hard-pressed consumers.

Now that an agreement has been reached to move the negotiations on to trade, the focus must be on securing the continuity of free trade with Europe, alongside replicating these existing agreements with countries outside of the EU. These are the crucial next steps that the UK needs to take to avoid a cliff-edge situation on Brexit day and to deliver a fair Brexit for consumers.

Source: fashionatingworld.com - Dec 27, 2017

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Kazakhstan to supply fabrics to Uzbekistan, Belarus

Zhasampaz, the Kazakh consortium of light industry enterprises, is planning to supply fabrics to Uzbekistan and Belarus. It plans to supply sow, a rough fabric, to Belarus, without decorative finishing.

Uzbekistan and China have been the key suppliers of this fabric to Belarus. A south Kazakhstan firm can also produce a similar material from Kazakh cotton.

The 44-member consortium has worked fruitfully with the two countries this year and can successfully turn a supplier for them, chairman of the executive committee of Zhasampaz Gulmira Uakhitova said at the round table on the results of the light industry in 2017.

Apart from focussing on products for military use, the consortium intends to pay more attention to manufacturing products for the civilian population, according to a Azeri news report.

Source: fibre2fashion.com - Dec 27, 2017

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More talks expected on RCEP trade pact

Countries taking part in talks on the Regional Comprehensive Economic Partnership are expected to hold four more rounds of meetings, which may involve a gathering of state leaders in 2018, said a Ministry of Commerce official on Tuesday.

Since the first negotiations for the mega-trade pact were initiated in 2013, a total of 20 rounds of talks, at both the ministerial and state leader levels, have been held between 10 member states of the Association of Southeast Asian Nations and China, South Korea, Japan, Australia, New Zealand and India.

"The negotiations have achieved steady progress in the market entry permits of goods and service trade. In terms of rule-making, progress has been made in economic and technology cooperation and small enterprises," said Zhang Shaogang, director-general of the department of international trade and economic affairs at the ministry.

"The RCEP is highly valued by the 16 involved countries. The unique element about the RCEP is that it not only includes developed countries but also the less developed ones," he said.

The slower progress of the talks, caused by a combination of technical hurdles and domestic politics, indicates a loss of development opportunities for the countries involved, according to the Pacific Economic Cooperation Council's annual survey of opinion leaders released in November.

It also pointed out that rising protectionism is considered the top risk to growth in the Asia-Pacific region.

"We respect the leading role of ASEAN, and we will coordinate with their work. We hope to find the common benefits for everyone," said Zhang.

"None of the involved countries would like to set up a timetable for the RCEP talks to put themselves in a passive position. And we hope the negotiations in 2018 can achieve encouraging result."

China, as a staunch supporter of the RCEP, has long advocated an inclusive regional free trade system, and has proposed the establishment of the Free Trade Area of the Asia-Pacific.

"This position stands in sharp contrast with Japan. It has sought to turn the Trans-Pacific Partnership—though rendered flaccid after the United States' withdrawal—into a geopolitical tool designed to counter China's influence in the region," said Xue Rongjiu, deputy director of the Beijing-based China Society for WTO Studies.

"Under such circumstances, RCEP participants should seize the opportunities offered by the Belt and Road Initiative and continue to cut trade barriers, unify standards and regulations to enable the smooth flow of goods across borders."

Source: ecns.cn - Dec 27, 2017

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NATIONAL NEWS

India's export push to face headwinds

Overseas political risks, weak growth in labour-intensive segments in India could hurt shipments

India's efforts to increase exports could face several external and domestic challenges in the coming year.

“(In 2018), global trade may not perform as strongly as in 2017,” Standard Chartered cautioned in a recent note to clients. “Asia, the region most open to trade, cannot count on the same degree of external support that it received in 2017.”

Among the many factors, the bank listed multiple political event risks — including in the Middle East and Europe (‘possible polls in Germany and the Brexit negotiation process’) — which could knock the markets, and global growth, off track in 2018.

Earlier this month, the Centre announced incentives to the tune of ₹8,450 crore in its mid-term review of Foreign Trade Policy to help increase exports of goods and services, particularly from labour-intensive segments and small firms as well as to boost job creation and value-addition in the country. The announcement came in the backdrop of India's shipments contracting in October — the first after 14 successive months of positive growth — in the impact of the Goods and Services Tax (GST).

The Centre also informed Parliament recently that it “has been actively engaging in regional and bilateral trade negotiations with a view to diversifying and expanding the markets for its exports as well as ensuring access to raw materials, intermediates and capital goods for stimulating value added domestic manufacturing.”

Citing the “current protectionist environment”, it said building a ‘brand India’ would be a key measure to push India's export of goods and services. Emphasis is also being laid on maintaining quality of exports and meeting the standards required by other countries, it said.

Working capital issues

Though exports posted a healthy 30.5% growth in November, a Nomura report said “growth in labour-intensive exports (leather products, ready-made garments) remains weak, possibly because of working capital issues due to delayed GST refunds.” While trade data reflected a solid export rebound, with imports remaining elevated, the current account deficit (CAD) could widen to 2-2.5% of GDP in Q4 from 1.2% in Q3. The CAD may widen to 2% of GDP in 2018 from 1.5% in 2017, mainly due to higher oil prices, it observed.

