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TEXPROCIL NEWS CLIPPINGS

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IBTEX No. 103 of 2017 May 23, 2017

USD 64.79 | EUR 72.87 | GBP 84.16 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20007	41850	**82.40**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
21000	43927	**86.49**

International Futures Price

NY ICE USD Cents/lb (July2017)	78.39
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**87.40**
Cotlook A Index – Physical	**89**

Cotton guide:

Cotton price across futures contract at ICE plummeted on Monday. The most active July contract whose 1st notice period set to begin on 26th of June settled lower at 78.39 cents per pound.

Market has come back to its normal state where actual price rise had begun in the previous week.

The effect was also seen on the December future but the losses were limited. The December ended the session at 73.01 keeping the July/Dec spread at 5.38 cents.

We believe market may now continue to remain under stress and for the near term 80 cents would be treated as strong resistance level while price fall could extend towards 77.30 cents per pound.

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

Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 22/05/2017 ***Prices in US$ FOB***		
Country	**20s Carded**	**30s Carded**
India	2.50	2.80
Indonesia	2.56	2.85
Pakistan	2.44	2.82
Turkey	2.90	3.10
Source: CCF Group		

China yarn

Cotton yarn price kept stable to lower though cotton price hiked. Polyester yarn price increased thanks to virgin PSF price increase

while polyester/cotton yarn price kept stable. Polyester/rayon yarn and rayon/cotton yarn price went lower this week.

International yarn

The cotton yarn market has been relatively dull in reflection of the raw cotton market. In Pakistan, buyers have adhered to a hand-to-mouth policy. Export business has been scarce. A majority of spinners in China intended to maintain operations this month.

Source: CCF Group

NEWS CLIPPINGS

INTERNATIONAL NEWS

Path to EU widened for Vietnamese garments-textiles

Vietnam's garment-textile sector is expected to expand its markets once the Vietnam-EU Free Trade Agreement (EVFTA) comes into force in early 2018, reducing tax on Vietnamese garments and textiles exported the EU to zero percent over the next seven years.

To make use of opportunities offered by the pact, experts suggested local enterprises prepare to meet rules set by the deal, especially those regarding product origin.

Europe is a promising market for Vietnamese garments and textiles with export turnover reaching 3.5 billion USD in 2016, just behind the US.

Truong Van Cam, Vice President of the Vietnam Textile and Apparel Association (VITAS), described rules of origin as the most important thing in the agreement.

He said, Vietnamese garment-textile firms must ensure that their products originate from Vietnam or use materials imported from the EU or the bloc's trade partners.

The local garment-textile industry is still heavily dependant on imported materials , mostly from China, the Republic of Korea (RoK) and Taiwan (China), with the fabric sector, for example, importing up to 86 percent of materials for production and export.

VITAS Deputy Secretary General Vu Thi Phuong suggested domestic enterprises review their investment and business strategies to catch up with the transformation from the cut-make-and-trim production model to free-on-board and original design manufacturing (ODM) practices.

According to Phuong, apart from strict rules, the agreement also offers an open mechanism to the Vietnamese side, saying that products using materials from the EU's partner countries will also enjoy the tariff breaks.

Under the agreement, fabrics from the RoK, which has a free trade agreement with the EU, are considered as having clear product origin and are eligible for the tax reduction.

VITAS statistics show that the garment-textile sector spends more than 10 billion USD each year on importing fabric, with more than half from China, about 18 percent from the RoK and 15 percent from Taiwan (China).

If Vietnamese firms continue to import materials from China, they will find it hard to benefit from the EVFTA, the association said.

European experts proposed local enterprises learn the rules and the roadmap for tariff reductions in order to better access the market

Source: vietnamplus.vn- May 22, 2017

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Pakistan: Cotton yarn, cloth production increase 0.78%, 0.51% in 9 months

Domestic production of cotton yarn and cotton cloth grew by 0.78 percent and 0.51 percent respectively during first three quarters of current financial year as compared the production of corresponding period of last year.

During the period from July-March, 2016-17, 2.572 million tons of cotton yarn produced in the country as compared the production of 2.552 million tons of the same period of last year.

According the computation of Quantum Index Numbers of large scale manufacturing industries.

Source: shafaqna.com- May 21, 2017

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USA: June 12 Deadline to Submit Comments on NAFTA Renegotiation Objectives

The Office of the U.S. Trade Representative has set a June 12 deadline for the submission of public comments on matters relevant to the modernization of NAFTA. USTR will also conduct a public hearing on this topic June 27 in Washington, D.C.; those wishing to testify at this hearing must notify USTR by June 12.

Talks on renegotiating NAFTA could begin as early as mid-August. By mid-July USTR is required to publish on its website specific negotiating objectives and a description of how an updated NAFTA would further those objectives and benefit the U.S. To inform the development of those objectives USTR is soliciting comments on the following.

- general and product-specific negotiating objectives

- economic costs and benefits to U.S. producers and consumers of the removal of any remaining tariffs and the removal or reduction of non-tariff barriers

- treatment of specific goods (described by HTSUS numbers), including product-specific import or export interests or barriers, experience with particular measures that should be addressed, and any remaining tariffs, including ways to address export priorities and import sensitivities

- customs and trade facilitation issues

- appropriate modifications to rules of origin or origin procedures for NAFTA-qualifying goods

- unwarranted sanitary and phytosanitary measures and technical barriers to trade

- relevant issues with respect to trade in services, digital trade, trade-related intellectual property rights, investment, competition, government procurement, the environment, labor, small and medium-sized businesses, trade remedies, and state-owned enterprises

Source: strtrade.com- May 23, 2017

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Pakistan: Garment makers seek Rs60bln allocations in upcoming budget

Garments manufacturers on Monday urged the government to allocate Rs60 billion for the export-oriented industry in the upcoming budget 2017-18 under the PM's Rs180 billion package, besides releasing all stuck-up claims of the exporters.

In a statement, Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) chairman Ijaz Khokhar, appreciated the Prime Minister Nawaz Sharif for announcing the Rs180 billion export-led growth initiatives.

He said this bold decision had started showing results, as the exports of value-added textile industry were on an upward trend despite decline in exports of all other sectors.

