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The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

IBTEX No. 148 of 2017 July 19, 2017

USD 64.33 | EUR 74.19 | GBP 83.91 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19744	41300	**81.88**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
20110	42065	**83.40**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.97
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**83.85**
Cotlook A Index – Physical	**83.7**

Cotton & currency guide:

Cotton price trades positive on Tuesday's trading session. Three consecutive days market has moved up from a significant level of 66 cents. The trading band of 66 to 69 is continued but market has attempted to move towards the upper hand and posted the close at 68.22 cents/lb for nearby December contract.

The trading volumes were higher than the previous day indicating some fresh buying would have come. Although there are no clear reasons related to cotton rally we believe the continuous fall in the USD against major currencies may be supporting commodities price to move higher which is the same case for other commodities.

Besides that we believe with so rapid action from 66 to 68+ cents in less interval of time may have been the mills fixation effect. Since there are no fresh bullish news ruling in market or being discussed the aforementioned points are perhaps cited as possible reasons for price movement.

We would remain skeptical about the market movement because it is approaching to test the upper range of the market and by any means of 69 is tipped then possibly a relief rally should be witnessed.

Indian rupee trades little changed 64.3 against the US dollar. The US dollar is general under pressure amid concerns about Trump and Fed uncertainty. Rupee is also supported by continuing investor inflows.

However, weighing on rupee is choppiness in global equity market and lower bond yields. Rupee may trade in a range of 64.2-64.45 and rangebound movement is likely amid lack of fresh cues.

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

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INTERNATIONAL NEWS

Industry welcomes EU-Japan agreement on free trade deal

Following the announcement made this month by the EU and Japan about the political agreement on the main elements of an Economic Partnership Agreement, the Japan Textile Federation (JTF) and the European Apparel and Textile Confederation (Euratex) welcomed those results and urged their respective authorities to implement as soon as possible the agreement.

On 10 July 2017, the EU and Japan textile and clothing industries met in Brussels to exchange views about their respective industries' status, their relationships and the political conclusions of the Economic Partnership Agreement (EPA) between Japan and Europe.

During that meeting, both JTF and Euratex reiterated their support to the agreement reached that should increase the opportunities for their companies to grab market openings with their innovations.

"Since the start of the discussions the EU and Japanese textile and clothing industries worked together on tariffs and rules to ensure that the negotiators deliver the right framework for our products. Though, we still need to see the details of the text of the agreement, we are confident that such ambitious and industry driven deal will allow our companies to reap rapidly the benefits of this agreement," said Klaus Huneke, President of Euratex.

Immediate abolishment of customs duties

Both industries issued two joint statements in support of those negotiations – in November 2013 and in November 2016 – providing suggestions of possible area of agreement for their products both for tariffs and rules of origin.

Both industries are greeting their authorities for having taken duly into account their proposals made during the negotiations to reach an agreement that should foster the textile and clothing bilateral relations.

"The immediate abolishment of customs duties with full reciprocity and no exceptions, as well as the rules of origin prone to promote industrial relations, should be concluded and put into effect as soon as possible in order to allow this future-oriented agreement to deliver the expected benefits to our companies," commented Masanao Kambara, JTF President.
Sportswear industry endorsement

The Federation of the European Sporting Goods Industry (FESI), and the European ski boots and sports footwear companies also welcomed this announcement with enthusiasm. "We tasked our respective negotiating teams with a rapid finalisation of the agreement that would allow for the internal procedures to start soon, both in the EU and in Japan," the leaders confirmed in their joint statement.

FESI hopes that the final text will include ambitious duty reductions for ski boots and the elimination of tariff quotas for footwear. "We know that the winter sports market in Japan is declining for many years. However, the participation rate seems to stabilise around 12 million national skiers now," said Jerome Pero FESI's Public Policy Director.

"Looking at the creative and dynamic people involved in making ski resorts ever more attractive over there, I am confident that Japan will attract an increasing number of recreational winter sports people in that region. Overall, the Free Trade Agreement can have a non-negligible effect on the sector and hopefully draw new investments in winter sports."

Economic Partnership Agreement

The Economic Partnership agreement between the European Union and Japan will be the most important bilateral trade agreement ever concluded by the European Union and as such will for the first time include a specific commitment to the Paris climate agreement.

For the EU and its Member States, it will remove the vast majority of duties paid by EU companies, which sum up to EUR 1 billion annually, will open the Japanese market to key EU agricultural exports and will increase opportunities in a range of sectors.

“We agreed in principle on a future Economic Partnership Agreement. The depth of this agreement goes beyond free trade. Its impact goes far beyond our shores. It makes a statement about the future of open and fair trade in today's world. It sets the standard for others," said the President of the European Commission, Jean-Claude Juncker.

“As far as we are concerned, there is no protection in protectionism. Only by working together will we be able to set global standards when it comes to safety, environmental or consumer protection.”

Source: innovationintextiles.com- July 18, 2017

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Ethiopia’s Industry Minister hopes to promote trade Ethiopia-India trade

Ethiopia is one of Africa’s fastest growing economies and one of the region’s most attractive destinations for foreign investment.

The country’s textile and clothing industry is burgeoning, aided by the presence of competitive labour costs and a skilled and motivated young workforce. The availability of raw cotton and other natural fibres, as well as preferential access to regional and international markets, create enormous export potential for the sector.

The mission aims to raise Indian investors’ awareness of the opportunities on offer in Ethiopia.

The mission, which includes visits to Delhi, Ahmedabad, Dindigul and Coimbatore, is being facilitated by the International Trade Centre’s Supporting Indian Trade and Investment for Africa project (SITA) with the support of Indian business and industry associations.

SITA, which is funded by the United Kingdom’s Department for International Development, has as one of its aims to improve the competitiveness of value chains in a number of East African countries. In Ethiopia, it is supporting the development of the cotton, textile and apparel value chain through partnerships with business and trade and investment support institutions in India.

SITA works with the Government of Ethiopia and industry stakeholders to promote investment in the sector and facilitate technology exchange from India.

The delegation will attend a series of workshops in each of the four cities. In Delhi and Ahmedabad, they will be hosted by the Confederation of Indian Industry; in Coimbatore, by the South India Mills Association; and in Dindigul, by the Tamil Nadu Spinning Mills Association.

The workshops will provide a platform for engagement between Indian textile and garment manufacturers and the Ethiopian delegation where they can explore partnerships and opportunities for Indian companies in Ethiopia.

Bilateral meetings will allow members of the Ethiopian delegation and Indian business representatives to delve further into specific opportunities.

“It is my sincere hope that this kind of event will provide opportunities for Indian companies to learn more about the country’s conducive investment environment and favourable business opportunities,” said Minister Feleke. “This is a great time for your business to benefit from Ethiopia’s expanding investment opportunities.”

Ethiopia aims to become a major sourcing hub for the global textile and garment industry within the next decade.

Source: newsghana.com.gh- July 18, 2017

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Pakistan-Iran FTA – an optimistic exercise

Pakistan is fond of its Preferential Trade Agreements (PTA) and Free Trade Agreements (FTA) all in the quest of the as yet elusive exponential increase in exports.

Not ones for shying away from chasing big numbers, in eternal optimism our policymakers hope for significant jumps in bilateral trade, especially exports, as they enter round after round of negotiations with our international trading partners.

Case in point is the current FTA with Iran whose second phase of negotiations concluded last week. Pakistan and Iran hope to increase the 2016's $359 million trade to $5 billion by 2021.

In 2004, Pakistan and Iran signed the PTA which came into effect in 2006. As per data from International Trade Centre, Trade Maps, Pakistan's bilateral trade with Iran increased from $622 million in 2006 to $1.2 billion in 2009, a 194 percent jump post FTA implementation.