Ramu. S. Deora, a non-official member of the Board of Trade, said India’s goods exports for 2017-18 is likely to be below \$300 billion, much lower than the \$314.4 billion in 2013-14 and \$310.3 billion in 2014-15. In 2016-17, the country’s goods exports were \$275.8 billion.

He, however, said measures, including lower interest rates, incentives for small firms to take part in global exhibitions as well as reducing their tax burden would boost exports.

These steps, along with expediting GST refunds and improvement in logistics, could further boost exports.

Source: thehindu.com- Dec 27, 2017

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Indian textiles ministry: Significant achievements in 2017

The first ever mega international trade event for the textile sector ‘Textiles India 2017’, launch of PowerTex India to support 44 lakh workers/weavers, unlocking potential of Northeastern region in textiles and Cabinet’s approval of Scheme for Capacity Building in Textile Sector (SCBTS) are among the achievements of Indian textiles ministry in 2017.

Textiles India 2017, organised in Gandhinagar from June 30 to July 2, 2017 recorded participation from more than 100 countries. A total of 65 MoUs with an estimated value of more than Rs 11,000 crore were signed during the event.

The event has firmly established Indian textiles brand at the global platform and has provided new energy for attracting fresh investments in the textiles sector.

PowerTex India was launched on April 1, 2017, with an outlay of Rs 487 crore for three years to support 44 lakh workers/weavers. The scheme has components relating to loom upgradation, infrastructure creation and concessional access to credit. It has the potential to generate investments worth Rs 1,000 crore, employment for 10,000 people and will also result in higher returns to powerloom units.

To unveil the potential of Northeastern region as a global investment destination, the Government of India organised the first ever North East Investment Summit focusing on manufacturing in textiles and allied sectors at Shillong during January 29 – 30, 2017.

The summit was attended by many Central ministries, all NE states, Export Promotion Councils, industry associations and investors from India and neighbouring countries. 21 Memorandum of Understandings (MoU) to promote investment opportunities, business and R&D projects in NER were signed during the summit.

On December 20, 2017, the Union Cabinet gave its approval for a new skill development scheme covering the entire value chain of the textile sector excluding spinning and weaving in organised sector, titled Scheme for Capacity Building in Textile Sector (SCBTS) from 2017-18 to 2019-20 with an outlay of Rs 1,300 crore.

The scheme will have National Skill Qualification Framework (NSQF) compliant training courses with funding norms as per the Common Norms notified by Ministry of Skill Development and Entrepreneurship. (RKS)

[Click here](#) to read full list of significant achievements of textiles ministry in 2017

Source: fibre2fashion.com- Dec 27, 2017

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UP govt approves new policy to promote textile sector

To create maximum job opportunities in the state in five years, the Government of Uttar Pradesh has approved 'Handloom, Powerloom Silk, Textile and Garmenting Policy 2017'. Under the policy special incentives would be given to Purvanchal, Bundelkhand and Mandhyachal regions. There is also a provision to boost reeling units, commonly used in silk industry.

All the 'ease of doing business' provisions mentioned in Uttar Pradesh Industrial Investment and Employment Promotion Scheme 2017 would be applicable to the new policy, says a press release of Uttar Pradesh government. The policy aims to create around 1 lakh new jobs.

The policy will also benefit those investors who will be attending UP investor summit in February 2018, UP government spokesperson and health minister Sidharthnath Singh said after the Cabinet meeting presided by chief minister Yogi Adityanath.

The new policy will lead to increased employment and business opportunities, Singh said. He added that apart from rebate in GST and electricity bill, the government will assist traders in finance and marketing.

Source: fibre2fashion.com- Dec 27, 2017

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Now, tax payers can see status of returns filed on GSTN portal; here is how

Tax payers can now view the status of the returns filed by them on the GST Network portal, the company handling the technology backbone of the new indirect tax system said today.

"All users logging on the GST portal can now see the status of their returns filed for all the returns like GSTR-1 or GSTR-3B at one place," GSTN CEO Prakash Kumar said. While GSTR-3B is in the initial sales returns filed by the 20th day of the succeeding month, GSTR-1 is the final sales return.

Businesses with turnover of up to Rs 1.5 crore have been allowed quarterly filing of GSTR-3B and the same for July- September period will have to be filed by December 31.

Those with turnover exceeding Rs 1.5 crore will have to file GSTR-1 for July-October by December 31. GSTN has already provided to tax payers the functionality to claim refund of exports of services with payment of tax, ITC accumulated due to inverted tax structure and on account of supplies made to SEZ unit/SEZ Developer.

Source: financialexpress.com- Dec 27, 2017

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Sorting out GST issues of exporters

Confusion over criteria to calculate refunds as well as GSTN software issues needs to be addressed

The Government has started refunding the GST paid by the exporters. This money is refunded under the zero rating principle to promote exports. But the refund rules and processes suffer from many problems and need an urgent overhaul.