The PRGMEA has also urged the government to release all stuck up funds, including DLTL, Customs Rebates and Sales Tax rebate. The PM's revival package has started boosting the country's exports, and if it was implemented in its true spirit, the issue of liquidity crunch would be resolved, the statement added.

Ijaz Khokhar asked the PM to appoint a full time minister for the textile industry as early as possible, for a proactive role.

"The government must discourage exports of raw material to facilitate the value-added textile and apparel sector, which ranks as the largest employment generator in the country," he said. He also urged for emphasising on job creation and value-added segments like apparel exports.

"At the same time, raw material exports must be dis-incentivised as they take jobs away from our country and create them in competing countries where they export raw material," he added.

PRGMEA vice chairman Jawwad Ch said the value-added textile export sector was the backbone of the economy with great potential for earning foreign exchange. It was the least energy and capital-intensive industrial activity, and was thus well suited for Pakistan's resource endowment to generate economic growth and employment, the statement said. The value-added textile sector was the major tax payer, largest employment generator in the whole textile chain, and was exporting up to $5 billion textile products.

Jawwad Ch said the high cost of doing business, energy shortages, myriad of taxes on exports, rising exchange rate, raw material shortages, and the divide between policy and its implementation have eroded the economic viability of the business. “We will continue to lose export share in the global market, and the textile sector may face closure in the absence of consistency in policies and proper policy implementation,” he added.

Source: thenews.com.pk - May 22, 2017

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EU Increases Retaliatory Duties on U.S. Jeans, Other Goods in AD/CV Dispute

Effective May 1 the European Union has increased from 0.45 percent to 4.3 percent its retaliatory duty on women’s and girls’ jeans, sweet corn, metal eyeglass frames and mountings, and crane trucks from the U.S. Affected EU tariff numbers are 6204.62.31, 0710.40.00, 9003.19.30, and 8705.10.00, respectively.

These additional duties are part of a continuation of sanctions authorized by the World Trade Organization in retaliation for the U.S. failure to fully comply with a WTO ruling against the Continued Dumping and Subsidy Offset Act of 2000.

Commonly referred to as the Byrd Amendment, this law allowed the U.S. to distribute antidumping and countervailing duties collected on foreign-made goods to affected domestic industries. The law was found to violate WTO rules and subsequently repealed, but distributions were allowed to continue for cases initiated prior to the repeal.

In response, the WTO allows each affected country or economy to raise its tariffs on goods imported from the U.S. in direct relation to the amount of AD and/or CV duties on goods from that country or economy that were distributed during the previous year.

In a notice filed with the WTO May 17 the EU said its current authorized level of retaliation is $8.17 million, which is 72 percent of the $11.3 million in AD/CV duties collected from EU exports and disbursed to U.S. companies in fiscal year 2016.

Source: strtrade.com- May 22, 2017

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Fashion industry coalition aims for 30 per cent sustainable cotton by 2020

Cotton is the world's most commonly used natural fibre, and is part of the fabric of the world's second most polluting industry - fashion. A new cross-industry initiative launched last week aims to make sustainable cotton a clothing industry staple.

The coalition, called Cotton 2040, brings together existing sustainable cotton initiatives, industry stakeholders and clothing brands to encourage the use of sustainably sourced cotton in the apparel sector. This crop-specific group is led by the London-based sustainability consultancy Forum for the Future, with support from the philanthropic arm of Dutch apparel maker C&A, the C&A Foundation.

The coalition is aiming to push production of sustainable cotton from 13 per cent to more than 30 per cent of total cotton production in three years. Thirty per cent is typically considered to be the tipping point at which solutions to challenges, such as sustainable cotton in this case, begin to rapidly scale and enter the mainstream.

A key motivation for the coalition is that brands and retailers are often confused by the broad range of sustainable cotton sourcing options on the market, according to Forum for the Future's senior sustainability advisor, Alexa Rees-Jones.

The group functions as a “one-stop guide” for companies to learn about the various standards of sustainable cotton, Stephanie Klotz, senior communications manager of C&A Foundation, told Eco-Business.

Furthermore, sustainable cotton represents less than 20 per cent of the more than 20 million tonnes of cotton produced annually. By working together, the goal is to increase global share of sustainable cotton, Rees-Jones said.

Members of Cotton 2040 include industry sustainability organisations Better Cotton Initiative and Cotton Made in Africa, organic standards firm Fairtrade Foundation, industry initiatives IDH and Cotton Australia, the London College of Fashion, and retail brands M&S and Target.

Cotton is one of the world’s oldest sources of textiles, but it is considered one of the world’s “dirtiest” crops for its environmental impact. Accounting for a mere 2.3 per cent of agricultural land worldwide, cotton growing accounts for 6.2 per cent of global pesticide sales and 14.1 per cent of total insecticide sales, found a UN Food and Agriculture Organization report produced in collaboration with the International Cotton Advisory Committee.

It is also a very thirsty crop - more than 20,000 litres of water goes into cultivating 1kg of cotton, which is equivalent to one pair of denim jeans and a t-shirt.

Work on forming Cotton 2040 began in 2015 with research and consultation with stakeholders and has resulted in four workstreams, or priority areas, to guide the mainstreaming of sustainable cotton.

They are: building demand for sustainable cotton, cotton recycling and circularity, traceability of the cotton value chain, and creating a cross-industry forum to help smallholder cotton farmers develop resilience in their work so they can make a decent living producing sustainable cotton, even in the face of changing climate patterns.

Forum for the Future and partners plan to unveil a beta version of a framework for sustainable cotton sourcing at an industry conference in Washington DC this October, said Rees-Jones.

She told Eco-Business that she hopes to spend 2018 helping organisations to use the framework and spread the word about the resource.

Noting that the supply of sustainable cotton exceeds demand for the commodity, she said: "If all the sustainable cotton that's grown is bought by brands and retailers, that would encourage additional growing, but it's not enough at this point to push the industry from the producer level. Our goal is to pull from the consumer end of the supply chain."