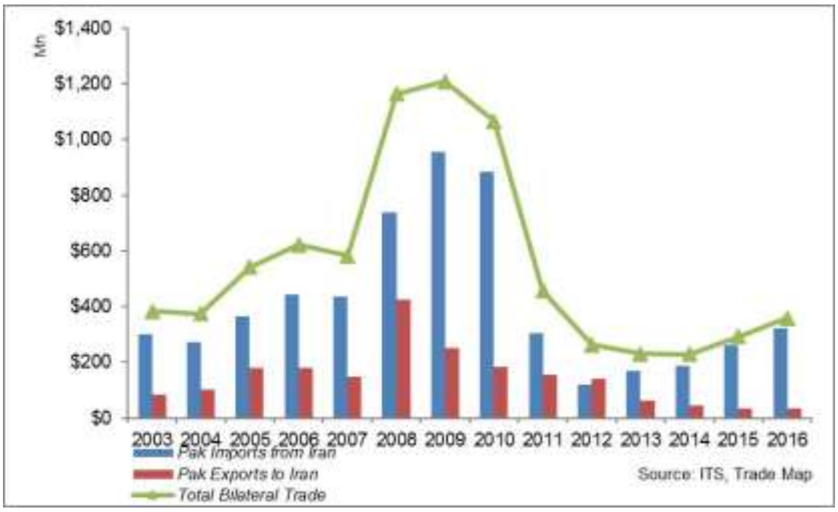
Despite the increase in trade, bilateral trade with Iran composed of just 2.5 percent of Pakistan's global bilateral trade, with exports to Iran being 1.4 percent of Pakistan's total exports. The only significant export to Iran was that of rice with 12 percent of Pakistan's exports finding a market in Iran.

In 2011, sanctions were placed on Iran and trade tapered off, not recovering even when they were lifted in 2013. For bilateral trade to increase to increase from current levels to $5 billion in the next 4 years, the jump needs to be nearly 14 times!

Let us look at the exports to Iran for now. Going through the product lines, the highest potential of increase in trade is of rice exports to Iran. At the peak of Pakistan's exports in 2009, the top export to Iran was $200 million of rice which comprised of nearly 80 percent of Pakistan's exports to Iran.

Pakistan produces roughly 700,000 tonnes of rice annually and is a leading producer of Basmati and non-Basmati rice regionally. While Basmati rice is considered a premium high-end rice thereby enabling Pakistan to earn more forex, Iran is also a market for non-basmati rice.

Since the decline in non-Basmati variety has caused some concerned, the Pakistan-Iran FTA in the works may give it the much needed boost.



Pakistan's top export in 2016 was $19 million of paper and paperboard while rice exports have fallen to $8.3 million due to the sanctions placed in 2011.

On the other hand, Iran's rice imports from the world are $517 million, 97% of which were from India, since India circumvented the sanctions by using a barter model of trade that would not suit Pakistan.

Currently, other than rice, we have potential to increase exports of medical instruments (HS Code 901890) since Pakistan's current exports to Iran are limited to $780 thousand whereas Iran's imports globally were $147 million in 2016.

Given that Sialkot's surgical good industry is one of Pakistan's success stories, reduction in tariffs of medical instruments should be negotiated to become a part of the FTA.

Another product that we have potential to export to Iran is cotton fabric. Woven fabrics of cotton (HS Code 520819) are a significant export of Pakistan but exports to Iran are non-existent, whereas Iran's imports from the world were $42 million in 2016.

Similarly, there is a long list of Pakistan's exports that we are currently not exporting to Iran but which Iran is importing from other countries. In the past, Pakistan's exports have been limited to a single top export to Iran but the FTA is an opportunity to increase our basket of exports.

However, if we insist on putting all our eggs in one basket as we usually do, the FTA is not likely to give a significant increase in exports, much less reach the naively optimistic goal of $5 billion of bilateral trade.

Source: brecorder.com- July 18, 2017

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Chinese, US textile companies share worldview

The Chinese and American textile industries are collaborating more closely than ever as the US becomes a "key player in the international strategy" of China's textile companies, said Xu Yingxin, vice-president of the China National Textile and Apparel Council.

"The United States is not just a key trading partner with China in the textile industry; it is also a key player in the international strategy of China's textile industry," Xu said on Monday at the opening ceremony of the 18th annual China Textile and Apparel Trade Show at the Jacob K. Javits Convention Center in New York.

Chinese businesses have made greenfield investments in the US, set up US branches and opened R&D facilities and manufacturing plants for chemical fiber, cotton textiles and original design.

"All these cooperation channels have shown that there is a great potential for practical cooperation and complementarity in China and the United States, and big promises for win-win cooperation in the future," he said.

This year's textile show - organized by the China National Textile and Apparel Council (CNTAC), the China Council for the Promotion of International Trade, Specialized Textile and Apparel and Messe Frankfurt - features nearly 1,000 designers from 14 countries and will run through Wednesday. About 650 Chinese companies attended.

Textile companies from Suzhou, at the center of textile and apparel production in China, have their own exhibition area at the Javits Center.

"Today, China is the US' largest trading partner-our bilateral trade, bilateral investment, and people-to-people exchanges have all reached historic highs, and in this connection, I think the textile industry has made big contributions to this growth," said Zhang Qiyue, Chinese consul general in New York.

"The textile cooperation has not just brought tangible benefits to our two peoples, it has also contributed to global economic growth," she said.

Nicholas Zhou, sales representative for Aiyimei, said that the company has participated in the textile show for several years, having secured many of its clients through the trade event.

The company, based in Ningbo, East China's Zhejiang province, designs and manufactures outerwear, dinner jackets and other formal wear for US and Europe-based clients, including Jones New York and Andrew Marc.

"We feel that more Western clients are taking interest in our designs - the newer, trendier and unique designs," he said. Zhou said that the industry is a tough one to work in now, as it recovers from a worldwide slump the past few years.

"We work with smaller brands now, collaborating with them directly, like with Jones New York and Andrew Marc. The clients may order less product, but the prices of the pieces are higher, and so we're earning more profit," he said.

China Textiles Development Center, based in Beijing, is a new participant to the textile show. It produces formal and athletic wear for mostly European clients, though it is exploring the US market right now.

"We're newcomers to the exhibition, so we haven't received a lot of feedback yet," said Lydia Zhang, vice-president of the center. "Through participating in this exhibition, we want to better understand the US market and to expand from there. In this industry, the big companies have a pretty fixed customer base, so you can't just come in and expect to expand immediately."

Source: chinadaily.com.cn- July 18, 2017

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China shielding cotton growers to ensure national stability

China's textile and apparel industry has entered a challenging era. Besides rising labor costs, competitors in South and Southeast Asia are catching up with expanded productivity and product quality.

To increase competitiveness, China's textile and apparel businesses are looking to slash costs in raw material acquisition with cheap and high quality import cotton. From January to May 2017, China imported more than 565,200 tonnes of cotton, a 58% year-on-year jump.

However, the yearly import quota of 894,000 tonnes limits the potential for Chinese enterprises in outmaneuvering their competitors. While the textile and apparel industry hopes the quota will be relaxed, the government seems to be stalling. Why is this the case?

Chinese cotton growers find it hard to compete with foreign counterparts that are of higher quality and lower price. World cotton prices are on the decline, while domestic prices, shielded by protectionist policies, remain stable. So, the price gap has been widening. A tonne of Xinjiang cotton is priced at 15,940 yuan, while imported US cotton of comparable quality is 13,800 yuan. In May, the difference was around 1,000 yuan, and by the end of June it was more than 2,000 yuan.