Collecting a tax only to refund it later is an inefficient mechanism. But the government accepted this to ensure the continuity in the GST supply chain.

Realising the importance of the timely refund in ensuring liquidity, the Government promised to refund 90 per cent of the money within seven days of making of an application after exports. However, as the GSTN is still a work in progress, the refund process remains mostly manual.

Most exporters pay the GST in two stages — at the time of buying of inputs for making the export product and then while exporting the finished product. Accordingly, GST refunds are also of two types. The Inputs Tax Credit or ITC refund gives back the money paid as GST on buying of inputs. And the Integrated GST or IGST refund gives back the money spent as GST on at the time of exports.

Exporters face many issues in receiving both the IGST and ITC refunds.

IGST refund

Exporters have an option to pay IGST on exports and then seek refund. Many companies did not receive refunds even though the IGST refunds require no calculation. It must be refunded in full. Firms point out many reasons:

1. No refunds for minor mistakes: So if a firm forgets to mention the tax invoice number/amount on the shipping bill even though it has paid the IGST, claims are rejected. No error correction module is available. Refund in such cases may be allowed after checking if the IGST has been paid by the firm.
2. Confusion over exchange rate: There were delayed refunds for July 2017 exports because of the confusion over the exchange rate. Exporters were required to use the RBI exchange rate for calculation of the GST for mention in the tax invoice and the customs exchange rate for the shipping bill. The two exchange rates naturally resulted in two values. This led to the rejection of many claims. The issue was resolved later.
3. GSTIN not mentioned: No refunds if the GSTIN is not mentioned on the shipping bills. In a few cases, the IGST refunds are held up for this reason. But here the Customs allowed exports on the basis of PAN as the GSTIN was not allocated on time.
4. ICD issues: There were delayed refunds for exports from many of the Inland Container Depots (ICDs) because the information filed by the shipping company (Called the Electronic General Manifest) could not be linked to the customs information. This condition was not informed when the exports took place.

Is an easy way possible to process the IGST refunds? Yes. Customs can simply check the IGST paid from the GST returns (GSTR 3B and GSTR 1) and link the information with the shipping bill to ensure that goods have been exported. This approach will ensure that the primary reasons for rejection like invoice mismatch and difference in tax amount become irrelevant.

ITC Refund

The ITC refunds account for about 85 per cent of all refunds in numbers and hence are significant amounts. ITC refunds have been delayed on account of the confusion in the refund calculation criteria and the GSTN software issues.

Conflicting criteria for calculation: Para 89(4) of CGST rules says that the refund amount would equal the total ITC available on a firm's account multiplied by the ratio of export turnover and the total turnover. So, the formula allows reimbursement on the basis of the entire ITC available and not the actual GST paid on the exports. But a different take has been provided by the GST circular no. 17 issued on November 15, 2017. It mentions that the refund would be available only on the amount of the unutilised ITC in relation to exports (and not total ITC).

Essentially, the circular says refund would be available on tax paid on the inputs used in the making of an export product, while the rule which is superior to the circular applies no such restriction. So the rule and circular talk different. The government needs to clarify which of these will prevail.

GSTN issues:

An exporter seeking the ITC refund has to file the information in the form RFD-01A at the GSTN. The GSTN, in turn, generates an Acknowledgement Receipt Number (ARN). A firm then has to submit the ARN along with the necessary documents to the concerned officer. But the companies are not able to file the RFD application at the GSTN on account of many issues.

For example, the GSTN does not allow a claim of ITC if purchases happen in one month (say July) and exports happen in the subsequent month (say August). The GSTN does not allow the carry forward of ITC in such cases.

The GSTN also does not allow correct ITC calculation in cases of credit reversal.

So if goods are bought in July and then returned in August on quality or any other issue and the GST amount of ₹100 paid in July is reversed in August, the transaction and tax liabilities are evened out. But the GSTN again adjusts this amount from the August transactions. So for the export in August entitled for an ITC of ₹110, the system shows an ITC of only ₹10.

Exporters are required to give a declaration that they have not or will not claim drawback. But they have taken the drawback as the rules allowed them. So exporters wait for the correction in RFD01 declaration else they fear they may be caught for mis-declaration.

The GSTN does not allow debit in the Electronic ledger for the ITC refund claimed and hence also does not generate the ARN.

The confusion in criteria on how to calculate the refunds and the GSTN software issues have made the task of the field officers difficult. There is little clarity on the documents required to be submitted along with the application and the jurisdiction of the officers who will process refunds.

Brave front

We are lucky that exports of most of the products are on the upswing, mainly on account of the rise in commodity prices and the depreciating rupee. Exporters are putting a brave front, but the delayed refunds severely affect their day-to-day operations.

We need to take an in-depth look at the policy, GSTN and field issues relating to refund. The proposed e-wallet scheme to introduce automatic refund to exports would not be possible without addressing these issues. The Government may issue clear guidelines in simple enough language to be understood by all.

Source: thehindubusinessline.com- Dec 28, 2017

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