Cotton 2040 is being driven out of Forum's London office, and the non-profit is working with partners to look at how to bring the discussion around developing resilience to brands in South Asia, said Forum's principal sustainability advisor, futures, Charlene Collison, who leads the initiative.

Asia Pacific is where a lot of the world's cotton is grown, refined and made into textile and clothing. China and India are the world's top cotton-growing nations, but textile production in the region has resulted in labour abuses, water pollution and even farmer suicides, all to supply big-name fashion brands.

Today, major apparel companies such as GAP, H&M, Levi's and Reebok have committed to using sustainably sourced cotton.

Sustainable cotton production tends to have positive impacts for farmers, said C&A Foundation's Klotz. "The adoption of sustainable cotton cultivation practices have been shown to reduce input costs by the reduction or elimination of chemical use, and increase crop yield by improvements in soil health," she explained.

Businesses that choose to source sustainably also stand to reap the rewards. "One thing I hear from companies is that there's a business case for ensuring a sustainable cotton supply chain in order to mitigate risk of shock in their supply chain," said Rees-Jones. By sourcing from ethical and environmentally sustainable sources, companies ensure that they will get a fair price for whatever cotton they buy, she said.

Source: eco-business.com- May 22, 2017

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Denmark: Apparel, footwear use may rise by 63% in 2030: Report

The apparel and footwear consumption is projected to rise by 63 per cent, to 102 million tons in 2030, increasing the need for fashion industry to address its environmental and social footprint, says a recent report.

The fashion industry has a clear opportunity to act differently, pursuing profit and growth while also creating new value for world economy.

In the first Pulse of the Fashion Industry report (May 2017), The Global Fashion Agenda (GFA), in collaboration with The Boston Consulting Group (BCG), has made an in-depth assessment of the industry's environmental and social performance.

Drawing on the Sustainable Apparel Coalition's Higg Index and a survey of more than 90 senior managers responsible for sustainability issues and a variety of other sources, it offers the first comprehensive common fact base on the health of the industry – with a 'Pulse Score' by type of company, size, region and stage in the value chain.

As of today, the sustainability 'pulse' of the industry is weak – scoring only 32 out of 100, according to the report. GFA and BCG developed the 'Pulse Score' to assess the industry's performance on environmental and social issues across fashion companies and stages of the value chain and conducted the 'Pulse' survey to confirm and refine the findings.

In the past decade, the global fashion industry has been an engine for global development and made progress on sustainability. Awareness is growing and individually, companies are optimising business practices to limit their negative impact.

But with current trajectories of production and consumption, pressures on natural resources and social conditions will intensify by 2030 to the point of threatening industry growth itself.

The industry can move beyond fragmented individual actions with incremental results. Through collective efforts the industry can unite around an agenda for change, drive the needed systemic change and work jointly on disruptive innovation.

Source: fibre2fashion.com- May 23, 2017

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Iran cotton industry heavily dependent on imports

Iran is heavily dependent on imports to meet the domestic cotton demand, which is a strategic and all purpose product in Iranian textile industry. Iran imported over 56,517 tons of cotton worth $103 million during the 11 months to Feb 19. Uzbekistan was the biggest exporter.

The CEO of Iran's Cotton Fund Company Mohammad Hossein Kaviani said that considering the small size of farms for cotton cultivation in the country, the high costs of machinery and equipment are just not affordable, which means farmers have to produce cotton traditionally, much as it is inefficient. This has led farmers to turn to other agricultural sectors.

He believes it is possible to curb reliance on imports by supporting cotton cultivators. As not long ago, about 100 tons of cotton used to be exported from Golestan Province but now they import a considerable volume of cotton.

Golestan Province was known as "the land of white gold" in the past due to its vast cotton farms. Cotton industry was the driving force behind Golestan's economy, creating jobs and generating revenues either directly or indirectly through cotton farming and related industries.

According to the CEO, in the fiscal 2003-4, Iran exported 12,000 tons of surplus cotton. Imports in that same year stood at 25,000 tons.

One other factor discouraging cotton producers and leading to rampant imports is the low price of cotton compared to other agricultural products.

According to Kaviani, the area under cotton cultivation was 80,000 hectares in the last Iranian year (ended March 20, 2017).

It is predicted to reach 90,000 hectares this year, due to the timely delivery of seeds, fertilizer and pesticides to farmers along with government subsidies.

Iran imports cotton seeds from Turkey and Greece, which in Kaviani's words, are among the best in the world with the aim of boosting domestic production.

In the past, cotton production used to take 180 days, because of which farmers had to start cultivation early in the year to avoid the winter's cold and to boost productivity. This was not economical and discouraged farmers but they don't have this problem now with these quality seeds.

Cotton is the world's most economically valuable non-food crop. The global industry also employs more people than any other agricultural product.

Source: yarnsandfibers.com- May 22, 2017

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Bangladesh: Sustainability Compact reviews priorities for RMG sector

Partners of the Sustainability Compact – the Government of Bangladesh, the European Union, the US, Canada, and the International Labour Organisation (ILO) – have held the third follow-up meeting. The meeting aimed at assessing progress made since the second follow-up meeting on January 28, 2016 and to review priorities for the coming year.

The partners recognise progress made in several areas of the Compact, says the 'Joint Conclusions' released by the partners after their meeting in Dhaka. These include recent increase in trade union registrations in Dhaka division, work towards the development of standard operating procedures (SOPs) to better process applications for trade union registration, strengthening of Department of Inspection for Factories and Establishment (DIFE), formation of the Remediation Coordination Cell (RCC) and investment in factory safety with the initial implementation of corrective action plans.

They also noted the introduction of the concept of workplace cooperation and building a culture of occupational safety and health, according to the Joint Conclusions.

The Compact and the Joint Conclusions of the Partners continue to serve as a set of commitments and priorities by its partners aimed at securing respect for labour rights, occupational safety and health, and the promotion of responsible business conduct in the readymade garment (RMG) sector.

To ensure that the new SOPs are agreed to for the smooth and expeditious processing of trade unions' registration applications in accordance with objective and transparent criteria, the partners underlined the importance of upgrading the Department of Labour (DoL) with staff and resources.