In contrast to Chinese cotton cultivation that is limited in scale and still relies on manual labor, cotton growing in the US and Australia is totally mechanized and farmed on a large scale. This is a situation very difficult to remedy because China's land-use policies prevent the emergence of large farms that are necessary for mechanized agriculture.

So why is the government insisting on buying locally when there are better options available?

National security is the key concern here. China's restive Xinjiang Uyghur Autonomous Region is the national leader in cotton production. In 2016, Xinjiang produced 3.59 million tonnes of cotton or 67% of the national total. Cotton constitutes more than half of Xinjiang's agricultural output value. Half of the farmers in Xinjiang grow cotton, which makes up 35% of their annual net income.

In Uyghur-heavy southern Xinjiang, 90% of counties farm cotton. And lately, Xinjiang's cotton industry has been sending out distress signals, as fewer orders from factories has forced traders to sell at a discounted price.

Xinjiang's market is looking bearish and liberalizing the quota system would destroy many farmers' livelihood. This is the last thing the state wants in a region of high tension.

Ordinary farmers in Xinjiang are not the only ones affected. China's internal security organizations would suffer too. The Xinjiang Production and Construction Corps (XPCC), tasked with suppressing armed rebellions, would see a significant drop in profit if changes to the quota system occur.

Founded in 1954 to keep watch over recalcitrant indigenous Muslim groups, the XPCC also guarded against the Soviet Union after the Sino-Soviet Split. A semi-autonomous entity within Xinjiang province, the XPCC handles its own administrative affairs and maintains its own armed forces. Its members are described as having "a hoe in one hand and a rifle in the other"; in other words, engaging in economic production during peacetime and enforcing order amid a national emergency.

Agriculture is the XPCC's main source of income and cotton is the number one cash crop. Priced at 16,044 yuan per tonne, its cotton is the most expensive in China, which means the XPCC would will suffer the most if the state decides to liberalize the import quota. Thus, the XPCC is staunchly opposed to more imports and makes its case on the basis of national security.

While the textile and apparel industry seek additional imported cotton, interest groups in Xinjiang are taking a stand against this proposal. If the price gap continues to widen, we will witness more gangs smuggling cotton – to satisfy China's garment makers, locked in an increasingly competitive match.

Source: atimes.com- July 18, 2017

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Pakistan: Cotton sowing increases by 18pc in Pakistan

Cotton cultivation during the current sowing season has increased by 18 per cent across the crop growing areas of Pakistan as compared to the sowing during the corresponding period last year.

The government has fixed a target to cultivate cotton over 3.11 million hectares during the crop season 2017/18 to meet domestic needs and for export purposes.

The government has fixed a target to cultivate the cotton crop over an area of 3.11 million hectares during the crop season 2017/18 to fulfill the domestic requirements of the commodity, as well as for export purposes, Dr Khalid Abdullah, cotton commissioner in the ministry of textile industry told a news agency.

The crop cultivation targets for Punjab were set at 2.42 million hectares and for Sindh at 0.65 million hectares, he said, according to the agency report. So far, cotton crop has been cultivated over 1.54 million hectares of land in Punjab, whereas the Sindh province had put around 0.299 million hectares of land under the cotton cultivation.

Cotton has been cultivated over 1.84 million hectares across the crop growing areas of the country as against the set target of 3.11 million hectares, he said, according to the report.

Overall, the cotton crop has been cultivated over 59 per cent area of the total targeted areas set for the current sowing season (2017/18). Punjab had achieved 63.5 per cent crop sowing targets set for the current season, whereas Sindh was able to achieve 46 per cent area of the total cultivable land, he added.

Abdullah said that cotton cultivation had witnessed 31.5 per cent increase in Punjab; however, it was reduced by 21 per cent in Sindh during the period under review.

Due to favourable weather conditions, the availability of certified seeds and other crop inputs, it was expected that the targeted areas for the current sowing season would be achieved, he said.

The cotton commissioner said agriculture experts from Balochistan and Khyber Pakhtunkhwa were provided three months training in order to bring the potential areas under cotton production to enhance the local crop output.

The Federal Committee on Cotton (FCC) had fixed cotton production targets at 14 million bales during the current crop sowing season.

Source: fibre2fashion.com- July 18, 2017

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NAFTA Modernization Objectives Focus on Trade Deficits, Enforcement, Implementation

The Trump administration has announced its objectives in modernizing NAFTA and formal talks are expected to be launched in mid-August. This is an unprecedented effort to update an existing free trade agreement.

The notification to Congress from the Office of the U.S. Trade Representative emphasizes that a major goal of the U.S. in the forthcoming negotiations will be to address its "persistent trade imbalances" with Canada and Mexico by seeking a "fairer deal" that provides it with "more open, equitable, secure, and reciprocal market access."

Existing chapters will be updated to reflect modern standards, and new chapters will be added to cover issues that have emerged since NAFTA was first implemented nearly 25 years ago.

Improving implementation and enforcement will also be a point of emphasis. For example, the U.S. will seek to eliminate the NAFTA exclusion from global safeguards, which would subject Canada and Mexico to any import restrictions adopted under the so-called Section 201 process, as well as the Chapter 19 mechanism for settling trade remedy disputes, which could lead to more antidumping and countervailing duty cases against imports from Canada and Mexico. The U.S. will also press for measures to facilitate the ability to impose measures based on third-country dumping.

Other specific negotiating objectives set forth in USTR's notification include improving the administration of tariff-rate quotas for agricultural goods; providing for a *de minimis* shipment value of $800; providing for the automation of import, export, and transit processes; updating and strengthening rules of origin and establishing procedures that streamline the certification and verification of those rules; and establishing rules to prevent restrictions on cross-border data flows.

Administration officials have sought to reassure the business community that they will "do no harm" in revising NAFTA; e.g., by working to preserve existing supply chains and retain existing duty-free treatment. USTR adds that if the U.S. is able to achieve its objectives a "seamless transition to the new NAFTA" should be possible.

Companies with established NAFTA supply chains must carefully review the proposed changes to assess their consequences on their products and costs. To secure favorable outcomes or forestall negative consequences, many companies will communicate their priorities to government negotiators and representatives.

Source: strtrade.com- July 19, 2017

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Global cotton mill use to rise in 2017-18: USDA

The global cotton mill use is forecast to rise for the second consecutive season to 117 million bales in 2017-18, three per cent higher than 2016-17, according to the latest US department of agriculture (USDA) cotton projections for 2017-18.

The projected 117 million bales will be the highest mill use since 2009-10 consumption of 119.5 million bales.

With 2014-15 as the base year, 2017-18 world cotton consumption is projected 5 per cent higher. While China's mill use is expected nearly 12 per cent above 2014-15, cotton mill use in India and Pakistan remains relatively flat. In contrast, cotton mill use continues to rise in Bangladesh, and 2017-18 use is projected to be 19 per cent above 2014-15.

Even more remarkable has been the growth in Vietnam, where 2017-18 mill use is expected to be 44 per cent above 2014-15, the Economic Research Service of the USDA said in its July report on ‘Cotton and Wool Outlook’.

China—the leading spinner of raw cotton—has expanded its mill use since 2014-15, and is forecast to account for nearly one-third of the 2017-18 global total.

For 2017-18, mill use in China is projected at 38.0 million bales, 500,000 bales above 2016-17 and the highest since a similar amount was recorded for 2011-12. Access to domestic reserve supplies are expected to limit yarn imports and push cotton mill use higher in China for the third consecutive season.

India’s consumption is forecast at nearly 24.8 million bales in 2017-18, 3 per cent above 2016-17’s estimate, while mill use in Pakistan is projected at 10.6 million bales, also 3 per cent higher. In addition, 2017-18 cotton mill use is expected to rise in Bangladesh (+6 per cent), Turkey (+6 per cent), and Vietnam (+9 per cent).