The partners welcomed the formation of Tripartite Consultative Council (TCC) for RMG sector as an advisory body for industrial relations between the workers and the factory owners. They also recognised the urgent need to begin inclusive consultations towards the amendment of the Bangladesh Labour Act (BLA) and associated regulations to address the conclusions and recommendations of the ILO's supervisory bodies.

Further, the partners recognised the urgent need for promoting responsible business conduct (RBC). "They encourage brands and retailers to adopt RBC practices and a uniform code of conduct for factory audits in Bangladesh," the Joint Conclusions said.

The partners agreed on the need for the National Initiative, the Accord, and the Alliance to commence where not started and advance remediation work. "They encourage private initiatives to remain engaged with the government and to renew their commitments to working for safer RMG factories in the coming years."

Source: fibre2fashion.com- May 22, 2017

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USA: Maintaining NAFTA benefits is crucial: Cotton council

The US must remain a participant in a vibrant North American Free Trade Agreement (NAFTA) because it has been and can continue to be a very positive trading platform for US agriculture, including cotton and textiles, the National Cotton Council (NCC) of America has said. NAFTA trading partners—Canada and Mexico—are significant markets for US fibre exports.

With purchases exceeding 1 million bales, Mexico has emerged as one of US raw cotton's top five export destinations, and NAFTA plays a critical role in North America's highly integrated textile and apparel supply chain, said NCC chairman Ronnie Lee.

"With 95 per cent of US cotton exported in some form, we need positive and stable trading relationships with our international customers to maintain a healthy US cotton sector," said Lee, a Bronwood, Ga., cotton producer.

He stated that as the process of updating and renegotiating NAFTA proceeds, the US cotton industry "urges the Administration to stay involved in this important trade agreement and not weaken current provisions.

A strengthening of the textile rules of origin and a modernisation of NAFTA can lead to an expansion of jobs and exports for our nation. This is a very sound way to grow our economy."

Source: fibre2fashion.com- May 22, 2017

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No trade talks before Brexit bill settled, EU tells London

*European Union Governments **agreed** a common Brexit negotiating plan today and renewed their insistence that they would not **open** talks on a post-Brexit trade **deal** until London agrees to settle what it owes the Union.*

Ministers from the 27 other EU states met in Brussels to sign off on a common strategy and mandate the EU executive, in the form of chief Brexit negotiator Michel Barnier, to launch talks on their behalf after Britain's June 8 election.

Officials said, the strategy and mandate were adopted unanimously.

Several ministers stressed their priorities are to provide legal clarity for EU citizens in Britain before they find themselves living outside the EU in March 2019 and to agree how to calculate what London owes Brussels before departure.

Source: theindianawaaz.com- May 22, 2017

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NATIONAL NEWS

India sets $45 billion textiles exports target for FY18

The country's overall textiles and garments exports during 2015-16 stood at $40 billion, mainly because of less demand in major markets such as the US, EU and China, and stiff competition it faced from countries like Vietnam and Bangladesh, which enjoy an edge over India.

The government has set a target of $45 billion exports from the country's textile and garment sector in 2017-18, lower than the $48 billion set for the last fiscal which was missed by a huge margin.

The country's overall textiles and garments exports during 2015-16 stood at $40 billion, mainly because of less demand in major markets such as the US, EU and China, and stiff competition it faced from countries like Vietnam and Bangladesh, which enjoy an edge over India.

"We have set a target of $45 billion for textiles and garment exports in the current fiscal," a top official told PTI.

Besides, the textiles ministry plans to unveil a package for the knitwear sector, which is grappling with enormous financial stress due to lack of automation leading to much lower productivity than countries like China.

"We will announce a big package for the knitwear industry which is facing several challenges in the next one month or so," Union Textiles Minister Smriti Irani said while addressing a press conference here.

However, Irani did not provide a timeline for the unveiling of the much-awaited new National Textiles Policy.

The minister also said that roadshows have been held in six countries including the UK, US, China, Russia, South Korea and UAE to attract the industry and potential investors for the textiles India event, to be inaugurated by Prime Minister Narendra Modi in Gandhinagar on June 30.

The three-day mega event plans to showcase India as a global sourcing hub and will be attended by several Union ministers including Finance Minister

Arun Jaitley and Irani, and provide a platform to connect and collaborate with global manufacturers, investors and buyers in the textiles sector.

Asked about violation of norms by some special purpose vehicles operating in textile parks and a report commissioned by the textiles ministry concluding that the Scheme for Integrated Textile Parks (SITP) has failed to achieve its objectives, Irani said if violations come to light, “the office of the Textiles Commissioner takes positive or punitive steps to ensure that there is no anomaly or transgression”.

She said the Textiles Commissioner’s Office has confirmed that around Rs 3,000 crore have been approved as additional investments in the apparel segment, which will generate more employment in the entire sector.

The government in June 2016 had approved a Rs 6,006 crore special package for textiles and apparel sector to create one crore new jobs in 3 years, attracting investments of $11 billion and generating $30 billion in exports.

The minister informed that funds to the tune of over Rs 1,900 crore have been given to the apparel industry under the rebate of state levies to boost exports from the sector.

Besides, she said under the Pradhan Mantri Paridhan Rozgar Protsahan Yojana, over 1.4 lakh workers have registered themselves for provident fund.

Source: hindustantimes.com- May 22, 2017

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So far, the GST Council has got it right

The GST Council has finalised the rates for almost all the commodities, as well as the rates for services. The Council has approved five-tier structural rates — 0, 5, 12, 18 and 28 per cent — for both goods and services.

While the five-tier structure was expected on the goods side, a similar rate structure for services has come as a bit of a surprise. Nevertheless, one message that emerges clearly is that the broad rate structure especially on the goods side, far from being inflationary, may encourage a downward movement in prices.

This combined with already low levels of CPI inflation and strengthening of the rupee provides space for a looser monetary policy regime. Fiscal rectitude now may afford the Reserve Bank of India the luxury to move towards a more accommodative monetary policy and perhaps cut the rates. This will afford considerable relief to the private corporate sector and stimulate private investment.

Interesting decisions

Besides this general message, there are two interesting decisions on the rates which merit elaboration. First of all, the GST council has approved a levy of 5 per cent GST on unmanufactured tobacco in the hands of the purchaser. This is an important measure as it recognises that from the health point of view, all tobacco needs to be treated uniformly for tax purposes without discriminating between product categories.

The measure will also bring in discipline in the tobacco auction market and create an audit trail of transactions which will reduce non-compliance in sectors such as bidi, chewing tobacco and cigarettes. It may also bring in much needed revenue to the extent it finds use in the exempted product category.

The other interesting decision was fixing a duty rate of 12 per cent for works contract relating to construction of residential/commercial buildings when the full value of the land is included in the taxable base. Full input duty credit has been allowed whereas hitherto no credit was given on input goods. This measure could be the precursor to the inclusion of real estate in the GST in the next round.

This will bring the full value chain in the real estate segment within the GST which until now was restricted only up to the construction stage. It will remove the present artificial distinction in services taxation between works contract and services rendered in relation to construction of residential/commercial buildings. This will help clean up the land market and reduce the generation of black money income by bringing in greater transparency in transactions.

The duty rates on two important segments, namely gold and gold jewellery and textiles, have not been finalised; the decision has been postponed to a June 2 meeting in New Delhi. The traditionally low rates of excise duty/VAT on gold and gold jewellery are predicated on the premise that an increase in rates would encourage smuggling of gold into the country.

This argument does not hold much water now. Domestic prices of gold are a function of the level of international prices abroad and inflationary expectations at home. On the international side gold has ceased to be an attractive store of value given the emergence of new financial instruments such as digital bitcoins and low levels of inflation. The relative strengthening of the US dollar makes gold even less attractive.

Inflation and opportunities

Within India, inflation is at an all-time low. The Government's Jan Dhan Yojana has given the poor greater access to credit, and their financial inclusion will make gold less attractive. For all these reasons, this is probably the appropriate time to raise the duty on gold and gold jewellery to at least 5 per cent, if not more. This is only the headline rate and the effective rate may be lower if embedded credits of taxes in the supply chain are available post GST.

Regarding textiles, a great opportunity presents itself to clear up the multiplicity of rates. A uniformly low rate of duty of, say, 5 per cent across the value chain would remove the existing distortions and allow the rapid growth of the sector.

One principle that has guided the fixation of rates of indirect taxation is the rich-poor dichotomy.

The conventional wisdom has been that goods consumed by the rich should be taxed higher than goods consumed by the poor. While this argument appears attractive on the surface, in fact it may have an adverse effect as many of the products consumed by the rich are produced by the poor. Garments are a good example of this.

What was conspicuous consumption yesterday is mass consumption today and therefore these categories over time segue into one another. Historically, the textile industry is a good example of how wrong policies adversely affected the growth of the sector.

At Independence, the textile industry was poised to become the leader in Asia but high rates of import duty on textiles machinery and a policy of reserving textile items for the smallscale industry effectively prevented the emergence of large textile companies in the seventies; the space was taken over by China, Taiwan and South Korea. Today another opportunity presents itself for simplifying and lowering the rates and maintaining fibre neutrality.

Insightful debates

The debates over the fixation of rates are illuminating. While the proposed structure definitely represents an improvement, we need to move to even fewer rates of duty in the GST. Historical experience shows us that indirect taxes are not a good instrument for achieving socio-economic objectives with two important caveats. One, higher rates could be justified on environmental grounds, while lower rates could be justified for labour-intensive sectors.

Other than this, the poor/rich argument should be jettisoned, for egalitarian objectives could be better addressed through the direct tax route than through the indirect tax regime. The best way to ensure that the well-to-do contribute their share to tax revenues is by bringing them into the tax-net and subjecting income tax payees to a graded tax system based on income.

The time has therefore come to look at the differential role of direct and indirect taxes in achieving equity and investment objectives.

The recently created 'Tax Policy Research Group' is probably well placed to look at the relative roles of direct and indirect tax revenues in the macro-economic scenario. There is another interesting area where GST by improving compliance in the trading segment can ensure buoyancy in the direct tax revenue.

There is no doubt GST is a transformational tax reform and a fine example of the concept of pooled sovereignty. A good GST can become a great GST with some additional policy measures.

Source: thehindubusinessline.com- May 22, 2017

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Package for knitwear industry soon: Smriti Z Irani

The government is working on a package for the knitwear industry and is likely to announce it in a month or two, textile minister Smriti Z Irani said on Monday. Post this, the government would come out with a comprehensive policy for textile sector.

"We plan to come out with a package for the knitwear industry in a month or two," Irani said while briefing the media on three years of initiatives and achievements of the textiles ministry. The government has already come out with a package for garments, made ups and powerloom sector in the last one year.

The knitwear industry which mainly comprises small and medium enterprises was left out in the earlier scheme of things and experts says that the package can ease the pain especially with the goods and services tax kicking in. The minister also said that work is ongoing for a National Textile Policy and could be taken up after the flagship Textiles India event in July.

The policy seeks to address concerns related to skilled workforce, labour reforms, attracting investments in the textile sector and providing a future roadmap for the textiles and clothing industry.

The textile sector received Rs 3,000 crore worth investment in the last three months since the government launched a package for apparel in June.

The package is designed to create one crore jobs, boost exports by $30 billion and investments by Rs 74,000 crore in three years.

Source: economictimes.com- May 23, 2017

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Raymond launches 'Khadi by Raymond'

India's leading textile and apparel conglomerate Raymond Limited has launched its first branded khadi label – 'Khadi by Raymond'. This is an exquisite range of fabric blends and ready to wear garments that resonate with the Indian culture, upholding the company's rich legacy that strikes a chord with the growing demand of Indian customers.

This initiative is conceptualised under Khadi & Village Industries Commission (KVIC) mark regulation act and permits Raymond to promote the sale and marketing of khadi or khadi products of village industries or handicrafts and forge links with established marketing agencies through the PPP mode.

Under this convergence, Raymond has agreed for a guaranteed minimum procurement of khadi and khadi products for a period of 5 years with primary purchases of muslin cotton, wool blends and silk.