For 2016-17, world cotton mill use is estimated at 113.8 million bales, 200,000 bales above the June estimate and more than 2 per cent higher than 2015-16. The July gain was largely attributable to the higher consumption estimate for India.

Source: fibre2fashion.com - July 18, 2017

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Bangladesh, Sri Lanka to seal FTA by 2017 end

Bangladesh and Sri Lanka have agreed to seal a Free Trade Agreement (FTA) by the end of 2017. The decision was taken during Sri Lankan president Maithripala Sirisena's visit to Bangladesh recently.

In order to boost the bilateral cooperation, a memorandum of understanding on economic partnership and 14 other agreements were signed between the two countries.

Taking into account the advantages and opportunities in Bangladesh and Sri Lanka, the leaders recognised the potential for collaborative partnership between the private sectors of the two countries, particularly in high-end apparel and textiles, said the joint statement.

Durng the visit, an agreement was signed between Chittagong BGMEA Institute of Fashion and Technology (CBIFT) and Sri Lanka Institute of Textile and Apparel (SLITA) to strengthen academic ties between both the countries.

Both the countries will invest in Special Economic Zones, industrial parks and hi-tech parks among others. Association between the Bangladesh Investment Development Authority (BIDA) and the Board of Investment (BoI) (Sri Lanka) would boost investment.

The leaders have also asked the concerned authorities of Bangladesh and Sri Lanka for immediate finalisation of the agreements on customs cooperation, avoidance of double taxation and promotion and protection of investment between the two countries.

As per the joint statement, partnerships have also been made to improve the human resources. The association will also focus on the development of various sectors including trade and investment, agriculture, information and communication technology, higher education, finance and overall people-to-people connectivity.

Source: fibre2fashion.com - July 18, 2017

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Pakistan, Thailand FTA to be signed on Aug 22

Pakistan and Thailand Free Trade Agreement (FTA) will be signed on August 22, for enhancing the bilateral trade between two countries.

The 8th round on FTA negotiation would start between Pakistan and Thailand in end of this month, which discusses on the text of agreement, tariff reduction modality, request list by the both sides and under preparation offers list was also in negotiation, he official said.

He said Thailand had comparative advantage in around 1000 commodities, chiefly electrical and electronic appliances, machinery and components and automobiles and parts.

He said similarly Pakistan had relative advantages in some 684 commodities including cotton yarn and woven textiles, ready-made arments, leather products, surgical instruments and sports goods.

While Talking about the FTA with China, the official said, 8th round of negotiation on Phase-II of the FTA with China to be held on September 13-14.

Source: pakobserver.net - July 18, 2017

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Pakistan: Cotton and textile outlook

We are at the advent of cotton season in Pakistan, but sadly there is no cotton crop management policy or then perhaps, no real functional government at a time that holds the key in determining the (textile) sector's performance over the next twelve months – everyone seems preoccupied with the Panama case instead of dispensing actual governance.

Amidst the ongoing high political drama, what we forget is that there is a country to be run! Textile constitutes the largest sector in Pakistan's exports and the country is faced with a serious current account deficit situation at a time when both our overall exports and textile exports have been declining for more than 3 years now.

The irony though is that our finance minister (de-facto prime minister) is just not worried, or even worse, he simply does not care. In his opinion, we in Pakistan unnecessarily worry about textiles by giving it more than its due importance, whereas, there are many other areas that require far more focus and attention.

Not surprisingly, our competitors do not share his mindset on a sector that almost everyone regards as any developing economy's potentially largest exporting and employment-generating engine.

India, for example, announces its comprehensive cotton crop policy as early as April every year, which is based on its national vision on targeted crop size, farmers' security, sector's raw cotton export targets, manufacturing competitiveness, employment safety, effects on allied industry, and safeguarding of national textile made-ups' exports while side-by-side endeavouring to enhance value addition.

Bangladesh, even though it is not a raw cotton producer/grower, also announces a similar policy framework every year in order to ensure that in the coming year its textile exports remain on track.

Given the rising global competition in textiles, as more and more countries realise (including developed western economies) that this sector holds paramount importance in shoring up employment and exports in an economy at low cost (or low capital deployment), the practice - in almost every textile country - of resorting to advance yearly planning cum policymaking on cotton crop is now taken as a given.

This new proactive approach is giving an altogether new meaning on how to support respective national manufacturing competitiveness in 'real time', in-turn shoring up domestic demand of the home cotton crop to match farm output targets with those of domestic industrial production.

For example, in the United States (US) the incentive-based textile policy framework originally initiated by the Obama government to revive the US textile industry by providing it cheap energy and power and by bringing friendly labour reforms, is now being taken to the next level by the Trump administration where it plans to provide US textile manufacturers with a level of security on crop and industrial protection that hedges them against cheap imports while at the same time helps them in making their products more competitive globally.

And this annual cotton management policy's timing? Answer: The start of the cotton season in the US.

In the textile chain, the beginning of the cotton season is always very important.

Get your policies and direction right at the very start and the next 12 months will go well. This is exactly what we are seeing in the US today.

With prudent governmental policies and support right at the beginning of the current season, US traders and manufacturers are already upbeat for things in the ensuing months.

The sentiment and outlook on the US cotton is quite bullish, as both its cotton and made-ups' exports surge.

The US' textile mills and hedge funds are engaged in a scramble for cotton as a resurgent global economy – where cotton demand is soaring – pulls bales from American warehouses.

Benchmark US cotton figures again showed an upward trend last week, rising by the daily exchange limit to the highest incremental level since mid-2014, as latest data showed US cotton exports gaining pace; US being the biggest cotton exporter.

Also, already for 2017-18, mills in India and Vietnam have booked increased imports of US cotton by nearly 60 percent.

Analysts are confident that this tumult will not be a short-term phenomenon as mills have yet to fix the price of millions of bales they have already booked from the merchants for delivery in August and September.

As this heating-up surges, International Exchange has also raised the collateral needed to hold future contracts and widened the allowable bank limit for the previous day's session – steps that will ensure that this momentum sustains itself over a longer period and does not fade away quickly.

More importantly from our perspective, this activity that we see is by no means US specific.

The current feverish trends have ended months of soporific global trading in cotton.

Prices in the last twelve months had moved sideways as consumers bought more polyester fabrics and China, the largest cotton spinner, maintained a massive state-owned reserve that had been dampening any earlier rallies.
However, to capitalise on the opportunity, Beijing has now also begun selling off its cotton stocks and according to the International Cotton

Advisory Committee (an inter-governmental group in Washington), given the sustained current demand despite China's off-loading its cotton stocks, it can safely be expected that this year, global cotton consumption will increase by at least 2 percent, taking it to 24.6m tons.

In addition, if the world economy continues to strengthen at its current pace, the demand for cotton may actually increase even more. The prevailing scramble for cotton in the global markets reflects a new confidence in the international textile trade and in all this the good news for Pakistan is that the happy days in international textile markets may again be near the corner.

The dilemma, however, is that who from the government will guide and spearhead the textile sector in Pakistan to capitalise on this looming opportunity?

Source: nation.com.pk - July 18, 2017

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Next in Trade: Will China and Mexico do a Free Trade Deal?

As nations start to partner up on new free trade deals, the U.S. could get pushed right out of the position it had hoped to be in. Now the two biggest targets on Trump's naughty list for trade may be banding together.

Last week, Chinese ambassador to Mexico Qiu Xiaoqi said China is willing to negotiate a free trade deal with Mexico.

"Mexico is China's second largest trading partner in Latin America and China is Mexico's second-largest trading partner in the world. This is a highly important relationship and we have a great interest in deepening and broadening these ties," Qiu told Xinhua news. "I think any agreement to make trade easier is very worthy."