"It is indeed a moment of pride to have khadi – the fabric of our nation as a part of our product portfolio. Embodying some of the latest design trends and enhancing its quality Raymond Khadi is set to reposition khadi as a fabric of choice, in line with prime minister's vision of promoting khadi for fashion and reinstating our commitment to Make in India initiative," Gautam Hari Singhania, chairman & managing director – Raymond Limited said.

"“It is a historical moment that the best brains are coming in to get involved with khadi. The agreement signed between KVIC and Raymond is bearing its first fruit and the exclusive display of khadi apparels will open a new avenue for khadi market and this will serve the cause of rural artisans of our country and support the cause of prime minister Narendra Modi for greater use of khadi by every Indian," VK Saxena, chairman KVIC said.

Currently, khadi is being marketed by Khadi Gramodyog Bhavan's stores as well as through the sales outlets run by the institutions financed by KVIC and KVIB. However, this strategic partnership will open new doors for khadi through numerous Raymond outlets across the country as well as select international markets.

"The ministry of MSME has been undertaking numerous measures to not just revive but also strengthen the ailing units of khadi. Public Private Partnerships such as the one with Raymond boosts industry confidence by ensuring market linkages that can lead to demand generation. The increase in demand for khadi will thus be a positive measure for the economy creating numerous employment opportunities for artisans," said Giriraj Singh, minister of State, MSME during the launch programme.

As part of the initiative, Raymond will procure all India khadi varieties and will send it to manufacturing plants for final finishing process ensuring superior product handle and finesse. Raymond will also bring in the design interventions at khadi manufacturing clusters across the country along with providing technical expertise.

The story Re-Spun signifies the value addition done by Raymond in entire value chain of khadi production. Raymond Khadi products will be available at KVIC outlets, Raymond shops across India and leading e-commerce portals.

Source: fibre2fashion.com- May 22, 2017

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Council fixes 18% GST for textile machinery

Goods and Services Tax (GST) rate for textile machinery has been decided at 18 per cent by the GST Council of India at its two-day meeting which concluded recently in Srinagar, Jammu & Kashmir. GST rates announcement for textiles and footwear has however been deferred to 3rd June by the Union Finance Minister Arun Jaitley.

As per the data available on Central Board of Excise and Customs (CBEC) website, following textile machinery will now fall under 18 per cent tax slab from July 1, 2017:

8444 – Machines for extruding, drawing, texturing or cutting man-made textile materials.

8445 – Machines for preparing textile fibres; spinning, doubling or twisting machines and other machinery for producing textile yarns; textile reeling or winding (including weft-winding) machines and machines for preparing textile yarns for use on the machines of heading 8446 or 8447.

8446 – Weaving machines (looms).

8447 – Knitting machines, stitchbonding machines and machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net and machines for tufting.

8448 – Auxiliary machinery for use with machines of heading 84.44, 84.45, 84.46 or 84.47 (for example, dobbies, Jacquards, automatic stop motions, shuttle changing mechanisms); parts and accessories suitable for use solely or principally with the machines of this heading or of heading 8444, 8445,8446 or 8447 (for example, spindles and spindles flyers, card clothing, combs, extruding nipples, shuttles, healds and heald frames, hosiery needles).

8449 – Machinery for the manufacture or finishing of felt or nonwovens in the piece or in shapes, including machinery for making felt hats; blocks for making hats.

8451 – Machinery (other than machines of heading 8450) for washing, cleaning, wringing, drying, ironing, pressing (including fusing presses), bleaching, dyeing, dressing, finishing, coating or impregnating textile yarns, fabrics or made up textile articles and machines for applying the paste to the base fabric or other support used in the manufacture of floor covering such as linoleum; machines for reeling, unreeling, folding, cutting or pinking textile fabrics.

9024 – Machines and appliances for testing the hardness, strength, compressibility, elasticity or other mechanical properties of textiles.

Commenting on the declared tax regime, **Puneet Agarwal, Managing Director, Pushp Creation, Jodhpur**, told *Apparel Resources*, “18 per cent is not what we expected.

In this era of competition, it should have been at least in 12 per cent tax slab. It's really tough to survive for textile machinery industry. But I am hopeful for the further announcement on the 3rd June."

The Council has broadly approved the GST rates for goods at nil rate and 5, 12, 18 and 28 per cent to be levied on certain goods.

Source: apparelresources.com - May 22, 2017

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India, Bangladesh need to work together in textile sector: High Commissioner

The Indian High Commissioner to Bangladesh has said that both countries need to work together to tap the benefits of global textile industry changes. Harsh Vardhan Shringla said the manufacturing is "increasingly" shifting to countries in South and Southeast Asia due to the cost advantages offered.

"Rapid economic growth and rising disposable incomes are contributing to fast growth in apparel consumption in the developing countries," he said. "India and Bangladesh need to work together to take advantage of these opportunities by creating and strengthening cross border value chains".

The High Commissioner was speaking at a technical symposium on "Current Trends in Textiles" organised by Grasim Industries Ltd (Aditya Birla Group) in Dhaka on Monday night.

The Readymade Garments (RMG) sector in Bangladesh has seen impressive growth over the years accounting for more than 80 percent of the total exports earnings of the country.

After India granted duty free quota free access to Bangladesh in 2011, the RMG exports to India have more than doubled to $136.4 million in 2015-16 from $55 million in 2011-12.

In 2015-16, Bangladesh's RMG exports to India grew by 31 percent. Bangladesh's overall exports to India have also increased by 30.82 percent at the same time.

India also supplies a large part of critical inputs such as cotton and manmade fibres, yarn and fabric, and chemicals for the Bangladesh RMG industry.

As the industry strives to meet the target of exporting $50 billion per year by 2021, its linkages with the Indian textiles industry will be "critical", the High Commissioner said.

"Besides being the top cotton producer in the world, India possesses huge capacities for producing yarn and fabric, and is also amongst the largest manufacturers of manmade fibres, yarn and fabric," he said.

"As a neighbour, India is ideally positioned to supply these inputs at lower prices and with lower lead times to the Bangladesh RMG industry".