The world, it seems, is going right around President Trump, forging new ties or strengthening old ones, as he works to cordon off the United States, to what end no one is yet clear.

This week, the EU and Japan reached an agreement on a free trade deal that will create a trade bloc to rival NAFTA and see the two sides trading nearly all of their goods without duties and tariffs.

Both China and Mexico have faced threats of steep tariffs from the U.S. under the Trump Administration, but their own trade deal could be a somewhat beneficial workaround—or, as some have said, it could be little more than political posturing to put forth what appears to be a united front against the United States.

Mexico—which is facing a renegotiation of NAFTA and the possibility, however small, that Trump pulls out of the trade deal altogether—has been keeping its options open, so to speak. The country has also been in talks for a new trade deal with the European Union. In May, the two sides said they were closing in on a trade deal and that negotiations would wrap at the end of this year.

In May, Mexico's economy minister Ildefonso Guajardo said at a news conference following talks with EU Trade Commissioner Cecilia Malmström, "The clear message is that we will not paralyze ourselves given the challenges we face in the Washington renegotiations of the North American Free Trade Agreement…Mexico will continue to move forward and today more than ever the strategy of diversification (of exports) has become an obligation so as to re-position the Mexican economy."

A China-Mexico trade deal, however, may do little to change relations for the two as the distance between them won't lend itself to accommodating demand for fast fashion, and neither will costs serve that cause. It could also mean a further reduction of tariffs on Chinese goods, which could cost Mexico even more of its manufacturing jobs.

No discussions have been held so far on a trade deal between the two countries, but China is willing to start. "If we negotiate a free-trade agreement, this will greatly favor trade exchanges between our two countries," the Chinese ambassador to Mexico, Qiu, said. "There is no difficulty from China's side."

Source: sourcingjournalonline.com- July 08, 2017

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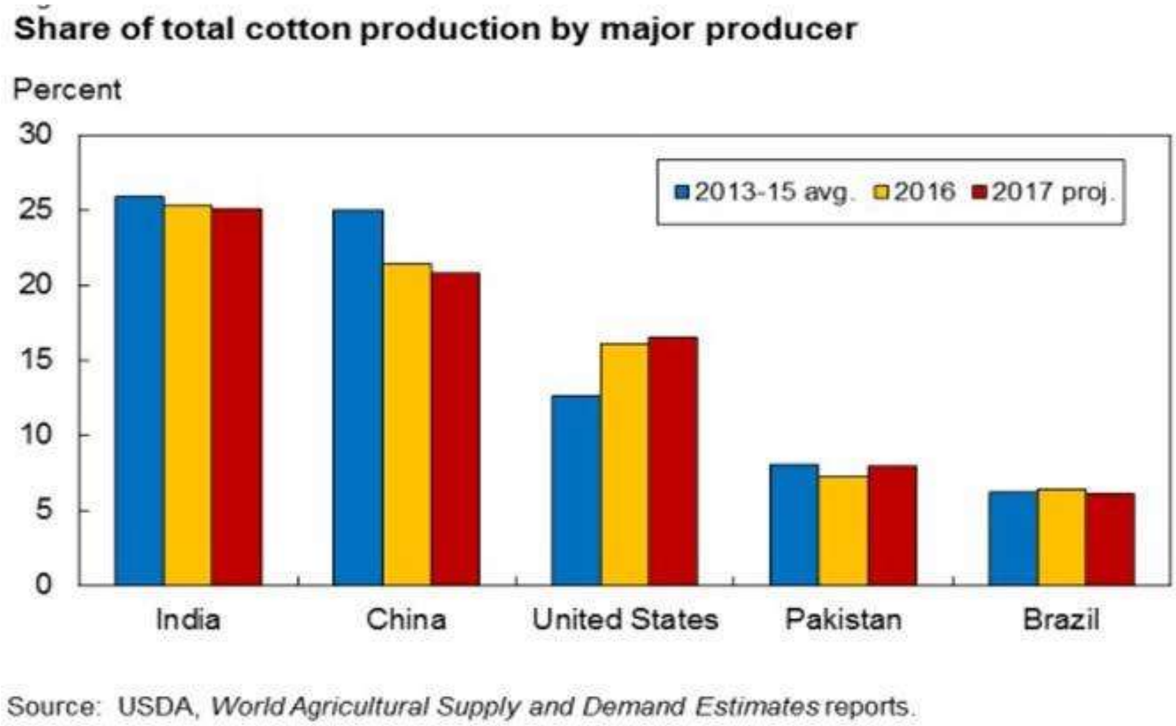
Top 5 countries to produce 76% of global cotton crop

Global cotton production remains concentrated among a handful of countries, and the top five cotton-producing nations are forecast to account for more than 76 per cent of total production, similar to last season but slightly below the 2013-14-2015-16 average. India, China, the United States, Pakistan and Brazil are top cotton producing countries.



India—the largest cotton producer—accounts for 25 per cent of the 2017-18 global crop estimate, while China and the US are expected to contribute 21 per cent and 16.5 per cent, respectively, according to the latest 'Cotton and Wool Outlook' report released by the Economic Research Service of the US department of agriculture.

In 2017-18, India is projected to produce 29.0 million bales of cotton, 7 per cent above 2016-17.

Although the yield is forecast lower (near the 5-year average), an area rebound of 14 per cent is expected to push the 2017-18 crop to its highest in 3 years.

For China, cotton production is projected to rise 5.5 per cent (1.25 million bales) in 2017-18 to 24.0 million bales. Area devoted to cotton is forecast to return to the 2015-16 level of approximately 3.1 million hectares. Meanwhile, the China national yield is projected at a record 1,713 kilograms per hectare, as area is heavily concentrated in the high-yielding Xinjiang region.

Due to each of the major producing countries expecting larger crops, 2017-18 global cotton production is forecast at its highest level in 3 years at 115.4 million bales, 8 per cent (8.8 million bales) above 2016-17 and 19 per cent above 2015-16's 12-year low, the report said.

With alternative crops less favourable for the 2017-18 season, global cotton harvested area is projected to jump 10 per cent from 2016-17's 30-year low to 32.4 million hectares (80.1 million acres). The world cotton yield is estimated at 775 kilograms per hectare (691 pounds per acre) in 2017-18, 2 per cent below a year earlier.

Source: fibre2fashion.com- July 19, 2017

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Textile Sector Indonesia: Demand Down, but Exports Rise

Amid bleak global economic conditions many countries have reduced imports of textiles and therefore this modest growth in the first half of 2017 is actually a positive matter, one that provides a glimmer of hope that the situation will change for the textile sector.

Data from API show that Indonesian textile exports to key markets have declined. Shipments to the USA fell 3.6 percent (y/y), to the European Union by 4.0 percent (y/y), and to Japan by nearly 5 percent (y) in the January-June 2017 period.

Sudrajat said the apparel (fully made clothes) trade balance of Indonesia has improved markedly since the start of the year as the government has discouraged cheap imports into Indonesia to protect local industries.

Meanwhile, more than 50 clothes factories have been relocated to Central Java where they started using more efficient technology and therefore their output is more competitively prices on the world market, hence boosting demand.

Improved competitiveness (in terms of price and delivery) explains why demand is negative but Indonesian exports are positive," Sudrajat explained. "Moreover, foreign importers may now be more confident in Indonesia's economic and political stability."

Based on data from Indonesia's Industry Ministry, the textiles and textile product sector contributed USD $11.87 billion in terms of foreign exchange earnings, or 8.2 percent of Indonesia's total export earnings in 2016. Meanwhile, investment in this sector reached IDR 7.54 trillion (approx. USD $567 million) in 2016.