Apart from cotton supplies, the demand of manmade fibres like the viscose staple fibre – the flagship product of Grasim Industries – and 'technical textiles' which is being used in industries such as defence, healthcare, construction, and sports have also grown.

"Manmade fibres and technical textiles are already amongst the fastest growing areas in the Indian textiles industry, and India can also meet Bangladesh's demand for these items," the envoy said.

He, however, urged Bangladesh to invest in India to take full advantage of the growth and size of the Indian market of 1.3 billion people.

"Make in India programme launched by the Government of India offers significant advantages to companies investing in India".

India has earlier invited Bangladesh RMG industry to attend 'Textiles India 2017' being organised in Gandhinagar, Gujarat from Jun 30-Jul 2.

The High Commissioner hoped that Bangladesh RMG industry would participate in large numbers in the expo.

Source: bdnews24.com- May 22, 2017

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TEA members keen on setting up garment units in Odisha

The Odisha government's new textile/apparel policy may see the light of day with some member companies of India's largest knitwear/readymade garments cluster — Tirupur Exporters' Association — evincing interest. The member companies assured the Odisha government to train locals to equip them with requisite working skills.

A delegation of TEA member companies had visited Odisha on the latter's invitation to assess the investment opportunities to set up garment manufacturing units.

The senior officials of these member companies also assured Odisha government about setting up a new textile park near Bhubaneshwar, TEA sources told FE here.

The Odisha textile/apparel policy offers incentives of 60% subsidy on building and common facilities, 25% subsidy for new machinery, Rs 1 crore interest-free working capital loan, minimum wage of Rs 220 for eight hours and the state government would even reimburse Rs 1,500 for new factories, giving employment for new labourers.

Source: financialexpress.com- May 23, 2017

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GST regime: Input credit to help logistics companies with assets to neutralise tax

Logistics firms that own assets such as trucks, warehouses, loading and unloading equipment, and offer multiple supply chain solutions are expected to gain from the Goods and Services Tax (GST) regime based on their ability to neutralise input credit, said the Indian Foundation of Transport Research and Training (IFTRT), based on an initial analysis.

Predicts drop in costs

"For multi-service logistics and contract businesses, the service tax could even be 12 per cent or most likely 18 per cent, though clarity will be in the gazette notification on service tax," said IFTRT, which has been predicting a 4-10 per cent drop in logistics costs.

The transport research body said that on present revised assessment, on the basis of past experience on service tax that is now merged with the GST regime, the input tax credit benefit — even when the service tax rate is at 18 per cent under the new GST regime — will neutralise the 18 per cent tax for the third and fourth party logistics players.

Single common market

The new GST business practices will allow borderless trade with India being single common market. Hence, logistics firms stand to gain if they own fleet, warehouses, loading and unloading equipment to make supply chain efficient.

If the so-called logistics firms work as intermediaries or commission agents, then the rate for them has been fixed at five per cent. This is at an effective 4.75 per cent in the service tax regime — which in many cases, was charged at 15 per cent to customers and under-reported to service tax authorities by depositing 4.75 per cent only.

The same has been the case with several established packers, movers and relocators, courier firms, and goods movers, who allegedly charged customers a service tax of 15 per cent while their books reflected 4.75 per cent.

Consolidation likely

It is now hoped that with large number of anomalies corrected with regard to service tax rates on transportation/logistics, the 'fly by night' operators may vanish from the market.

The phase of consolidation, modernisation and upgradation may gradually usher in during the post-GST regime, said IFTRT .

Also, seamless movement of goods carriers through toll booths due fastTAGs or Electric Toll Collection and lifting of inter-state border check posts will boost full round trips by 25-30 per cent in next four-five quarters post-GST, it added.

Source: thehindubusinessline.com- May 23, 2017

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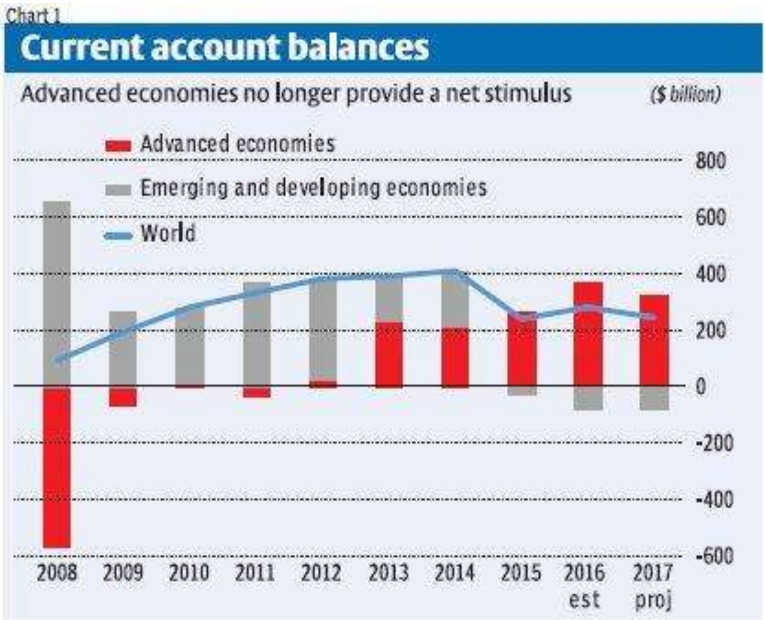
Where will global demand come from?

For several decades, the US economy functioned as the principal agent of global demand, sucking in vast amounts of imports from the rest of the world as it built up vast current account deficits. Of course, it was easily able to finance these deficits with capital inflows, benefiting from its status as the holder of the only viable global reserve currency. But just as the US was able to make the rest of the world, in effect, pay for its own domestic economic expansion, this expansion had positive effects on growth in the rest of the global economy.



The US functioned as the primary source of demand for major exporting nations, thereby pulling much of the rest of the world economy along with it in the intermittent periods of boom. In the 1990s and again in the 2000s, there were prolonged periods during which the current account deficits of the US grew and then remained at very high levels, generating demand for others in the world economy. While major exporting nations like Germany, China and to a lesser extent Japan, were obviously the chief beneficiaries of this, the expansion trickled down to other countries and regions.