Indonesia is one of the world's largest textile manufacturers and exporters (although trailing far behind China).

Source: indonesia-investments.com- July 19, 2017

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U.S. makes lower trade deficit top priority in NAFTA talks

The United States on Monday launched the first salvo in the renegotiation of the 23-year-old North American Free Trade Agreement (NAFTA), saying its top priority for the talks was shrinking the U.S. trade deficit with Canada and Mexico.

In a much-anticipated document sent to lawmakers, U.S. Trade Representative Robert Lighthizer said he would seek to reduce the trade imbalance by improving access for U.S. goods exported to Canada and Mexico under the three-nation pact.

For the first time in a U.S. trade deal, the administration also said it wants an "appropriate" provision to deter currency manipulation by trading partners. The move appeared aimed at future trade deals rather than specifically at Canada and Mexico, which are not considered currency manipulators.

The 17-page document asserted that no country should manipulate its currency exchange rate to gain an unfair competitive advantage, an often-cited complaint about China in past years.

Shortly before the release of the document, President Donald Trump lashed out against trade deals and unfair trade practices, saying he would take more legal and regulatory steps during the next six months to protect American manufacturers.

Canadian Minister of Foreign Affairs Chrystia Freeland said the U.S. list was "part of its internal process" although a source familiar with the Canadian government's thinking said the document was "not earth shattering."

The source said officials from the United States, Mexico and Canada would meet in Washington on Tuesday to discuss logistics of the talks. No date has been announced for the NAFTA talks, but they are expected in mid-August.

Mexico's economy ministry said in a statement it would work "to achieve a constructive negotiation process that will allow trade and investment flows to increase and consolidates cooperation and economic integration to strengthen North American competitiveness."

Speaking on condition of anonymity, a senior Mexican government official said the list of priorities was "not as bad as I was expecting" and welcomed that the United States was not pushing to impose punitive tariffs, as Trump has threatened.

Trade experts have argued that shrinking the yawning U.S. trade deficit will not be achieved through trade deals but rather by boosting U.S. savings.

"The first bullet point shows their preoccupation with bilateral trade deficits and that's unfortunate," said Chad Bown, a senior fellow and trade expert at the Peterson Institute for International Economics. "There's not much that trade policy and trade agreements can do to change those. That's more of a macroeconomic issue."

Among the priorities, Lighthizer said the administration would seek to eliminate a trade dispute mechanism that has largely prohibited the United States from pursuing anti-dumping and anti-subsidy cases against Canadian and Mexican firms.

There was no mention of active disputes between the United States and Canada over softwood lumber and dairy products, but the document targeted a range of agricultural non-tariff barriers, including subsidies and unfair pricing structures, that are currently at the heart of those standoffs.

USTR said it would seek to strengthen NAFTA's rules of origin to ensure that the pact's benefits do not go to outside countries and to "incentivize" the sourcing of U.S. goods. It offered no details on such incentives and did not specify how much of a product's components must originate from NAFTA countries.

Source: reuters.com- July 19, 2017

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NATIONAL NEWS

Demand of 'no tax' on fabrics not acceptable: Jaitley

The main demand of the textile traders is not to put any tax on fabrics, which cannot be accepted for certain reasons, finance minister Arun Jaitley said in a written reply to a Starred Question in Rajya Sabha today.

The government has taken necessary steps to facilitate taxpayers to take Goods and Services Tax (GST) registration, the minister said.

Explaining the reasons for 'no tax' on fabrics being unacceptable, Jaitley said nil GST on fabrics will break the input tax credit chain and then the garments/madeups manufacturers will not be able to get the credit of tax on previous stages. Secondly, nil GST on fabrics will result in zero rating of imported fabrics, while domestic fabrics will continue to bear the burden of input taxes.

"Generally, the GST rates are equal or lower than the pre-GST tax incidence. And therefore, the price of fabrics is not likely to go up," Jaitley explained further.

On the claim that textiles sector was never taxed in independent India, Jaitley said that the entire textiles sector was subjected to central excise duty during 2003-04.

He said GST Sewa Kendras have been set up in various centres to handhold the taxpayers and to provide all necessary guidance regarding GST compliance.

The finance minister said that the GST rate structure for the textiles sector was discussed in detail in the GST Council Meeting held on June 3, 2017, wherein the Council recommended the detailed rate structure for the textile sector. He added that the GST rate structure for the textiles sector enables ease of classification and determination of rate, and the organised traders and unorganized sellers in the sector have not been affected by the GST.

Source: fibre2fashion.com- July 18, 2017

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Improvement expected in textiles production: FICCI survey

For the April-June 2017-18 quarter, a little over two-fifths of participants expect their production level to be similar to that of same quarter last year, while a third expect it to be higher as compared to the same over the same period, says the latest FICCI quarterly survey on Indian manufacturing sector, based on responses from both large units and SMEs.

For the same quarter, about 35 per cent of the sample respondents reported higher number of orders on a sequential basis while similar proportion reported no growth, the report said.

On an annual basis, half of sample covered is expecting exports to remain subdued in April-June quarter whereas about a quarter are expecting exports to be slightly higher than those of last year. Well over 90 per cent of the respondents feel the recent rupee appreciation would affect exports in the range of 0-5 per cent while a similar proportion expects imports to get cheaper by the same magnitude.

The average capacity utilisation of the textiles and technical textiles sector is hovering around 83 per cent with about 53 per cent of the respondents operating at the same capacity as that of last year.

Given an already high capacity utilisation, almost 60 per cent of the respondents do not foresee any growth in the same especially when demand is not expected to rise much.

About 63 per cent of the respondents in textiles sector have reported that their current inventory level is at par with their average inventory level while a quarter are reportedly having higher inventories.

Almost three quarters of the covered sample indicated that they are not planning to hire new workers in next three months while others responded affirmatively.

While the average cost of credit for the sector is around 9.5 per cent, but some of the respondents reportedly were availing the same at around 14 per cent.

On the expected outlook, almost 70 per cent of the respondents are confident about manufacturing growth to revive in coming months while a quarter expects it to remain at the current level in the near future, according to the survey.

Suggestions to stimulate growth in the sector include reduction in transactional costs (energy, transportation costs, etc), need to further rationalise cotton cost and procurement procedure, reduction of interest rates, and increase in rate of interest subvention for exports.

Almost 70 percent of the sample respondents indicated an increase in cost of production, primarily due to higher input costs including power and labour. Units in textiles sector are significantly affected by high prices of raw materials, labour related issues and low domestic and export demand.

Additionally, industry has suggested that some of older legislations like Hank yarn obligation, Hand loom Reservation Act, Pollution control norms, etc need a revision as such obligations create impediments to growth of the textile industry.

Source: fibre2fashion.com- July 18, 2017

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Arun Jaitley rules out lowering GST rate for textiles sector

The government today ruled out cutting tax rates for the textiles sector, saying a zero per cent GST on fabrics will break the input tax credit chain for the domestic industry and make imported items cheaper.

Amid protests in Gujarat by textile traders who are demanding rollback of 5 per cent GST on fabrics, Finance Minister Arun Jaitley said it is not correct to say that textiles sector was never taxed in independent India. “In fact, during 2003-04, the entire textiles sector was subjected to central excise duty,” he said in a written reply to a question in the Rajya Sabha.

“Generally, the GST rates are equal or lower than the pre-GST tax incidence. And therefore, the price of fabrics is not likely to go up,” he said. Under the Goods and Services Tax (GST) regime yarn and fibres made from silk, wool, cotton or other vegetable fibres attract 5 per cent tax.

While garments and made up clothings costing less than Rs 1,000 attract either 5 per cent and those exceeding Rs 1,000 attract 12 per cent levy. Yarns made of man-made fibre or filament attract 18 per cent GST, while he same is 5 per cent for fabrics.

Jaitley said the GST rate structure for the textiles sector enables ease of classification and determination of rate. The main demand of the textile trader is not to put any tax on fabrics, Jaitley said as he shot down the demand by saying that "nil GST on fabrics will break the input tax credit chain and then the garments/made ups manufacturers will not be able to get the credit of tax on previous stages".

Also nil GST on fabrics will result in zero rating of imported fabrics, while domestic fabrics will continue to bear the burden of input taxes, he said. Jaitley further said that necessary steps have been taken to facilitate taxpayers to take GST registration. GST Sewa Kendras have been set up in various centres to handhold the taxpayers and to provide all necessary guidance regarding GST compliance.

In reply to a separate query, Minister of State for Finance Santosh Kumar Gangwar said the GST rates were decided taking into account the pre-GST indirect taxes incidence on goods and service. "With the GST rates so notified the tax incidence on items like food grain, milk, egg, sugar, vegetable edible oils, spices in GST regime is lower than the tax incidence in the pre-GST regime," he said.

With regard to GST rate on pesticides, Gangwar said prior to GST pesticides attracted excise duty of 12.5 per cent in addition to average VAT rate of 4 per cent. Also there were taxes such as CST, Entry Tax, Octroi, etc. The GST rate on pesticides is 18 per cent. "Thus, the total tax incidence pre-GST and post-GST has not changed significantly, so as to impact the prices of pesticides, in general and the interest of farmers in particular," Gangwar said.

Source: indianexpress.com- July 18, 2017

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Tax change in India more bad news for cotton use

Cotton continues to face challenges from manmade fibers, production increases.

Just when you think cotton is starting to make some headway in its struggles with manmade fibers, someone comes along and throws another obstacle in its path, according to Informa Economics' H.W. Kip Butts.

The government of India has changed its tax structure so that it favors the use of polyester over cotton in its textile mills. Butts, senior cotton analyst and director of energy services at Informa Economics, says the new tax law could have a negative impact on world cotton consumption.

Butts, a speaker at the Southern Cotton Ginners Association summer meeting in Lafayette, La., said an unexpected increase in China's cotton area could also add to cotton supplies at a time when the market had been looking more favorably on the supply and demand outlook for the natural fiber.

Source: deltafarmpress.com- July 19, 2017

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90% of traders registered under VAT shift to GST regime in two weeks

Implementation of the Goods and Services Tax (GST) has made a good progress in the first fortnight after its enforcement from the first of this month as about 90% of the previous Value Added Tax (VAT) regime customers have been brought under the new system.

Chief Minister K. Chandrasekhar Rao, who complimented the commercial taxes department officials for the progress made so far at a review meeting on GST held here on Tuesday, asked the officials to complete registration of traders, VAT customers, under the GST by the month-end. Officials explained to the Chief Minister that out of the 2.16 lakh traders registered under VAT in the past, 1.92 lakh had integrated their operations with the new tax regime and secured new tax registration numbers.

Telangana was among the very few States which had achieved such a progress in a short span of time, the Chief Minister said, and added that this was possible with officials meeting traders personally and bringing them under the new tax regime.

The Chief Minister said the State Government was still pursuing with the Centre for exemption or concession from GST for granite, textiles, beedi industry, works/projects taken for public utility. Levying GST on these activities would adversely impact the people depending on them, Mr. Chandrasekhar Rao said.

The excise and commercial taxes departments had adopted a multi-pronged approach to explain and allay apprehensions among both traders and people.

Meetings were also being organised for real estate, IT, financial companies, hotel owners, catering sector, commission agents, textile traders, petty, retail and wholesale traders. A toll-free number, 18004253787, was set up to clear doubts.

Source: thehindu.com - July 18, 2017

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TPPs for success: Here is how India can use this game changer agreement

Three years ago, when the Trans Pacific Partnership (TPP) was seen as a game-changer in the evolving international trade regulatory regime, there was some discussion in India on whether the country should join TPP. Given the prevailing political constraints, it was evident that India would find it difficult to accept a number of clauses in the emerging agreement.

The discussion therefore was more aspirational than real. Today, we have a different situation. With the US, the largest economy in the TPP, withdrawing from the agreement, the future of TPP is uncertain. This situation provides some relief to India because the TPP would have eroded India's access to certain key international markets. Interestingly, the present situation provides more than just relief: It creates several important opportunities for India.

Like any new trade agreement, the TPP is a combination of initiatives such as those embodying good governance principles, i.e., transparency of procedures and regulations, timely decision, processes to facilitate transactions, standards of review, and support to improve institutional capabilities.

Further, it establishes collaborative and consultative mechanisms amongst policy-makers and regulatory agencies in different countries, and provides a template with steps that improve cost-effectiveness of domestic production and trade.

The agreement increases predictable market access, combining it with flexibilities to protect domestic industries if required, shows agreement on regulatory regimes in general as well as for certain specific products, and establishes a platform to discuss and seek solutions for emerging concerns and new issues. Further, the TPP covers a range of disciplines, from soft ones such as guidelines or best-effort agreement, to strong legally binding disciplines for large tariff reduction.

The TPP provides a useful template for India to facilitate domestic policy reform, promote regional or multilateral collaborative initiatives such as for regulatory coherence, and even prepare for negotiations at the regional or WTO level (a forthcoming Brookings India paper gives more detail).

In this context, it is noteworthy that India is implementing several domestic reforms to achieve good governance through initiatives such as ease of doing business, trade facilitation, self-certification, simplifying forms and processes, and introducing e-governance.

These systems-oriented reforms include a focus on developing transparent due procedures and inclusive systems; help provide timely response to enquiries, requests and reviews; and improve both regulatory practices and the general work of the Government. There is an obvious overlap between India's domestic reform process.

Several parts of TPP are relevant for India's ongoing efforts to enhance good governance, and provide a template worth consideration in the same way as the ease of doing business index is considered for effectively implementing the Make in India programme, or India is making practical efforts to improve trade-efficiency by implementing the WTO Trade Facilitation Agreement.

Likewise, TPP mentions specific issues pertaining to e-commerce, such as the legal regime required for e-commerce, online consumer protection, personal information protection, and regulation of unsolicited commercial electronic messages. Since the internet extends beyond national borders, agreement amongst nations become an important part of the regulatory regime for internet.

The TPP becomes particularly useful in this context because it shows a framework that has been agreed amongst several nations. Further, with technological changes that continue to further erode the limits of national boundaries, such machine-to-machine (M2M) and 3D printing, India would need to develop its systems and approaches broadly consistent with practices in other major economies.

The mechanisms and solutions in TPP provide a model for working towards greater collaboration amongst regulators of different countries and mutually learn about options to address new issues. These options could range from “soft” (e.g. guidelines) to “hard” (e.g. legislative or regulatory) requirements.

Collaborative efforts at the bilateral/regional level or the WTO are important in other areas as well, such as non-tariff measures faced by Indian exports, including standards and regulatory barriers. Collaboration and cooperation amongst nations also provides the basis for capacity building, develop mutually support initiatives, learn about methods and policies that improve domestic competitiveness, and share information on regulations and practices that lead to success cases in other countries. For these areas too, the TPP text provides a useful template to consider for collaborative arrangements amongst nations.

Interestingly, parts of the TPP and the emerging inward-looking attitude in several major economies regarding trade policies suggest a possibility also with respect to market access negotiations. India finds these negotiations difficult because opening up its markets by reducing tariffs is difficult for it, as is getting others to agree to its demand for opening up their markets for Indians going to the other territory to provide services such as software (Mode 4).