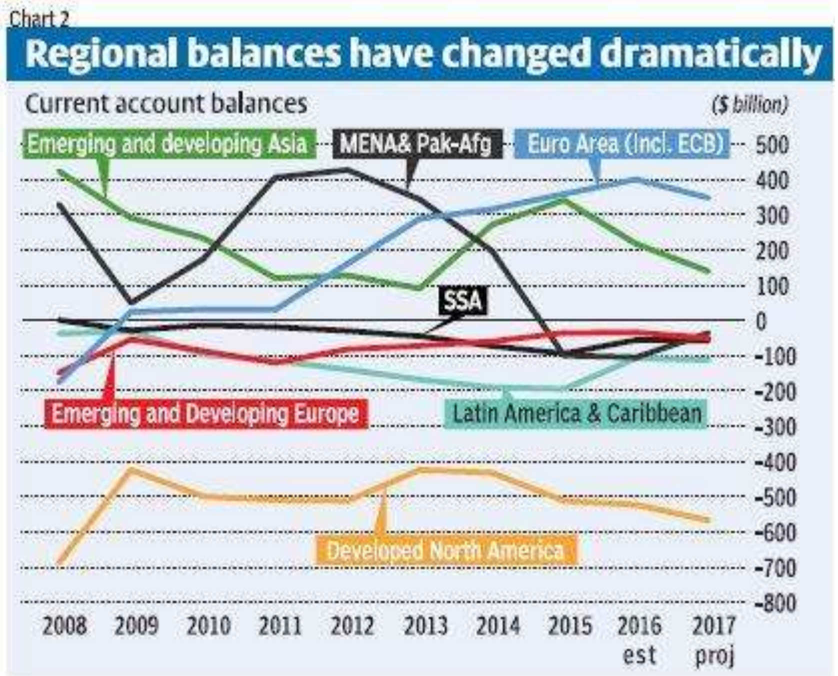
This was clearly not the ideal mode of global expansion, since it created imbalances that were bound at some point to become unsustainable, and possibly erupt in crises, as they indeed did in 2001 and again more severely in 2008-09.

The problem was that countries tried to export their way to growth and therefore relied on an external stimulus for demand expansion, which had to be at the expense of others. A better and more preferable route to global growth would be to enable and allow domestic expansion within countries – but that requires international co-ordination.

Declining US stimulus

Such co-ordination has been lacking in the recent past. This is unfortunate, because since the Global Financial Crises, in which the US economy was the epicentre, the US economy's net stimulus to the rest of the world has been on a declining trajectory.

And the absence of other demand stimuli condemns the global economy to its low "new normal".



Consider the net current account deficits (in US $ billion) of the major regions and economies, shown below using the latest data from the IMF online database. As Chart 1 shows, in 2008 the advanced economies as a group ran a huge current account deficit of more than $580 billion in 2008. This shrank dramatically the following year, and thereafter, especially since 2013, advanced economies have shown growing current account surpluses, implying that they as a group no longer provide a net demand stimulus to the world economy.

Meanwhile the group of developing, emerging and transition economies ran surpluses until 2014, which turned to deficits thereafter. However, these deficits were much smaller in absolute size and so nowhere near enough to counteract the impact of the declining net demand from the advanced economies.

As the chart shows, the world economy as a whole has shown significant current account surpluses over this entire period, essentially implying an increase in aggregate reserve accumulation, as well as the impact of "errors and omissions".

This aggregate global current account surplus (which effectively amounts to a global excess of ex ante savings over investment, and therefore levels of output well below potential full capacity output) increased sharply between 2008 and 2014. While it has fallen a little since then, the IMF's projections for 2017 are still nearly three times the level of 2008.

Chart 2 provides the regional division of these current account balances over this period. Several significant features emerge: a rise and then equally sharp decline in the surpluses of the Middle East and North Africa region, largely driven by oil prices; a decline, increase and then decline again for emerging and developing Asia; a decline in the North American deficit followed by only a marginal increase after 2014; and most strikingly of all, a very significant increase in the surpluses of the Eurozone.

While these regional aggregates are instructive, it is clear that they are driven by a few large countries, and in the contemporary global economy there are no prizes for guessing which these are. Chart 3 provides data on the three most significant players: the United States, Germany and China. The US deficit fell after 2008 and since then the net stimulus coming from that economy has been stagnant or falling.

The Chinese current account surpluses are well known and much talked of, but they have been much more variable and recently on a clearly declining path.

But the big news is about Germany, which since 2010 has been running the largest surpluses of any economy in the world – and furthermore, these surpluses have been increasing recently. This mercantilist approach of Germany imparts a severely negative impulse to global demand. As a large rich economy, its persistence on internal wage and demand suppression, relying fundamentally on external demand for its own expansion, deprives other economies of potential economic activity.

German worries

But the adverse German influence may extend even further, as Chart 4 demonstrates. It has also been actively trying to remake the rest of the Eurozone in its own image at least with respect to this feature, by forcing austerity policies upon the peripheral economies and squeezing current account surpluses out of devastated economies in decline.

The strategy is evidently to export the Eurozone's deflation and unemployment to the rest of the world.

This is why, as Chart 4 shows, even the Eurozone outside Germany has generated growing current account surpluses since 2013. These have not led to faster growth with more employment, since they have been based on wage suppression within these economies. (Interestingly, other countries in the "Teutonic bloc" like Austria and the Netherlands, have behaved similarly.)

The German role in the global economy thus currently appears to be doubly pernicious. Unlike the Chinese expansion, which during the boom created more growth in a range of other developing countries by drawing them into the value chain for export to the advanced countries, the German expansion has not had similar positive effects for most developing countries.

And now, by imposing macroeconomically repressive and mercantilist policies upon the rest of the Eurozone, it is further adding to the negative stimulus imparted to the global economy.

Talk of technology or trade as the villains simply distracts from the obvious point: unless significant and sustainable efforts are made to revive global demand through wage growth in a co-ordinated way, the global economy will be condemned to stagnation or worse.

Source: thehindubusinessline.com- May 23, 2017

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