Even though the TPP embodies a much higher ambition for tariff reduction and lower for Mode 4 than what India would find comfortable, the agreement indicates possible directions for India to work out some solutions for negotiations in market access for goods and services.

The TPP provides a whole range of flexibilities which arguably are new in their scope: they include, for instance, up to 30 years for implementing the agreed tariff reduction for sensitive products, or taking away the agreed market access from others if certain market opening by them is assessed to be less than what was agreed.

For services, TPP results could indicate for India the possible export opportunities in areas other than Mode 4. Of course, though more thought is needed to identify and create opportunities for India in its specific context, the important point is to recognise that TPP provides a very rich template for improving domestic and external performance of India, without the onerous obligation to accepting any conditions under that agreement.

Source: financialexpress.com - July 17, 2017

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An app for economic growth! Apps boost GDP, but restrictions on Ola, Uber will choke growth

Even those unaware of the exact magnitude of the impact of the app economy will tell you it is significant—an Icrier-BIF report estimates a 10% increase in mobile internet traffic leads to a 1.3% increase in GDP and that the app economy could add $537 billion to GDP by 2020; that's a 5-fold jump from today.

If a Practo, going by the study, has over 200,000 doctors registered on it already, this can only be because it is adding to their clientele. Ditto for an UrbanClap which, according to Icrier-BIF, has 65,000 professionals listed on it and 1.5 million people have used its services—in the case of the 800 beauticians on the app, the study talks of their incomes rising 2-4 fold since they get to keep more of their earnings now as compared to when they worked in beauty salons.

An Amazon, though this is not featured in the study, has over 200,000 manufacturers registered on it, the majority of which will be MSMEs—since being on Amazon opens up the possibility of a pan-Indian market, the impact on sales and jobs creation will be immense; the fact that there are apps that allow such MSMEs to get bank loans through ‘flow-based’ lending models only makes the impact that much more.

Nor is it just private sector that is changing the face of the economy through greater information availability and disintermediation. From the communication-entertainment tool that the mobile phone was, it has become a tool of governance and empowerment.

The DigiLocker, for instance, promises you digitally signed government certificates in your locker; UPI allows digital payments at a fraction of the costs of traditional credit/debit cards and esignatures have grown rapidly; many government departments have apps to register and track complaints.

While many apps are useful because they help cut through government bureaucracy and clutter (DigiLocker) and others because they get you visibility (UrbanClap), the app economy can just as easily stagnate if policy interventions aren’t fast enough or are in the wrong direction. Interoperability of mobile wallets, for instance, requires government intervention.

And, in the case of apps like Ola and Uber, the next wave of productivity will be unleashed by allowing ride sharing and even non-licensed people to, whenever they like, simply joining the taxi-force by logging on to the app—but if the government is to outlaw this, as some did when motorcycle taxis were sought to be introduced, this will choke off the app economy.

Similarly, the bulk of apps, including those for e-tail are in English, so part of the government’s effort has to be focused on how to expand this to regional languages—NPCI’s work on payments, for instance, has been a force-multiplier and has brought down costs dramatically.

Similarly, the increased cyber vulnerability means the government has to beef up anti-hacking efforts dramatically—if the app economy is seen as something that can compromise user data, especially financial data, it will die a quick death.

Though the issue of whether apps like WhatsApp had to be licensed or pay telcos seems to have died a natural death, if the telecom industry continues to be in the financial state it is in today, it is difficult to see how the app economy can thrive.

Source: financialexpress.com - July 17, 2017

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E-commerce: RCEP nations talk details

Sixteen Asia Pacific nations, including India, are understood to be discussing in detail norms on e-commerce as part of negotiations on the proposed mega Free Trade Agreement known as the Regional Comprehensive Economic Partnership (RCEP).

Incidentally, technical level talks of the RCEP are being held from July 18 to 28 in Hyderabad.

India has been opposing binding norms on opening up the e-commerce sector at the level of RCEP as well as the global level (WTO) talks on grounds including that it (India) is yet to have a comprehensive national policy on the topic.

However, it is understood that many RCEP nations including Australia, Japan and China, are pushing for inclusion of a host of elements for 'Terms Of Reference' for RCEP negotiations concerning e-commerce. This is with a view to have some binding commitments from the RCEP members on liberalising e-commerce and ensure that the final pact has a separate chapter on e-commerce.

According to Jane Kelsey, professor of law, The University of Auckland, developing countries, including India, should be wary of demands for absolute prohibition on disclosure of 'source code' (code behind the software) because lack of access to 'source code' will make it tough to prevent anti-competitive practices, hacking and rights violation.Ms. Kelsey also cautioned against demands for prohibition of 'data localisation' saying accepting such demands will lead to difficulties in ensuring regulatory control over e-commerce firms.

Source: thehindu.com - July 19, 2017

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Pre-GST bonanza eats into July numbers as fashion sales drop 20 per cent

Sales of fast-fashion and lifestyle brands in India dropped by about a fifth in July despite eye-popping discounts, with industry experts attributing the decline to shoppers having advanced their purchasing to June before the national rollout of the single producer levy. The Goods and Services Tax (GST), which kicked in from July 1, involves a tax incidence of 12% instead of 5%.

“The reason for the drop could be that the industry had advanced the sales (to June),” said Jacob John, deputy chief executive of Lifestyle department stores chain.

At his stores, July sales were only marginally lower at about 5%. “This year, Eid was in June. So, some amount of Eid business also shifted to June and it was a good June for us,” John added.

Even though taxes on branded garments costing more than Rs 1,000 were raised from 5% to 12% after the GST was introduced, retailers from Levi’s to Lifestyle say they still haven’t increased the prices and are currently absorbing the differences in taxes themselves rather than passing them on to the consumers.

“Even if the prices increase due to GST, they can happen only after two-three months. I cannot do it immediately,” said John of Lifestyle. “So far, there is no change in our pricing.”

On Tuesday, Levi’s, Benetton, Gap, Aldo, Marks & Spencer, Pantaloons, and Lifestyle offered flat 50% discounts at the Mall of India in Noida.

A host of other brands, including US Polo, Tommy Hilfiger, Aeropostale, and Calvin Klein offered up to 50% discounts. An executive at a Zara store in the National Capital Region said the sale could continue until August depending on how long the stock lasts.

Extended run of discounts

India is witnessing one of the most-extended discounting seasons from fashion and lifestyle brands since November – first due to the demonetisation and now because of the GST. The introduction of the single levy has prompted retailers to advance their annual discounting season by a month to June.

“I haven’t seen so many discount sales since the 2008-09 Lehman Brothers crisis when retailers were left with excess inventory and the market was bad, sentiments were down and malls got deferred,” said the chief executive of a global lifestyle brand, requesting anonymity.

Retailers say that they had overcome the impact of demonetisation and were looking forward to better business this financial year. However, with e-commerce companies Amazon, Flipkart and Myntra continuing to offer discounts, brick-andmortar stores had to stay competitive and offer major cuts

“Challenges were there — be they demonetisation or the GST — and if we don’t respond adequately, we’ll be in trouble,” said Vishnu Prasad, chief executive of the Future Group-owned Central malls. Central advanced its sales season by a week to June 19. Before that, it had promotional events over various weekends.

Advancing the ‘End of the Season’ sale has disturbed the annual business cycle, which involves new ranges hitting the shelves in August.

“This time, new stocks are not coming because of the GST,” said the CEO of the global brand quoted above. That means the discount season will continue in July and may even spill over into August.

Vishnu Prasad said Central has a “tentative plan” of ending the sale by July 31. “It depends on how the rest of the days in July shape up,” Prasad said.

Source: economictimes.com - July 19, 2017

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